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2010

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Report Highlights:

Vietnam plans to export between 5.5 and 6.2 MMT of rice in Marketing Year (MY) 2009, thanks to expected strong production, despite a drought in the rice producing areas. Post's forecast for MY 2009's export volume is 5.75 MMT.

Both the Ministry of Agriculture and Rural Development (MARD) and Post expect corn production in Calendar Year (CY) 2010 to be 5.28 million tons. Production will continue to expand very quickly in order to satisfy the animal husbandry industry's feed needs.

Post forecasts CY 2010 corn imports into Vietnam at about 1.1 million tons. Corn imports from the United States may reach 100,000 tons, thanks to marketing efforts and the increasing profile of U.S. products in the Vietnamese market.

Post estimates that Vietnamese wheat imports in MY 2009/2010 will reach 1.6 million tons, compared to 1.4 million tons in MY 2008/2009. Wheat imports from the United States are projected to more than double from 40,000 tons to 100,000 tons, due to expected better trade-related infrastructure conditions that will help U.S. wheat to competitive.

Executive Summary:

SITUATION AND OUTLOOK

Despite unfavorable weather conditions caused by El Nino, Vietnam's MY 2008 total paddy rice production reached 38.90 million tons, almost unchanged from the 38.88 million tons in MY 2007. Vietnam's rice exports for MY 2008 set a record of 5.95 million tons, an increase of 1.3 million tons over MY 2007. However, the corresponding export value was eight percent lower than that of MY 2007, due to lower prices.

According to the Vietnam Food Association (VFA), the collection of rice exporters that set prices and quantities, Vietnam plans to export between 5.5 and 6.2 million tons of rice in MY 2009, thanks to expected strong production; this volume is similar to the year before. Post's forecast for MY 2009's export volume is 5.75 million tons. Export contract registrations and the Minimum Export Price (MEP) are still deemed necessary by the VFA to benefit Vietnamese exporters and rice growers.

For Calendar Year (CY) 2010, the Ministry of Agriculture's (MARD) goal for corn production is 5.28 million tons, up nearly 850,000 tons from the actual CY 2009 corn production. The planned increase in production is based on both a larger production area and an ambitious target yield. Corn producers are under pressure from the animal feed industry to quickly increase their productivity to service the animal husbandry industry, which has been experiencing an 8-10 percent annual growth rate over the past few years. Significantly improving the average yield by using high-yielding varieties is the most likely way to achieve the government's objective of increasing corn production to supply the animal feed sector.

Post forecasts CY 2010 corn imports into Vietnam at 1.1 million tons, down 390,000 tons from the exceptionally high CY 2009 level, but still an over 80 percent increase compared to CY 2008 imports. Corn imports from the United States may reach 100,000 tons, thanks to marketing efforts and the increasing awareness of U.S. products in the Vietnamese market.

Post's estimate for Vietnamese wheat imports in MY 2009/2010 is 1.6 million tons, compared to 1.4 million tons in MY 2008/2009. Wheat imports from the United States are projected to expand from 40,000 tons to 100,000 tons, due to expected better trade-related infrastructure conditions in Vietnam that help U.S. wheat be more competitive, and also because of an increased demand for high-quality flour made from premium quality U.S. wheat.

Commodities:

Rice, Milled

Production:

Table 1.1 Vietnam's Area, Yield, and Production for Rough Rice (as of March 2010)

Marketing Year	2008 Revised		2009 Estimate		2010 Forecast	
Harvested Area (tha)	**Old**	**New**	**Old**	**New**	**Old**	**New**
Winter[1]	1,782	1,800	1,810	1,800		1,800
Spring[2]	3,024	3,024	3,020	3,020		3,000
Autumn[3]	2,510	2,510	2,500	2,550		2,500
TOTAL	**7,316**	**7,334**	**7,330**	**7,370**		**7,300**
Yield (mt/ha)						
Winter	4.50	4.46*	4.25	4.35*		4.35*
Spring	5.88	6.15*	5.88	6.15*		6.20*
Autumn	4.44	4.89*	4.55	4.90*		4.83*
AVERAGE	**5.05**	**5.30***	**5.02**	**5.28***		**5.27***
Production (tmt)						
Winter	8,019	8,028*	7,692	7,831*		7,831*
Spring	17,781	18,598*	17,758	18,573*		18,600*
Autumn	11,151	12,278*	11,375	12,495*		12,068*
TOTAL	**36,951**	**38,904***	**36,824**	**38,899***		**38,499***

[1] Lua Mua (10th Month), [2] Winter-Spring, [3] Summer-Autumn

Source: MARD, Post estimates

Estimate for MY 2009 (began January 2010)

The Ministry of Agriculture and Rural Development's (MARD) first iteration of its rice production plan for 2010 is summarized in the following table:

Table 1.2 MARD's 2010 Rice Production Plan

	Unit	MY 2008		MY 2009
		Estimate	**Revised**	**Planned**
Area	1,000 ha	7,392	7,440	7,270
Yield	Ton/ha	53.0	52.3	53.7
Production	1,000 tons	39,169	38,895	39,185

Source: MARD

The plan was based on the estimated data for MY 2008. However, the revised MY 2008 numbers were lower than the MY 2008 estimated data; therefore, the MY 2009 numbers will probably be adjusted down by MARD in the future.

Post's estimate for the MY 2009 rice production is 38.90 million tons (paddy basis).

Spring Crop

According to MARD, the total planting area of the MY 2009 spring crop reached 3.05 million hectares, as of March 15, 2010. The northern provinces have recently finished planting, with a total planted area around 1.1 million hectares, which is about the same planting progress as compared to MY 2008, Southern provinces have been harvesting and expect to be finished by the middle of April, 2010.

Post estimates the harvested area of the spring crop at 3.02 million hectares, about 30,000 hectares lower than the current planted area. This drop in planted area is due to the severe drought caused by El Nino that affected the extra planting area in the coastal provinces of the Mekong River Delta, such as Ben Tre, Tra Vinh, Soc Trang, Bac Lieu, and Ca Mau. This area estimate is unchanged from Post's previous estimate.

Autumn Crop

The autumn crop is mainly located in the southern provinces and, even though there are concerns that the dry season last take longer that may cause the delay in planting, the planting progress of the early autumn crop is relatively fast in Mekong River Delta provinces. The total planting area for the early autumn crop was 145,000 hectares as of March 15, 2010, as compared to 102,000 hectares at the same time in 2009. Post raised the harvested area for the autumn crop from 2.50 to 2.55 million hectares, due to expected higher export demand.

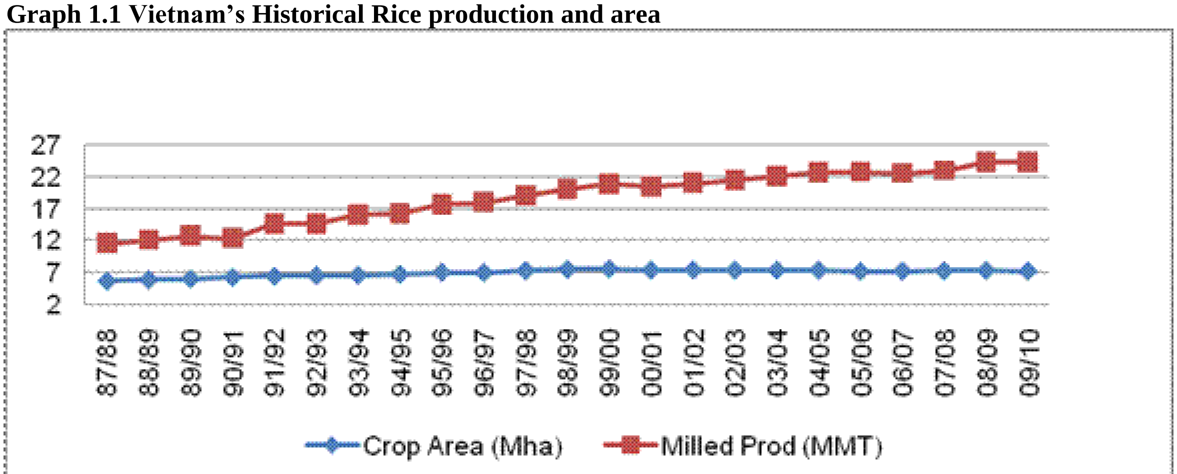
Review for MY 2008 (began January 2009)

In a year of advantageous weather conditions, Vietnam set a new rice production record in MY 2008, surpassing the old record set in MY 2007. The MY 2008 total paddy rice production reached 38.90 million tons, compared to 38.88 million tons in MY 2007.

Winter Crop

Post revises the harvested area from 1.78 to 1.80 million hectares, on account of the unexpected recovery of areas in the central and the northern provinces damaged by bad weather.

Graph 1.1 Vietnam's Historical Rice production and area



Source: USDA/FAS/OGA/IPA

Graph 1.1 shows that Vietnam's total production area has held steady from 1990-2010. However, milled rice production has increased significantly, thanks to the continuing increase of average rice yields during this period. While ordinary open pollinated rice varieties, rather than hybrid rice varieties, still makes up the majority of Vietnam's rice production, Post believes that higher rice yields are possible as more farmers switch from traditional open pollinated varieties to hybrid varieties.

MRD Rice Production

Mekong River Delta (MRD) farmers are currently harvesting their spring crop. The total planted area is 1.58 million hectares, according to MARD. Due to the severe drought caused by El Nino, Post estimates the harvested area in the region to be only 1.55 million hectares. The MRD spring crop is usually planted in November/December, and is harvested by March/April. This is the crop that helps Vietnamese policy makers project annual export volumes.

Even with a reduced harvested area of 1.55 million hectares, the MRD is having a bumper crop, with expected production reaching 9.91 million tons of paddy rice, compared to 9.76 million tons last year. This is mainly due to advanced agricultural practices and good management of water irrigation/drainage systems, which were used to combat the severe drought. According to the Center of Hydro-meteorology in southern Vietnam, the most severe drought is projected to occur in April and May this year. Although, this drought is not expected to have an impact on the spring crop, it might cause a delay in the planting of the second crop, the autumn crop. The delay in planting is expected to range from 15-30 days.

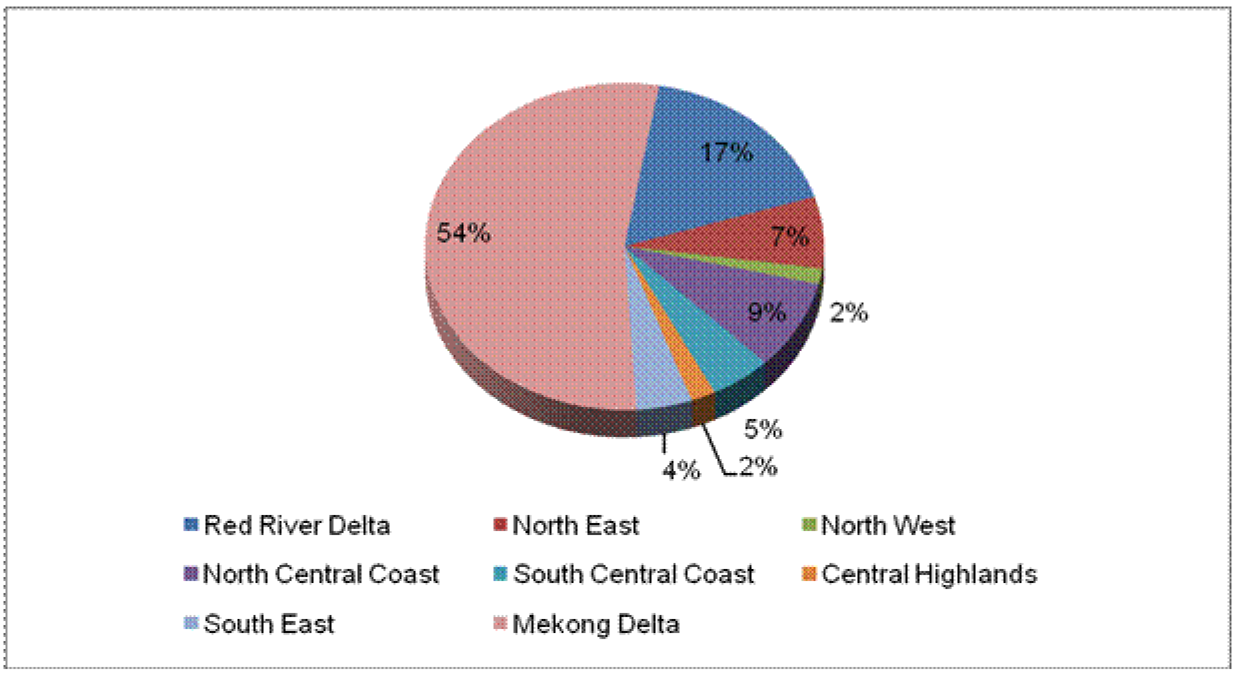
Table 1.3 Rice Production in the Mekong Delta by Marketing Year

(000 ha; mt/ha; 000 mt)

	2008 (Revised)			2009 (Estimate) (old)			2009 (Estimate) (new)		
	Area	Yield	Prod.	Area	Yield	Prod.	Area	Yield	Prod.
Winter	320	3.95	1,264				310	3.95	1,225
Spring	1,544	6.32	9,758				1,549	6.40	9,914
Autumn	1,553	4.72	7,330				1,570	4.80	7,536
Late Autumn	470	3.80	1,786				470	4.00	1,880
Total	3,907		20,138				3,899		20,555

Source: MARD, Post estimate

Graph 1.2 Vietnam Regional Rice Production



Source: USDA/FAS/OGA/IPA

Consumption:

Vietnam's decline in per-capita rice consumption is consistent with other countries in Asia. As the economy develops, consumers have greater means and access to other foods, with per-capita consumption of rice tending to decline as income increases.

Even though per-capita consumption is declining, total consumption continues to grow. The yearly population growth of about one million people is the main driver of the increase in total consumption; other factors in Vietnam's increased rice consumption are higher use of rice in home-made animal- and aquaculture-feeds, and growth in industrial scale food processing, especially in the beer industry.

Table 1.4 Forecast Sales of Alcoholic Drinks by Sector: Total Volume 2008-2013

	2008	2009	2010	2011	2012	2013
Beer (million liters)	1,481	1,614	1,748	1,884	2,018	2,147
Wine (million liters)	26.4	28.1	29.8	31.5	33.4	35.3
Spirits ('000 liters)	17,010	18,167	19,494	21,070	22,874	24,942
Alcoholic drinks (mil. liters)	1,525	1,660	1,797	1,937	2,074	2,208

Source: Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates

In the animal feed industry, commercial feed only satisfies around 50 percent of the total demand; the remaining 50percent is drawn from local sources for home-made feed. Especially in the MRD, rice is one of main sources for home-made feed for swine, fish, and poultry.

The below table shows the trend in Vietnam's total rice consumption:

Table 1.5 Forecast of Vietnam food demand to 2030 Unit: million tons

Target	2007	2010	2015	2020	2030
Total demand	43.7	47.0	50.3	53.2	58.3
1. Corn	5.0	6.0	8.0	9.0	10.0
2. Rice, in which:	29.2	31.1	32.1	35.2	37.3
- Rice seed	1.1	1.1	1.0	1.0	0.8
-Feed and loss	6.4	7.0	7.5	8.5	9.0
- Processed	0.2	0.3	0.5	1.0	1.0
- For consumption and stock	21.5	22.7	23.1	24.7	26.5
3. Cassava	8.0	8.5	9.0	10.0	10.0
4. Sweet potato	1.5	1.4	1.2	1.0	1.0

Source: Cultivation Department, MARD

Post estimates that an additional 100,000-150,000 tons of rice per year are required to keep pace with Vietnam's growth in total rice consumption. In some years, however, rice consumption may increase much more, since rice can be used as an alternative source for feeds, and it does not need to be imported like the other main ingredients in animal feeds. This happened in MY 2007, when large unsold stocks of rice were used locally for processed foods and animal feed.

Trade:

DOMESTIC PRICES

In order to help rice farmers achieve a profit margin of at least 30 percent (based on the calculated production cost), the Government Office asked the Ministry of Finance on March 12, 2010, to coordinate with MARD to determine and publish the "official" rice production cost so that local provincial authorities can announce the appropriate paddy purchase price, which is also the price that local rice businesses are supposed to use when buying the paddy rice..

However, since most rice exporters invest only in post-milled rice processing machinery (polishing, color sorting, etc.), the actual rice *milling* process is performed by local small private enterprises. These private enterprises, in turn, purchase the paddy rice from private intermediates. With these intermediate steps, it is relatively difficult for the government to control the minimum purchase price for paddy rice in order to bring the envisioned benefits to the farmers.

According to the VFA, the production cost of paddy (un-milled rice) in the MY 2009 spring crop is VND 2,500 per kilogram; therefore, the association fixed the paddy minimum price of VND 4,000 per kilo, since it was deemed a reasonable purchase price. In MY 2008, The VFA had fixed the minimum buying price of VND 3,500 per kilogram for the spring crop for its member-companies.

In early March 2010, the VFA instructed its members to buy and stock one million tons of milled rice, in order to keep the local paddy price from going down. By the end of March, the VFA announced a second rice purchasing program of an additional 500,000 tons, taking the total rice buying up to 1.5 million tons so far in MY 2009.

According to the VFA, with its existing rice purchase program, the current local paddy price is VND 4,200-4,300 per kilogram, still higher than its committed VND 4,000 per kilogram purchase price.

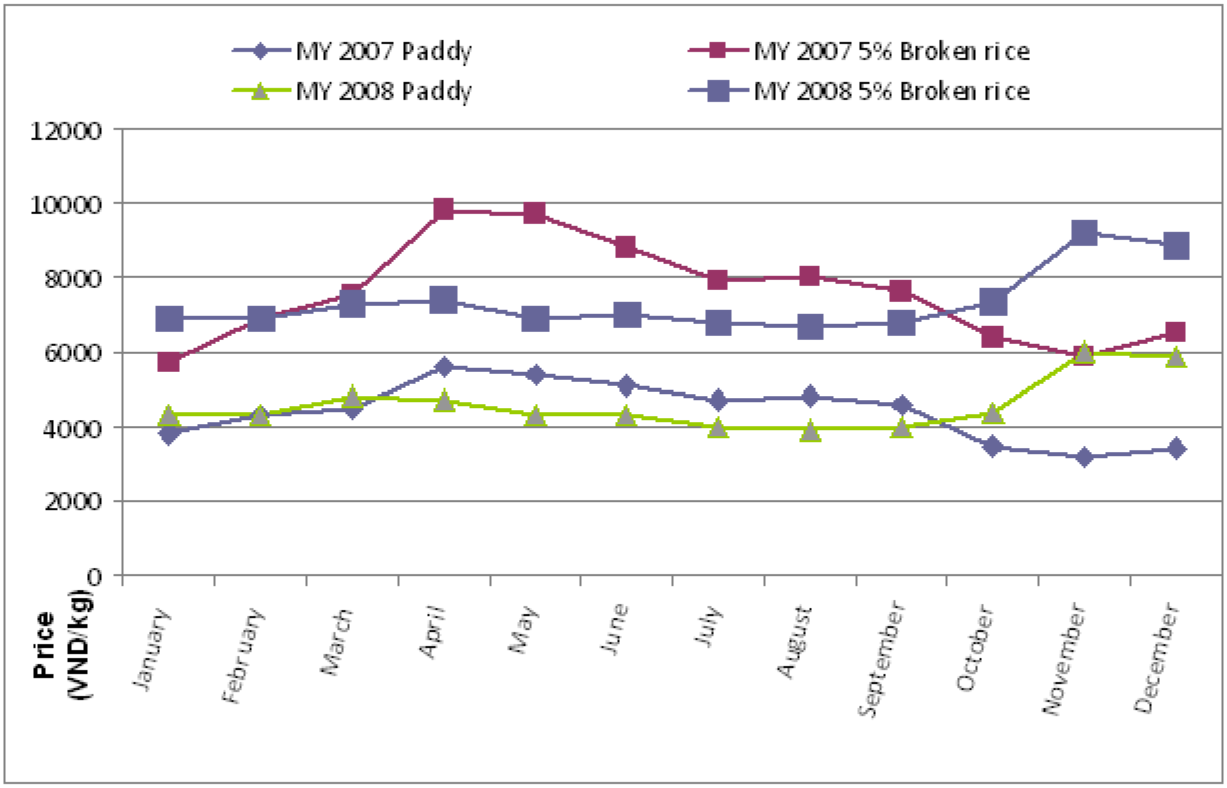
Table 1.6 Local Paddy and Export Rice Prices in the Mekong River Delta MY 2007-MY 2008 (VND/kg)

	MY 2007		MY 2008	
	Paddy	5% Broken Rice for export*	Paddy	5% Broken Rice for export*
January	3,700-3,800	5,600-5,700	4,200-4,300	6,800-6,900
February	4,200-4,300	6,800-6,900	4,200-4,300	6,800-6,900
March	4,400-4,500	7,300-7,500	4,700-4,800	7,200-7,300
April	5,400-5,600	9,600-9,800	4,600-4,700	7,300-7,400
May	5,200-5,400	9,500-9,700	4,200-4,300	6,800-6,900
June	4,900-5,100	8,700-8,800	4,200-4,300	6,900-7,000
July	4,500-4,700	7,700-7,900	3,900-4,000	6,700-6,800
August	4,700-4,800	7,800-8,000	3,800-3,900	6,600-6,700
September	4,500-4,600	7,400-7,600	3,900-4,000	6,700-6,800
October	3,400-3,500	6,000-6,400	4,300-4,400	7,250-7,350
November	3,100-3,200	5,600-5,900	5,800-6,000	9,000-9,200
December	3,300-3,400	6,400-6,500	5,800-5,900	8,750-8,850

Price quoted alongside vessel, without bag

Source: combined data/ Vietnam Food Association

Graph 1.3 Price Trend of paddy and milled rice in MY 2007 and MY 2008



MY 2008 paddy and 5 percent broken rice prices were lower than those of MY 2007. Marketing Year 2008 prices surged in the few last months of the year because of large demand from the Philippines.

TRADE / COMPETITION

Trade

Vietnam continues to maintain its position as the world's second largest rice exporter after Thailand. Vietnam's rice exports accounted for 15 percent of the total global rice trade in MY 2008. There are currently more than 200 rice exporters in Vietnam, with 57 percent of exporters controlling nearly 90 percent of the total rice export volume.

According to the VFA, the country's rice exports will face new competition from Burma, since Burma and Vietnam grow similar types of rice. Burma exported more than 900,000 tons of rice in MY 2008, and it plans to increase the quantity to 1.5 million tons this year.

NOTE: The selling price, of Burmese rice was about $100 lower per ton lower Vietnamese rice.

On the other hand, according to the VFA, in order to regulate the flow and prices for rice exports, the Government of Vietnam (GVN) issues and maintains rice export registration regulations and the MEP. For MY 2009, VFA set the floor price for 5 percent broken rice at $470, per ton, for the first time in February 2010, but the MEP was lowered two weeks later to $420, per ton, and then to $400 per ton by mid-March, due to weak export demand and a bumper spring crop in the MRD. The spring crop is usually the biggest rice crop in Vietnam.

The VFA is in the process of establishing an investment fund for rice quality enhancement. The Central Association for Farmers are the group of farmers who will administer an expected $6 million fund, while providing incentive loans to cooperatives and farmers to build drying plants and rice-husking plants or warehouses. Vietnam has set a rice export target of 5.5-6.0 million tons of rice in MY 2009, rice exporters promise to contribute $1 per exported ton of rice to this fund.

Exports

Post forecasts Vietnam's MY 2009 rice exports at 5.75 million tons. According to the VFA, Vietnam plans to export between 5.5 and 6.2 million tons of rice in MY 2009, which is similar to last year's level. The VFA also expects India and Indonesia to import rice beginning in the second half of the year, which should further enhance Vietnam's export prospects.

The rice export sector this MY 2009 is likely to be unpredictable. The Philippines has signed contracts to import over 1.6 million tons, but Post is unsure whether or not they will buy more. Iraq has also announced its intention to buy 120,000 tons via biddings, and it has a joint rice venture in the MRD.

Cuba will likely buy 400,000 tons of rice this year from Vietnam through its regular purchases with deferred payment, a drop of 11 percent from MY 2008. According to the VFA, the Vietnam Northern Food Corporation, or Vinafood 1, will sell the rice with a 540 day credit payment term. Vinafood 1, the country's second-largest rice exporter after Vinafood 2, has been assigned by the GVN to supply rice to Cuba under annual deals. Vietnam is the source of most of Cuba's annual rice imports. Cuba is a regular buyer of Vietnamese rice, with annual volumes ranging from 400,000 to 500,000 tons via government contracts. In MY 2008, it imported 474,000 tons, of which, 450,000 tons was through Vinafood 1, according to traders.

Vietnam has advantages in the African market with its 5 percent broken rice. Vietnam's primary competitors in Africa, Pakistan and Burma, export lower-grade rice to Africa, in the 25-50 percent broken category. Africa accounts for over 30 percent of Vietnam's rice shipments, and it is likely to continue buying equivalent amounts of the food staple this year. In the last marketing year, MY 2008, also marked a sharp increase in Vietnamese rice exports to African countries. The MY 2008 export volume to African countries was 1.90 million tons, up significantly from the 1.26 million tons in MY 2007, thanks to the competitive prices of Vietnamese 5 percent broken rice compared to the same quality rice from Thailand. Rice is normally shipped to African countries by international traders on a Free On Board (FOB) basis, and the cargoes are delivered by large vessels that stop at several ports of different African countries. The exact volume of Vietnamese rice that each African country imports is not clearly recorded by Vietnam's statistical authority.

According to VFA, the supply for the target export volume comes from the estimated three million tons harvested from the current spring crop, 2.5 million tons from the autumn and winter crops, as well as one million tons from carry-over stock and the limited quantity that comes across the border from Cambodia.

Vietnam's rice exports for MY 2008 set a record of 5.95 million tons, an increase of 1.3 million tons over MY 2007. However, the corresponding export value was 8 percent lower than that of MY 2007, due to lower selling prices. Although Asia is still Vietnam's largest export market, its share of Vietnam's rice exports fell to 55 percent of exports by volume in MY 2008, compared to 57 percent in MY 2007 and 70 percent in MY 2006. The average export price for Vietnamese rice in CY 2008 was $406, per ton, compared with $623, per ton, in MY 2007. Keeping the same import volume as MY 2007, the Philippines imported over 1.7 million tons of rice from Vietnam in MY 2008, thereby remaining Vietnam's single largest buyer.

Table 1.7 Vietnam Rice Export By Grade and Destination January-December 2009

	5%	10%	15%	25%	100%	Glutinous	Jasmine	Unknown	Total
ASIA	1.051.915	-	628.313	1,408,000	-	34,339	126,952	33,071	3,282,590
Indonesia	-	-	2.480	-	-	24,382	-	-	26,862
Philippines	-	-	313.000	1.391.650	-	-	-	-	1,704,650
Malaysia	567.598	-	20.200	-	-	-	-	-	587,798
Singapore	70.299	-	134.102	-	-	-	-	-	204,401
East Timor	-	-	108.631	-	-	-	-	-	108,631
Iraq	343.456	-	-	-	-	-	-	-	343,456
Iran	-	-	-	-	-	-	-	-	-
Syria	250	-	-	-	-	-	-	-	-
Yemen	-	-	-	-	-	-	-	-	-
North Korea	-	-	-	-	-	-	-	-	-
Japan	-	-	-	-	-	3,892	-	-	3,892
Cambodia	-	-	-	-	-	-	-	-	-
Hongkong	24.662	-	-	-	-	-	15,857	-	40,519
others*	45.650	-	49.900	16.350	-	6,065	111,095	33,071	262,131
AFRICA	1.244.427	-	167.800	4.250	400,194	-	86,394	-	1,903,065
In which: Tanzania	76.368	-	-	-	-	-	-	-	76,368
Senegal	64.850	-	-	-	88,566	-	-	-	153,416
Angola	76.304	-	30.000	-	-	-	-	-	106,304
Rwanda	-	-	-	-	-	-	-	-	-
Ghana	158.108	-	-	-	16,880	-	-	-	174,988
Uganda	13.500	-	-	-	-	-	-	-	6,750
Ivory coast	136.666	-	31.000	-	57,762	-	54,896	-	280,324
Reunion	21.236	-	-	-	-	-	6,108	-	-
west africa	23.500	-	-	-	76,050	-	-	-	99,550
Mozambiq	55.878	-	66.200	-	-	-	-	-	122,078
Yemen	10.142	-	2.100	-	-	-	-	-	12,242
Kenya	78.213	-	-	-	-	-	-	-	78,213
Congo	54.273	-	-	-	-	-	-	-	54,273
Libya	-	-	-	-	-	-	-	-	-
Algeria	98.086	-	2.500	-	-	-	-	-	100,586
others*	377.303	-	36.000	4.250	160,936	-	25,390	-	603,879
EUROPE and CIS	135.589	3.000	15.000	-	-	-	27,000	7,300	187,889
In which: Russia	57.197	3.000	13.300	-	-	-	11,000	-	84,497
Ukraine	35.588	-	1.700	-	-	-	-	-	37,288
Poland	249	-	-	-	-	-	-	-	249
others*	42.555	-	-	-	-	-	16,000	7,300	65,855
AMERICAS	9.900	-	271.720	156.957	30,380	-	-	-	468,957
In which: Cuba	9.900	-	306.926	156.957	-	-	-	-	473,783
Brasil	-	-	-	-	-	-	-	-	-
AUSTRALIA	20.013	-	-	-	-	-	8,710	-	28,723
UNKNOWN	-	-	-	-	-	-	-	79,000	-
TOTAL	2.461.844	3.000	1.082.833	1.569.207	430,574	34,339	249,056	40,371	5,950224

Source: Trade

Imports

In October 2009, Cambodian and Vietnamese companies created a joint venture specializing in rice processing and exports, according to the VFA. The Cambodia-Vietnam Foods Company (Cavifoods) is a joint venture between the Investment and Development Company of Cambodia with a 33 percent stake, Vinafood 2 with a 37 percent stake, and Cambodia's Green Trade Company with a 30 percent stake. With registered capital of USD $8 million, Phnom Penh-based Cavifoods specializes in the investment, processing, storage, and exportation of rice, with a license to operate for 99 years. This cooperation was approved by the governments of Cambodia and Vietnam. Cavifoods has been building a rice processing plant, warehouses, instant noodle and bread plants, and a rice purchasing network in Cambodia. It is still unclear how this joint venture will help move Cambodian rice imports into Vietnam or bring Cambodian rice exports to buyers in other countries. Post estimates that Vietnam's rice imports from Cambodia and Laos for MY 2009 could range from 450,000-500,000 tons on milled basis.

Vietnam imports rice mostly from Cambodia, with a small volume of sticky rice coming from Laos. Most of Cambodia's shipments occur around the beginning of the calendar year, immediately after its main crop is harvested. In Vietnam, imported paddy is used for local consumption after processing, since most of the rice grown in Vietnam is purely for export. No official data exists regarding the exact imported quantity, since paddy from Cambodia is transferred into Vietnam unofficially via small boats, thereby making tracking very difficult. Vietnamese farmers also have paddy rice investments in Cambodia for additional rice production, which is used mostly for local consumption in Vietnam.

Policy:

Spread across 12 provinces that collectively have about 2.97 million hectares of farmland, the MRD produces over 50 percent of Vietnam's rice and more than 90 percent of the country's rice exports. There are 3,193 combine harvesters and 4,243 "other reaping machines" in the MRD, which enables 30 percent of the rice-growing area to be mechanically harvested. The MRD is also home to 7,000 rice-drying units, which dried 26 percent of Vietnam's autumn rice crop from last summer. However, producers in the MRD have not invested sufficiently in post-harvesting technologies related to drying, processing, and preserving, so post-harvest losses continue to negatively affect the quality of rice.

The World Bank (WB) has launched a project titled "Enhancing the competitive ability in agriculture," and has carried out research on rice production in An Giang province and on fruit tree production in Tien Giang province. Through the project, each province will receive USD $1 million from the WB to invest in infrastructure and post-harvesting technology, on the condition that farmers and businesses cooperate closely.

The two main policies applied to rice exports in recent years are the MEP and contract registration procedures. In order to protect the profit margins of the rice growers, Vietnamese authorities still consider the MEP a vital measure. The contract registration procedure for VFA, besides controlling the export volume, is meant to help exporters schedule vessels for delivery.

Production, Supply and Demand Data Statistics:

RICE STATISTICAL TABLES

Table 1.8 Vietnam's Production, Supply and Demand for Rice

Rice, Milled Vietnam	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official Data		New Post Data	USDA Official Data		New Post Data	USDA Official Data		Jan Data
Area Harvested	7,316	7,392	7,334	7,330	7,290	7,320			7,300
Beginning Stocks	2,018	2,018	2,018	1,956	2,098	1,961			1,873
Milled Production	24,388	24,430	24,393	24,300	23,795	24,312			24,062
Rough Production	36,952	37,015	38,904*	36,818	36,053	38,899*			38,499
Milling Rate (.9999)	6,600	6,600	6,270*	6,600	6,600	6,250*			6,250*
MY Imports	500	500	500	500	500	500			500
TY Imports	500	500	500	500	500	500			500
TY Imp. from U.S.	0	0	0	0	0	0			0
Total Supply	26,906	26,948	26,911	26,756	26,393	26,773			26,435
MY Exports	5,950	5,700	5,950	5,750	5,500	5,750			5,500
TY Exports	5,950	5,700	5,950	5,750	5,500	5,750			5,500
Consumption & Residual	19,000	19,150	19,000	19,150	19,150	19,150			19,300
Ending Stocks	1,956	2,098	1,961	1,856	1,743	1,873			1,635
Total Distribution	26,906	26,948	26,911	26,756	26,393	26,773			26,435
Yield (Rough)	5.	5.	5.3046	5.	5.	5.3141			5.2738

*In this report, Post uses a new milling rate as the conversion factor from rough production to milled production. The old milling rate was 66 percent, but using this milling rate consistently caused differences between USDA's rough production numbers and those of the Vietnamese Ministry of Agriculture and Rural Development (MARD). Post suggests a new milling rate of 62.5-62.7 percent; this will more appropriately represent the rice milling conditions and technologies used in Vietnam. Post anticipates that the milling rate will vary between 62.5 and 62.7 percent based on the quality of the crop in a particular year.

Commodities:

Corn

Production:

In Calendar Year (CY) 2010, MARD's goal for corn production is 5.28 million tons, up nearly 850,000 tons from the actual CY 2009 corn production. The planned increase in production is based on both a larger production area and an ambitious target yield.

In contrast, Vietnam produced 4.43 million tons of corn in CY 2009, which is 100,000 tons lower than CY 2008, and 366,000 tons (8 percent) lower than the CY 2009 production plan. Smaller production area accounted for the significant decrease in total production.

Corn is Vietnam's second largest annual crop, after rice, in terms of production area. However, total corn production area is only one third that of rice. Because it has a lower market price and yield compared to rice, legumes, soybeans, and tobacco, corn is often not seen as an attractive cash crop for farmers.

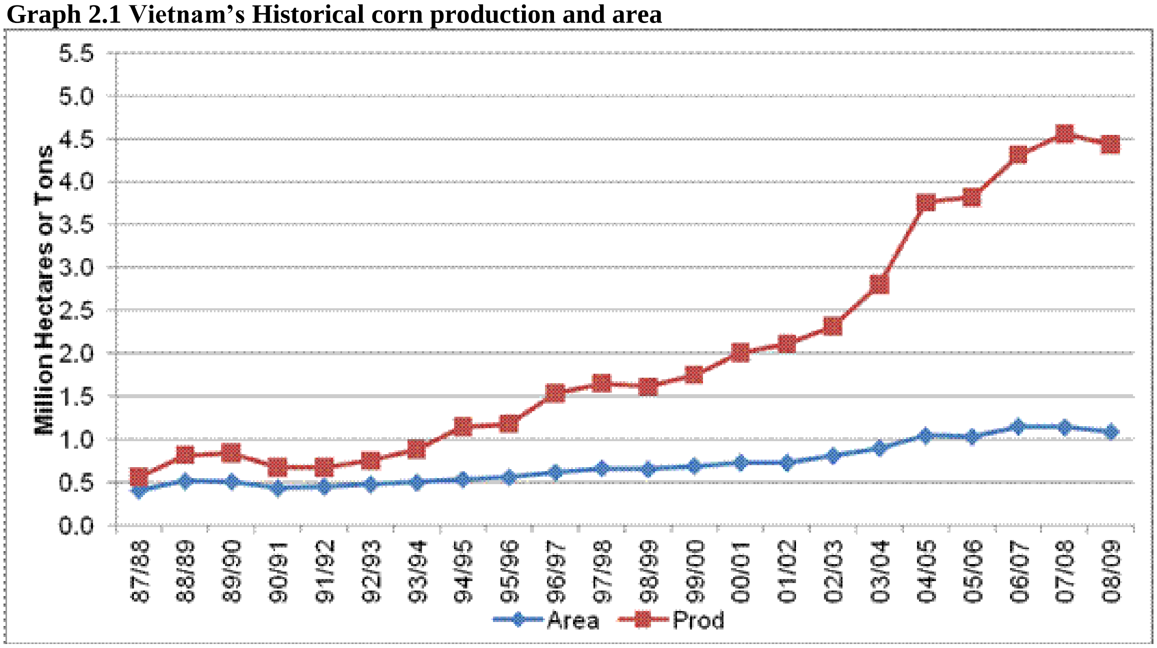
In Vietnam, corn is the main crop used to supply the quickly growing feed industry. As such, corn producers are under pressure to quickly increase their productivity, in order to satisfy the animal feed industry, which is enjoying an 8-10 percent annual growth rate. Significantly improving average yields by using high-yielding varieties seems the most likely way to achieve the government's objectives of increasing corn production to supply the feed sector.

Table 2.1 Vietnam Corn Production in Calendar year 2007-2009

	Unit	2008	2009		2010 Forecast
			estimate	revised	
Planting area	1,000 hectares	1,140	1,200	1,087	1,200
Yield	mt/ha	3.98	4.00	4.08	4.40
Production	1,000 mt	4,530.90	4,800.00	4,434.00	5,280.00

Source: MARD / Post Estimate

Graph 2.1 Vietnam's Historical corn production and area



Source: USDA/FAS/OGA/IPA

Consumption:

In Vietnam, corn is used as the main source of protein and energy for the animal feed industry, both the commercial and home-made sectors. Within this industry, corn is used mainly in hog and poultry feed. In CY 2009, the Vietnamese feed industry experienced a growth rate of 14 percent for poultry and 5 percent for hogs over their CY 2008 levels.

Trade:

While the domestic agricultural industry is trying to increase corn production to satisfy the fast growing feed industry, there is strong competition from imported corn, whose pricing is often more competitive. Price is one of the most important factors influencing feed manufacturers to switch from using locally produced to imported corn. In CY 2009, local corn prices increased due to the short supply resulting from the smaller corn production area. Local prices were very high, causing demand for imported corn to increase substantially. As a result, import volumes increased to 1.49 million tons, which represents a 244 percent jump over the CY 2008 import volume.

Constraints to the future growth of corn imports into Vietnam include insufficient storage and grain handling facilities. Without adequate corn storage, farmers have to sell their product quickly after the harvest, which will continue to make the local corn price prone to seasonal fluctuations.

Conversely, improvements in Vietnam's trade–related infrastructure, such as port facilities, have helped increase not only US corn exports to Vietnam but also other commodities like soybean meal, DDGS, and soybeans. In March 2010, the first Supramax (Handymax) vessel carrying 48,000 MT of U.S. soybean meal landed at a Panamax-capable port facility in Ba Ria-Vung Tau province. Further improvements in this and other port facilities are likely to come online in the next year or two.

Table 2.2 US Exports of Corn and Corn By-products into Vietnam 2005-2009

Product	UOM	2005	2006	2007	2008	2009
2303300000 - BRWR,DTLR,GRN	MT	19,869	17,979	58,260	117,248	254,379
1005902030 - #2 CORN, EX SD	MT	0	19,523	19,471	17,019	57,249

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

DDGS has also been used by the Vietnamese feed industry to minimize manufacturing costs, and is therefore a strong competitor to locally grown corn. Vietnam's feed industry uses mainly DDGS imported from the United States.

Imports

Post forecasts Vietnam's CY 2010 corn imports at about 1.1 million tons, down 390,000 tons from the abnormally high CY 2009 level, but nonetheless more than an 80 percent increase over CY 2008 imports, due mainly to price competition. Corn imports from the United States may reach 100,000 tons in CY 2010, thanks to marketing efforts and the increasingly higher profile of U.S. products in the Vietnamese market.

Vietnam's corn imports increased tremendously from 601,000 tons in CY 2008 to 1.49 million tons in CY 2009. Competitive international corn prices helped set a record for corn imports and continue to present a real challenge to expand Vietnam's domestic corn production.

U.S. corn exports to Vietnam in CY 2009 were 57,000 tons, more than double the 23,000 tons imported in CY 2008. Most U.S. corn imports are still shipped via container, since bulk vessel shipments are not advantageous regarding freight costs. India, Thailand, Brazil, and Argentina are the top four corn exporters to Vietnam, and they account for more than 87 percent of Vietnam's total corn import volume. Vietnam's import tariff on corn is zero percent for countries with Most Favored Nation status.

Policy:

On October 27, 2009, MARD issued the Circular No: 69/2009/TT-BNNPTNT, on "Risk Assessment of Genetically Modified Crops to Biodiversity and Environment," and on November 17, 2009, MARD issued Circular No: 72/2009/TT-BNNPTNT, approving filed trials for the first three genetically modified crops – corn, soybeans, and cotton. These circulars are meant to pave the way for development of Vietnam's biotech industry. In the years to come, the use of biotechnology could help expand domestic corn production.

Production, Supply and Demand Data Statistics:

CORN STATISTICAL TABLES

Table 2.3 Vietnam's Production, Supply and Demand for Corn

Corn Vietnam	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	MY Begin May 2008			MY Begin May 2009			MY Begin May 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	1.140	1.140	1.087	1.200	1.200	1.200			1.200
Beginning Stocks	297	22	297	517	52	113			393
Production	4.530	4.530	4.432	4.800	4.800	5.280			5.500
MY Imports	1.100	610	784	900	700	1.000			1.100
TY Imports	1.100	610	1.487	900	700	1.100			1.100
TY Imp. from U.S.	54	23	52	0	25	100			200
Total Supply	5.927	5.162	5.513	6.217	5.552	6.393			6.993
MY Exports	10	0	0	0	0	0			0
TY Exports	1	0	0	0	0	0			0
Feed and Residual	4.300	4.200	4.300	4.400	4.300	4.800			5.500
FSI Consumption	1.100	910	1.100	1.200	1.200	1.200			1.300
Total Consumption	5.400	5.110	5.400	5.600	5.500	6.000			6.800
Ending Stocks	517	52	113	617	52	393			193
Total Distribution	5.927	5.162	5.513	6.217	5.552	6.393			6.993
Yield	4,	4,	4,0773	4,	4,	4,4			4,5833

Table 2.4 Vietnam's Corn Import

Import Trade Matrix			
Country	Vietnam		
Commodity	Corn		
Time Period	Jan – Dec	Units:	Metric Tons
Imports for:	2008		**2009**
U.S.	23,000	U.S.	57,000
Others		Others	
India	330,000	India	530,500
Brazil	123,000	Brazil	195,500
Thailand	91,000	Thailand	413,000
Argentina	14,500	Argentina	158,000
Laos	14,500	Laos	18,000
Myanmar	6,500	Myanmar	0
China	0	China	2,000
Total for Others	545,000		1,317,000
Others not Listed	18,300		173,000
Grand Total	593,000		1,490,000

Commodities:

Wheat

Production:

Vietnam does not produce wheat.

Consumption:

Wheat-based foods are being increasingly consumed in Vietnam; their growing prominence is largely due to growth in per capita incomes and the increasing number of people beginning to live a more Western lifestyle. This lifestyle includes consuming fast, convenient foods, and gradually eating more wheat-based foods in place of the rice-based diet that still dominates Vietnamese cuisine. The use of wheat flour in food is also driven by the influence of culinary cultures from other countries. As Vietnamese lifestyles shift increasingly to the Western style, fast food chains, Western style restaurants and bars will introduce more wheat-based foods into the Vietnamese diet.

There is no official figure for the per capita consumption of wheat. According to a trade source, the best estimate for Vietnamese wheat consumption is around 16 kilogram per capita, or approximately 1.4 million tons countrywide; this includes the volume used for feed. However, the real consumption figure for wheat should also include imported wheat-based products, because Vietnam spends annually $45-50 million for these products, including wheat flour, ready made noodles, and bakery products like cookies and biscuits. Although it is difficult to convert these products into raw wheat volume, the number is large enough to be taken into account.

Regarding products made from locally milled wheat flour, Chinese noodles and instant noodles account for the largest share of wheat flour consumption in Vietnam, with 40-45 percent. Bread/baguettes production consumes about 30 percent, and about 10 percent is used for cookies, biscuits, and other bakery products. The remaining 15-20 percent goes to the animal feed industry.

According to a Euromonitor International report, noodles have become an important food staple in Vietnam. Certain products produced by leading companies such as Acecook Vietnam, Asia Food Industry, and VIFON (Vietnam Food Industries Joint Stock Co) can be found in most stores, both large and small, in urban locations. While products categorized as "nutritious" or "staple" foods, such as pasta or breakfast cereals, experienced a sharp decline in consumption in 2009, noodles experienced positive growth, with sales rising by five percent in CY 2009 by volume.

Table 3.1 Forecast Sales of Noodles by Subsector: Volume 2009-2014 (1,000 tons)

	2009	2010	2011	2012	2013	2014
Plain noodles	2.0	2.2	2.3	2.4	2.5	2.6
Instant noodles	392.9	409.8	423.6	434.1	443.2	450.7
Noodles total	395.0	411.9	425.9	436.5	445.6	453.2

Source: Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates

In Vietnam, bread/baguettes and bakery products make up a large share of wheat-based foods, and the expanding fast food industry plays a key role in driving the increased consumption of these products. According to Euromonitor International, the table below shows the trend in the bakery products and the hamburger bun market, the two main Western-style wheat based products consumed in Vietnam.

Table 3.2 Forecast Sales in Fast Food by Subsector: Bakery Products fast food and Burger fast food Value 2008-2013 (VND billion)

	2008	2009	2010	2011	2012	2013
Bakery products fast food	172.0	180.6	191.4	204.8	221.2	243.3
Burger fast food	373.2	504.1	633.0	752.0	870.5	982.1

Source: Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates

Wheat flour is a primary ingredient in the aquaculture feed industry, specifically in shrimp feed, as a binding agent and protein source. Based on the rate used in feed ingredients (the Feed Conversion Ratio or "FCR") and total shrimp production, Post estimates the demand for wheat use in aquaculture feed to range from 150,000 to 200,000 tons.

There are 20 flour mills in Vietnam, with a total annual capacity to produce about 1.36 million tons of wheat flour from 1.8 million tons of wheat. However, many local private mills have limited capacity, are equipped with old machinery, and operate well below full capacity.

Trade:

Vietnam is a net importer of wheat and wheat flour. Current import duties are five percent for wheat and 10 percent for wheat flour.

Vietnam's wheat imports for MY 2008/2009 were 967,000 tons, slightly down from the 1.05 million tons in MY 2007/2008, due to higher wheat prices in MY 2008/2009. However, wheat imports in the first six months of MY 2009/2010 already exceeded 74 percent of the volume from MY 2008/2009, and Post expects this trend to continue for the rest of the MY.

The Vietnamese consumer does not yet demand as high a quality of wheat as consumers in more developed markets, but that is changing. With noodles making up the largest share of wheat-based products in Vietnam, the flour to make these noodles requires high gluten content wheat which possibly does not favor U.S. wheat. U.S. wheat is used more in high quality bakery products or by Vietnamese mills that blend it in order to cost-effectively improve the quality of the flour products.

Post estimates that Vietnamese MY 2009/2010 wheat imports will reach 1.6 million tons, compared to the 1.4 million tons imported in MY 2008/2009. Wheat imports from the United States are projected to more than double from 40,000 tons to 100,000 tons in MY 2009/2010. This expansion is due to anticipated improvements in trade-related infrastructure which should help U.S. wheat be more competitive, and also because of growing demand for high-quality flour made from premium-quality U.S. wheat.

Australian wheat, however, still dominates the wheat import market in Vietnam, accounting for over 50 percent of Vietnam's total wheat import volume in MY 2007/2008. Besides relatively low transportation costs, Australian wheat is suitable for making the flour that is used in the Vietnamese noodle industry that, as previously discussed, accounts for the major share of Vietnam's wheat flour consumption. Black Sea and Russian wheat are also competitive in Vietnam, as they share Australian wheat's quality characteristics and are used for other products such as baguettes, cookies, and aquaculture feed.

Production, Supply and Demand Data Statistics:

WHEAT STATISTICAL TABLES

Table 3.3 Vietnam's Production, Supply and Demand for Wheat

Wheat Vietnam	2008 2008/2009 Market Year Begin: Jul 2008			2009 2009/2010 Market Year Begin: Jul 2009			2010 2010/2011 Market Year Begin: Jul 2010		
	USDA Official Data		New Post Data	USDA Official Data		New Post Data	USDA Official Data		Jan Data
Area Harvested	0	0	0	0	0	0			0
Beginning Stocks	0	0	0	0	0	0			0
Production	0	0	0	0	0	0			0
MY Imports	1.018	1.100	967	1.300	1.200	1.600			1.700
TY Imports	1.018	1.100	1.386	1.300	1.200	1.600			1.700
TY Imp. from U.S.	38	60	40	0	100	100			120
Total Supply	1.018	1.100	967	1.300	1.200	1.600			1.700
MY Exports	0	0	0	0	0	0			0
TY Exports	0	0	0	0	0	0			0
Feed and Residual	100	150	150	275	200	200			250
FSI Consumption	918	950	817	1.025	1.000	1.400			1.450
Total Consumption	1.018	1.100	967	1.300	1.200	1.600			1.700
Ending Stocks	0	0	0	0	0	0			0
Total Distribution	1.018	1.100	967	1.300	1.200	1.600			1.700
Yield	0,	0,	0,	0,	0,	0,			0,

Table 3.4 Vietnam's wheat Import

Import Trade Matrix			
Country	Vietnam		
Commodity	Wheat		
	Units: Metric Tons		
Time Period	Jul-Jun		July – Dec*
Imports for:	2008/2009		**2009**
U.S.	40,000	U.S.	32,000
Others		Others	
Argentina	0	Argentina	0
Australia	761,500	Australia	488,000
Black Sea	87,000	Black Sea	138,000
Brazil	0	Brazil	0
Canada	44,000	Canada	2,000
China	1,500	Russia	43,500
Total for Others	894,000		671,500
Others not Listed	33,000		46,000
Grand Total	967,000		717,500

***** 2008 totals are for six months only