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Report Highlights: This report reviews the damage caused by floods in the Mekong River Delta (MRD). Vietnam rice production in CY-2001 is forecast at 31.3 MMT. Although there was an improvement in August rice exports, total rice exports in CY-2000 are unlikely to exceed 3.4 MMT. Tables of Vietnam Rice PS&D, estimated August rice exports, and rice exports through the first 8 months of 2000 are also provided.

Includes PSD changes: Yes
Includes Trade Matrix: No
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PRODUCTION

Mekong River Delta (MRD) severely hit by the worst flood in 70 years. MRD floods started in early August, 2000. The floods covered huge areas around the MRD and are expected to last a very long time. According to a report released by the National Flood and Storm Control Committee (as of September 22, 2000), the total loss is estimated at VND 550 billion (equal to \$38 million) excluding damage to the infrastructure. The region's agricultural sector is also critically affected, especially for the Summer-Autumn (S-A) rice crop that is being harvested and the Lua Mua crop being planted. According to the Ministry of Agricultural and Rural Development (MARD) (as of September 12, 2000) for the S-A rice crop there was about 321 thousand hectares (Tha) inundated by the flood, about 45 Tha totally destroyed, and more than 82 Tha harvested early (before being completely ripe). The total harvested areas of S-A in MRD is estimated at 1,800 Tha. This number is near Post's previous estimate so we keep the total paddy production calculated for CY-2000 unchanged (VM0012).

Production of 2000/2001 Lua Mua crop is likely lower than 1999/2000's crop due to lower areas and crop yield caused by storm and flood. In the middle of September, tropical storm Wukong destroyed some Lua Mua areas in the North Central Coast. According to MARD's data, in Thanh Hoa province about 41 Tha of Lua Mua were submerged, of which about 18 Tha may bring no harvest while in Ninh Binh province (Red River Delta), there was about 17 Tha of Lua Mua reportedly inundated of which 2 Tha was seriously spoiled. In MRD, the flood also destroyed about 10 Tha of newly planted Lua Mua crop. However, damages caused by floods on Lua Mua in MRD would not be very serious as Lua Mua areas are usually located far from the Hau river (which is the river creating most of the MRD floods). Moreover, the height of Lua Mua rice varieties is often taller than that of S-A rice varieties. MARD experts believe that the MRD Lua Mua area will remain roughly the same as last year's crop which was about 580 THA. Although the MRD is suffering from flood, drought is threatening some Lua Mua areas in the North West region (especially in Lang Son, Thai Nguyen, Bac Can, Ha Giang provinces). Taking the drought and flood into account, FAS/Vietnam forecasts 2000/2001 Lua Mua production at 8.1 MMT, lower than 1999/00's crop level (8.2 MMT). The slight drop in production results from lower area as well as lower crop yields (Table 1).

Vietnam's paddy production is forecast at 31.3 MMT in CY-2001. Although the flood caused some losses for this S-A rice crop, it will enhance MRD soil fertility. Therefore, production of the coming Winter-Spring (W-S) and S-A paddy will be improved. The paddy production increase derived from the S-A crop will not only offset the Lua Mua crop reduction, but it will also make the CY-2001 total paddy production increase to 31.3 MMT (Table 5: PS&D table).

Table 1: Vietnam Rough Rice Areas (Revised)

	97/98	1999	2000		2001
Harvested Area (THa)			Old	New	Est.
10th Month	2,542	2,387	2,394	2,394	2,373
Winter-Spring	2,717	2,888	3,000	3,001	3,000
Summer-Autumn	2,118	2,300	2,270	2,220	2,280

TOTAL	7,377	7,575	7,664	7,615	7,653
Yield (MT/Ha)					
10th Month	3.06	3.28	3.46	3.46	3.42
Winter-Spring	5.01	4.86	4.81	4.96	4.96
Summer-Autumn	3.56	3.74	3.65	3.65	3.67
TOTAL	3.92	4.02	4.04	4.11	4.10
Production (TMT)					
10th Month	7,779	7,829	8,283	8,283	8,116
Winter-Spring	13,612	14,036	14,430	14,885	14,880
Summer-Autumn	7,540	8,602	8,286	8,103	8,368
TOTAL	28,931	30,467	30,999	31,271	31,363

PRICE. (Current exchange rate: 14,200 Vietnamese dong to one U.S. dollar)

In the North. Paddy price remains stable at VND 1,500/kg.

In the South.

Prices are generally weak on burdensome exportable supplies.

Due to floods, the rice price firmed in some MRD areas, but slow exports, absent buying demand, and abundant S-A rice supplies keep rice/paddy prices at low levels. Recent MRD prices are low -- paddy (16% moisture) and raw white rice (15%-16% moisture) as low as of VND 1,300-1,400/kg and VND 1,880 - 2,000 /kg, respectively. These price levels are up about VND 50-100/kg compared with that of last week. Table 2 updates the September's prices of MRD paddy and white rice raw material (25% Broken).

Table 2 : Prices of Paddy & Raw Material White Rice 25 % Broken in MRD (Sept.20,2000)

Provinces	Paddy Price (VND/kg)	White Rice 25% Broken. (VND/kg)
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Can Tho	1,300 - 1,400	1,880 - 2,000
An Giang	1,280 - 1,350	1,950 - 2,050
Tien Giang	1,300 - 1,400	1,880 - 1,980
Vinh Long	1,300 - 1,380	1,880 - 2,000
Dong Thap	1,280 - 1,350	1,900 - 1,950
Long An	1,300 - 1,400	1,850 - 1,950
Tra Vinh	1,350 - 1,380	1,850 - 1,950
Soc Trang	1,300 - 1,350	1,880 - 1,950
Kien Giang	1,280 - 1,400	1,880 - 1,950
Bac Lieu / Ca Mau	1,300 - 1,400	1,950 - 2,100
Ben Tre	1,300 - 1,400	n/a

(Source : Trade)

Export prices are firming as a result of the severe MRD floods.

Export prices have been firming, up slightly by \$5/MT, compared with last week as floods have submerged some major rice processing mills in MRD leading to temporally shortage of rice supplies; and VINAFOOD has just started a campaign to purchase rice for completing their deal quantifying at 210 TMT with Iraq.

September 29 offers for 5% Broken, 10% Broken, and 25% Broken are about USD 175/mt, USD 170/mt and USD 154/mt FOB HCMC, respectively.

TRADE

Rice trade is slow due to absent of buyers and the export prospect is not bright.

Exports in August are estimated at 420 TMT mainly bound for the Philippines, Iraq and Indonesia. The Philippines became the biggest importer taking about 26% of total rice exported for this month.

Exports in the first eight months of 2000 total about 2.23 MMT; 35% lower than exports of the same period last year. Tables 3 and 4 show the major destinations for the first eight months are Iraq, the Philippines, Africa, and Indonesia. The tables also show that about one third of the rice exported was of fairly low quality – usually 25% broken rice.

Post predicts September rice exports will be about 300 TMT, bringing total rice exports in the first three quarters 2.53 MMT, well below the target set by the Government of Vietnam.

Table 3: Vietnam Estimated August Rice Export by Destinations (Unit: MT)

By	5%	10%	15%	25%	35%	100%	Gluti.	Parboiled	Unknown	Total
Philippines	4,000		51,708	49,792		3,200				108,700
Iraq		102,9								102,909
Indonesia	2,550	5,955	11,900	32,260			2,800			55,465
Africa	1,205	7,200	19,600	3,010		11,327				42,342

Malaysia	31,420		1,500							32,920
Poland	1,605	5,513	7,194							14,312
Singapore			1,500			3,821	2,900			8,221
Palau			1,450	2,250	800					4,500
Cambodia			2,000	2,000						4,000
Romania			3,160							3,160
Russia		1,200	1,500							2,700
Hong Kong	500			1,600						2,100
Australia	250									250
Unknown									40,700	40,700
Total	41,530	122,7	101,512	90,912	800	18,348	5,700	0	40,700	422,279

Source: Traders

Table 4: Vietnam First 8 months of CY-2000 Rice Exports by Grades & Destinations (Unit: MT)

Destination/grades	5%	10%	15%	25%	35%	55%	100% br.	Parboiled	Gluti.	Unknown	Total
ASIA	143,264	508,633	420,350	177,905	1,500	11,527	12,286	595	17,884	2,420	1,296,364
In which: Iraq		441,925									441,925
Indonesia	30,244	39,403	121,780	88,247		11,527			11,666		302,867
Philippines	25,162	4,620	235,379	52,592			3,200				320,953
Malaysia	59,290	14,664	16,909	16,086	700				140		107,789
Bangladesh	8,621		24,540	10,300							43,461
Singapore	1,156	4,009	12,482				7,586		5,878	220	31,331
Palau	2,800		1,450	6,600	800		1,500				13,150
Nepal		4,012	4,010								8,022
Yemen	5,500							550			6,050
Japan	5,010										5,010
Cambodia			2,000	2,000							
Mariana	1,100		1,000						200		2,300
Hongkong	2,166			1,600							3,766
AFRICA	186,407	30,716	160,768	111,128	600		167,539	3,209			660,367
In which West Africa				900			38,593				38,593
Tanzania			27,340								27,340
Senegal				1,002			17,981				18,983
Algeria	24,964										24,964
Syria	12,756										12,756
Gabon	6,850										6,850
Angola	6,018										6,018
Ghana			5,015								5,015

EU	40,798	18,876	28,656	1,300			250	150		20,930	110,960
In which: Poland	23,879	14,138	25,240	1,300			250	150			64,957
Russia	11,315	1,200	1,500								14,015
Slovenia		3,007									3,007
Ukraine	1,162	131	1,436								2,729
Holland	322	110									432
AMERICA	3,500	31,014	25,000	61,204							120,718
In which: Cuba	3,500	25,000	25,000	61,204							114,704
Hawaii		6,014									6,014
AUSTRALIA	366									1,100	1,466
Unknown										43,734	43,734
TOTAL	374,335	589,239	634,774	351,537	2,100	11,527	180,075	3,954	17,884	68,184	2,233,609

Source: Traders

Vietnam rice export campaign for 2000 is likely set at 3.4 MMT.

In addition to the contracts with the Philippines and Iraq, Vietnam has only received several very small quantity orders for the next three months. Indonesia would not be back to Vietnam's exporters as previously expected due to the Rupiah devaluation and the unstable political situation in that country. Outstanding sales, in the last quarter of 2000, are reported at about 400 TMT, mainly for Iraq and Philippines. Lack of international demand would probably cause Vietnam's export campaign in CY- 2000 to stand at 3.4 MMT, well below last year's export level.

Table 5: Vietnam Rice PS&D Table

PSD Table						
Country	Vietnam					
Commodity	Rice, Milled				(1000 HA)	(1000 MT)
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin	01/1999		01/2000		01/2001	
Area Harvested	7,575	7,575	7,664	7,615	7,654	7,654
Beginning Stocks	0	0	0	0	800	800
Milled Production	20,108	20,108	20,459	20,639	20,700	20,700
Rough Production	30,467	30,467	30,998	31,271	31,363	31,363
MILLING RATE (.9999)	6,600	6,600	6,600	6,600	6,600	6,600
TOTAL Imports	60	60	20	20	0	0
Jan-Dec Imports	60	60	20	20	0	0

Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	20,168	20,168	20,479	20,659	21,500	21,499
TOTAL Exports	4,555	4,555	3,400	3,400	4,000	4,000
Jan-Dec Exports	4,555	4,555	3,400	3,400	4,000	4,000
TOTAL Dom. Consumption	15,613	15,613	17,079	16,459	16,900	16,900
Ending Stocks	0	0	0	800	599	599
TOTAL DISTRIBUTION	20,168	20,168	20,479	20,659	21,499	21,499

VINAFOOD II assigned to purchase 400 TMT of paddy in flood stricken areas. On September 22, 2000 Deputy Prime Minister Nguyen Cong Tan signed circular No.872/CP-KTTH instructing VINAFOOD II to buy 400 TMT of paddy from farmers in flood hit areas. Commercial Banks are asked to lend enough capital to VINAFOOD II for procuring paddy. The company will get some compensation from the Government if they make trading losses.

POLICY

Proposal for Rice Export Management in 2001 -- more liberalization on rice export market ?

Recommendations put forward by the Ministry of Agriculture and Rural Development (MARD) and the Ministry of Trade (MoT) for the upcoming export management regime would liberalize the rice export sector. MARD and MoT have recommended that all agro-businesses having a trade license and custom codes for import and export be allowed to export rice directly.

Rice exporters would get insurance for price fluctuations

The Ministry of Finance is planning to establish an insurance fund for supporting Vietnamese exporters trading agricultural products. The fund will provide some financial assistance to exporters if they suffer losses caused by price fluctuation and by natural calamities. Post will try to obtain additional information regarding this proposal.

Rice export cooperation by Thailand and Vietnam

On September 19, 2000, Thailand and Vietnam signed a Memorandum of Understanding (MOU) on rice export cooperation to establish a rice pool. Each party will contribute 100 TMT of 25% broken rice for selling to the international market. Thailand will be responsible for finding out buyers, negotiations, and keeping Vietnamese partners informed about prices and terms of the contracts. All terms and conditions of the Cooperation Contract (Agreement) have to be finalized after 30 days from the signing date of the MOU. A single Executive Board will be staffed by the two Countries for management of the cooperation. Post will continue watching development of this cartel.

