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Report Highlights:

Post estimates Vietnam's wheat imported volume for MY 2016/2017 at 5.5 million tons due mainly to price competitive of feed wheat. Corn imports are likely to remain unchanged in MY 2016/2017 but likely decrease in MY 2017/2018 to 7.5 million tons due to the going down of livestock and high carry over stock from MY 2016/2017. Rice production is revised at 44.75 million tons of paddy rice due to improved weather conditions and sufficient rainfall, despite loss volume in the Mekong River Delta due excessive rain.

Post:
Hanoi

SITUATION AND OUTLOOK

Vietnam is one of world's leading pork consuming countries and stands second in Asia, only after China. The Vietnam hog industry is the key driver of local feed industry. During the last two years, calendar year 2015 and 2016, Vietnam sold a growing number of live hogs across the border when demand was very high in China.

Vietnam's feed industry performed well in 2016 as imports of feed ingredients increased sharply, meeting the rapid increase of local feed demand. In recent years, Vietnam's hog industry was particularly focused on supplying the local market. Beginning in late 2015, the Vietnam hog industry exported a large number of live hogs, through unofficial channels into China. Unexpectedly, the border was closed and hog prices dropped dramatically in late 2016, which strongly impacted the Vietnam hog industry and at the same time also had serious impact on the feed industry.

Since late calendar year 2016, Vietnam has experienced a surplus of pork meat, which has caused sharp dropped in prices. Broiler meat, which is the main alternative source for pork is also experiencing a worsening fall in prices. The oversupply situation in the hog and broiler production industries and the scaling down of the hog industry is leading to low production of feed.

An upcoming government plan will impact the feed industry. By the end of calendar year 2017, the government is planning to switch from A92 unleaded fuel to biofuel E5 fuel. The latter is a mix of A92 unleaded fuel and ethanol. This situation will force the feed industry consider alternative energy source materials.

Vietnam feed industry summary

In recent years, the Vietnam feed industry relied heavily on imported ingredients - about 45 percent of total raw material volume is imported from other countries. The imported raw materials include soybean meal, corn, DDGS, including various kinds of meal and bran like copra, canola, rape seed meal, and wheat bran. Additionally, imported ingredients also include animal protein sources like meat and bone meal (MBM) and fish meal. Despite performing well in 2016, the Vietnam feed industry faced great challenges. In calendar year 2016, the total imported feed ingredients increased up by 50.83 percent of the total. Post revises the import share to 50.90 percent in calendar year 2017, due to the decrease in the industry's hog population, and couple with the scaling down of broiler production. However, the share is expected to increase up to 52.28 percent in calendar year 2018 as a result of the Vietnamese government plan to use more starch products for bio-fuel.

The local sources for feed include rice bran and broken rice, which are obtained from the rice industry. The rice milling industry produces approximately 5 million tons of rice bran annually. The latter is expected for feed use in CY 2017 and 2018. Unlike rice bran, which is primarily used as a feed ingredient, broken rice is used in a relatively small volume given its strong competitiveness with exported rice. The amount of broken rice used for feed in CY 2017 and 2018 is about 0.5 million tons due to the increasing demand for export.

There is an expected lower cassava use for feed as a result of a smaller crop in 2017, and increased volume for local industrial use especially for biofuel use in 2018. These conditions have resulted in decreasing volume of cassava for feed use from 2 million tons to 1 million tons for the feed industry in 2017 and 2018.

Imported feed wheat accounts for about 20-25 percent of total imported wheat in recent years. However, the import volume is likely to increase to 1.3 million tons in 2017 and 1.4 million tons in 2018 as wheat prices become competitive with corn import prices. The latter situation is due to competitive sources mainly in East Europe and Euro-Asian countries.

Imports of finished feed are estimated at about 1.5 million tons per year. Imported feed is formulated according to specific requirements for the target animals such as prawn, ornamental fish, and pets.

Source of feed ingredients supplied for Vietnam feed industry calendar year 2016-2018

	CY 2016		CY 2017		CY 2018	
	Old	Revised	Old	Revised	Old	Revised
Import(1)	**17.37**	**17.37**	**14.00**	**14.56**	**13.30**	**13.50**
Soybean Meal	5.60	5.60	5.50	5.50	5.00	5.50
Corn	5.70	5.70	3.99	6.01	3.80	4.30
DDGS	1.20	1.20	0.50	0.50	0.50	0.80
Feed wheat	1.10	1.10	2.75	1.30	2.50	1.40
Other meal/bran	2.00	2.00	0.50	0.50	0.50	0.50
Others (MBM, FM, ...)	1.77	1.77	0.76	0.75	1.00	1.00
Local supply (2)	**15.30**	**15.30**	**11.99**	**12.00**	**13.70**	**13.50**
Corn	5.80	5.80	5.49	5.50	7.20	7.00
Rice bran	6.00	6.00	5.00	5.00	5.00	5.00
Broken rice	1.50	1.50	0.50	0.50	0.50	0.50
Cassava	2.00	2.00	1.00	1.00	1.00	1.00
Imported feed (3)	**1.50**	**1.50**	**1.50**	**1.50**	**1.50**	**1.50**
Grand Total (4)	**34.17**	**34.17**	**27.49**	**28.06**	**28.50**	**28.50**
Manufactured feed (5)	**19.62**	**19.62**	**20.52**	**20.52**	**21.50**	**21.50**
Home-made feed (6)*	**14.55**	**14.55**	**6.96**	**7.54**	**7.00**	**7.00**

***: include local crushed from imported beans, **: (6) = (4)-(3)-(5); Source: Post's estimate**

The CY 2016 Vietnam feed demand increased significantly by 31 percent compared to CY 2015. The increase was mostly generated in the animal feed sector. More specifically, there was a big increase in the local swine industry demand as Vietnam exported live swine through the border to neighboring countries. The export started from December 2015 through December 2016 (12 months). Most of the swine movements were from private smallholder farms. Farmers in many provinces across the country expanded their swine production very rapidly to benefit from a robust border trade. With high demand and tight feed supply from manufacturers, home-made feed production increased rapidly. Home-made feed is formulated by incorporating mainly local rice/rice products and local corn with imported ingredients. However, home-made feed production is expected to decrease sharply in calendar year 2017 and 2018, due to border closures of neighboring countries. Post revised the total feed demand in the calendar year 2017from 27.49 million tons to 28.06 million tons because there has been a slight reduction in the swine herd.

Vietnam Total feed demand from calendar year 2015-2018

		2016		2017		2018	
		Old	New	Old	New	Old	New
Animal Feed		28,694,075	28,694,075	21,787,720	22,424,825	22,700,000	22,700,000
Aqua feed		5,475,000	5,475,000	5,700,000	5,700,000	5,800,000	5,800,000
Total Feed		**34,169,075**	**34,169,075**	**27,487,720**	**28,064,825**	**28,500,000**	**28,500,000**
Manufactured		**19,623,000**	**19,623,000**	**20,523,000**	**20,523,000**	**21,500,000**	**21,500,000**
Animal Feed		*16,623,000*	*16,623,000*	*17,223,000*	*17,223,000*	*18,000,000*	*18,000,000*
Aqua feed		*3,000,000*	*3,000,000*	*3,300,000*	*3,300,000*	*3,500,000*	*3,500,000*
Home made		**14,553,775**	**14,553,775**	**6,964,720**	**7,541,825**	**7,000,000**	**7,000,000**
Animal Feed		*12,078,775*	*12,078,775*	*4,564,720*	*5,141,825*	*4,700,000*	*4,700,000*
Aqua feed		*2,475,000*	*2,475,000*	*2,400,000*	*2,400,000*	*2,300,000*	*2,300,000*
Total Feed		**34,169,075**	**34,169,075**	**27,487,720**	**28,064,825**	**28,500,000**	**28,500,000**

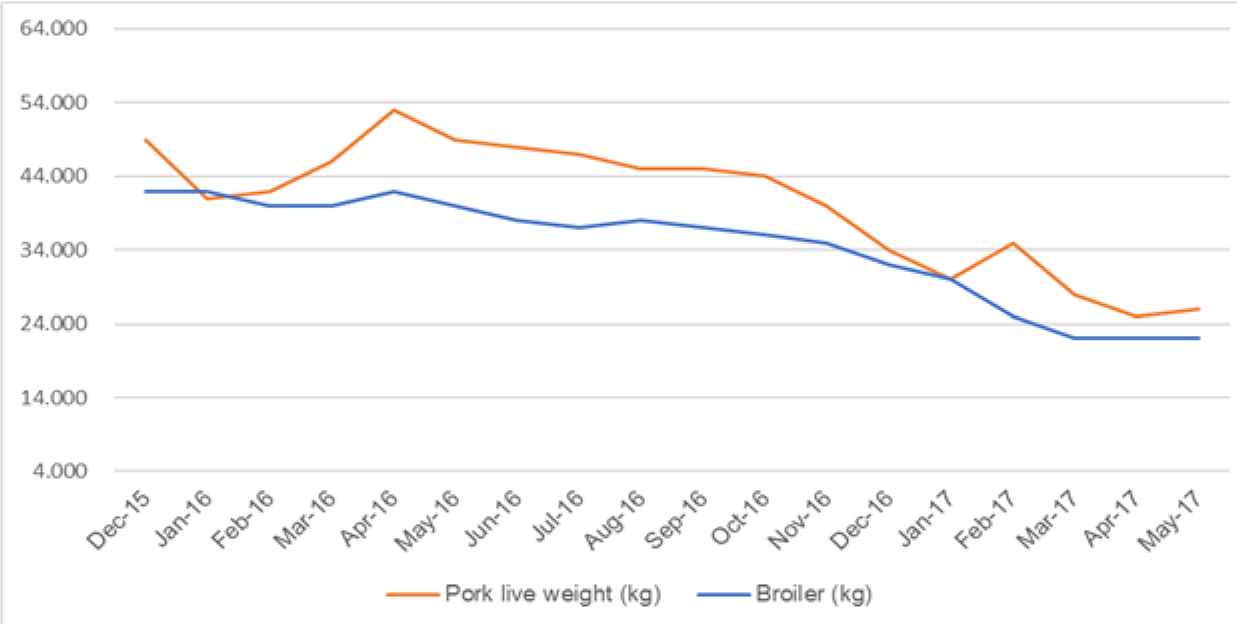
Source: Post's calculation

The below graph shows pork price increased sharply in early calendar year 2016, starting from January and reaching its peak in April. Next, price was almost flat from August to October and went down quickly from October to May 2017. The price trends mirrored the impact of the closed borders on the swine trade, and the oversupply of pork meat that started in early 2017.

Poultry prices fell continuously in late 2016, following declining pork prices because broiler is consider as an alternative meat source for pork. Falling broiler prices will likely accompany low broiler production, especially, since the cost of feed remains high compared to the selling prices of both broiler and hog meats.

Feed industry experts acknowledge that local feed mills have a supply of excess ingredients - warehouses are full of corn and feed wheat. In 2017, sales of the latter are expected to be cut in half. The situation, according to feed mills and local feed ingredient importers, is expected to last till the end of calendar year 2017.

Local Prices of Pork and Broiler from December 2015 - January 2017 (VND/kg)



Source: US Grain Council Representative Office in Vietnam

1. WHEAT

STATISTICAL TABLES

Vietnam's Production, Supply and Demand for Wheat

Wheat	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	288	288	632	432	882	2732
Production	0	0	0	0	0	0
MY Imports	3069	3069	5000	5500	4800	2000
TY Imports	3069	3069	5000	5500	4800	2000
TY Imp. from U.S.	222	222	0	230	0	0
Total Supply	3357	3357	5632	5932	5682	4732
MY Exports	250	250	250	300	300	320
TY Exports	250	250	250	300	300	320
Feed and Residual	900	1100	2800	1300	2600	1400
FSI Consumption	1575	1575	1700	1600	1800	1650
Total Consumption	2475	2675	4500	2900	4400	3050
Ending Stocks	632	432	882	2732	982	1362
Total Distribution	3357	3357	5632	5932	5682	4732
(1000 HA) ,(1000 MT)						

PRODUCTION

Vietnam does not produce wheat.

CONSUMPTION

The marketing year (MY) 2016/2017 wheat total consumption is revised down to 2.9 million tons from the last estimate of 4.5 million tons, a sharp decrease of 1.6 million-tons. However, it is an increase of 225,000 tons compared to 2.675 million tons in MY 2015/2016 due to the increase demand for both feed and wheat based food products. Total wheat consumption for MY 2015/2016 is revised up 200,000 tons due to the increase use of feed wheat by the local feed industry.

The MY 2017/2018 wheat consumption forecast remains high, about an increase of 150,000 tons, compared to MY 2016/2017, due mainly to increased demand. The increase in feed wheat consumption reflects the feed wheat industry's growth. At the same time, the increase consumption of milling wheat is driven by the on-going demand for wheat based products in the fast food industry.

Wheat is the second staple food (after rice) for Vietnamese living in big cities. In recent years, the demand for wheat used for bread/baguettes, as well as other baked goods and wheat based foods, has increased. These changes reflect the increasing pace of urbanization and increasing familiarity of consumers using convenience foods. The increased presence of international fast food chains in Vietnam, including western food cafes are also a key factor in boosting the use of wheat-based food products. The use of wheat-based food, though still limited to big cities, is spreading to second-tier cities. As a result, the level of consumption of milling wheat is moderately small but has been increasing steadily. Total current demand for milling wheat ranges from 1.50 to 1.60 million tons per year with an increase of about 50,000 tons a year. The increased use of milling wheat is due to the growing demand for superior wheat, which is used for higher quality breads and cakes introduced by western food outlets. Demand is increasing steadily for U.S. wheat, which is considered as premium quality wheat.

Currently, Vietnam's wheat mill-designed capacity is around 3.2-3.4 million tons annually. Strong competitive foreign-owned mills have cut into the number of local mills - there are only a few small local private mills existing in the country. Given the yearly consumption of 2.0-2.1 million tons, including local use and export, the actual average capacity of these mills reaches 68 percent of the designed capacity. This demonstrates a strong competitive environment in the wheat milling sector and also the growth potential of Vietnam's wheat consumption. Vietnam's wheat milling capacity is expected to grow over the next several years because the industry supplies its milled flour locally but also regionally to other countries in Southeast Asia.

TRADE / COMPETITION

Import

Vietnam is a net importer of wheat. Current import duties are five percent for wheat and fifteen percent for wheat flour. Australian wheat, however, enjoys duty free access to Vietnam under the Australia – Vietnam Free Trade Agreement, which entered into force in January 2016. The Vietnam-Eurasia Economic Union Free Trade Agreement (VN-EAEU FTA), which was effective on October 5, 2016, also granted zero import duty for wheat from Russia, Belarus, Kazakhstan, Armenia, and Kyrgyzstan, into Vietnam.

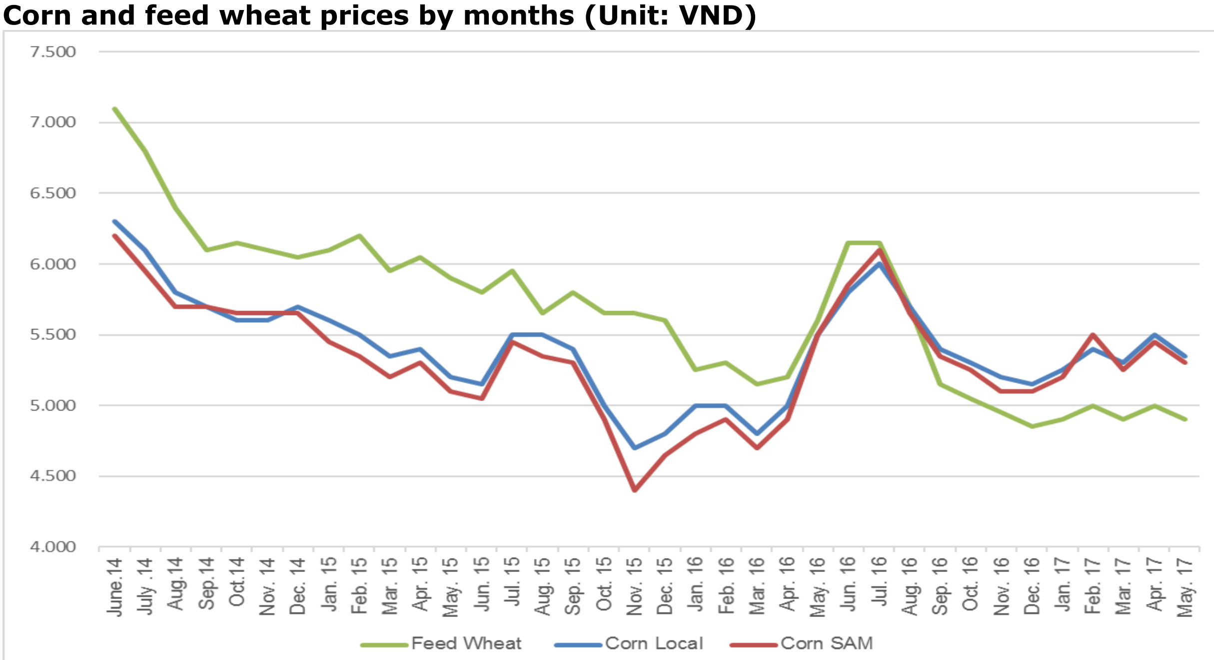
Post estimates Vietnam's wheat imports volume in MY 2016/2017 at 5.5 million tons, an increase of about 500,000 tons compared the Post's previous estimate and about 2.5 million tons compared to MY 2014/2015 imported volume, with the increase mainly due to low wheat prices. According to trade numbers, of 5.5 million tons imported in the MY 2016/2017, milling wheat is about 2.4 million tons and the outstanding amount of 3.1 million tons is for feed wheat.

Australian milling wheat has historically dominated the wheat import market in Vietnam and, over the last several decades, accounted for over 70-80 percent of Vietnam's total wheat imported volume yearly. However, in MY 2016/2017, Australia only accounted for about a quarter of imports as other milling wheat suppliers, such as Canada and the United States, have increased their market share.

Additionally, the proportion of feed wheat compared to milling wheat has grown considerably over the past year. In MY 2016/2017, of 3.1 million tons of feed wheat, Vietnam imported about 1.3 million tons from Euro-Asian countries, and about 900,000 tons from Argentina. In the context of a new free trade agreement with the Euro-Asian countries and low prices, Vietnamese wheat importers shifted to buying feed-quality wheat in large volumes. However, wheat has only been able to replace some corn as a feed ingredient over the past year, with the result of importers overestimating the amount that could be used. Therefore, traders are still holding substantial stocks of feed-quality wheat.

The below graph shows that feed wheat prices have become competitive to corn prices since the beginning of MY 2016/2017 through May 2017. This situation explains the large volume of feed wheat imported into the country - much higher than the demand for feed, especially in light of the fall in demand for swine from the border trade. According to traders, with milling wheat prices increasing in the first half of MY 2017/2018, traders plan to use this wheat that is currently in storage and will likely slow their imports of wheat in the coming year as a result. The stored wheat may be used for both feed and milling.

Corn and feed wheat prices by months (Unit: VND)



Source: US Grain Council Representative Office in Vietnam

The MY 2017/2018 wheat import volume is revised down sharply from 4.8 million tons to 2 million tons due to a large stock to use ratio (the demand/consumption is much lower than the supply/import) in MY 2016/2017, leading to large carry over stock from MY 2016/2017 to the MY 2017/2018.

Export

Vietnam exports wheat flour to neighboring countries in South East Asia. The product is mainly supplied as an ingredient for the aquaculture industry. Small quantities are also used in the instant noodle industry. The export growth of Vietnam wheat flour has been flat or small growth in recent years.

Vietnam is the largest exporter of wheat flour to Thailand. Vietnam exports of wheat flour to other countries including Indonesia, Malaysia, and the Philippines are mainly used in the feed industry. Additionally, Vietnamese flour exports to Singapore, Hong Kong and Taiwan are for the food processing industry and/or re-selling to other countries.

Vietnam Exports of Wheat Flour in Marketing Year *(ton, wheat equivalent)*

Country	2011	2012	2013	2014	2015	2016	2017*	2018*
Philippines	14.971	22.457	24.329	24.329	76.728	76.728	80.000	80.000
Thailand	31.814	76.728	95.443	101.057	86.086	74.857	80.000	85.000
Hong Kong	5.614	9.357	14.971	20.586	22.457	22.457	25.000	25.000
Singapore	16.843	14.971	16.843	18.714	18.714	18.714	20.000	20.000
South Korea	-	-	-	1.871	7.486	13.100	15.000	15.000
Indonesia	1.871	-	3.743	5.614	9.357	9.357	10.000	12.000
Macau	-	1.871	1.871	1.871	1.871	1.871	2.000	2.000
Malaysia	9.357	13.100	-	-	-	-		
Taiwan	11.229	1.871	-	-	-	-		
Total	91.700	140.357	157.200	174.042	222.699	217.085	232.000	239.000

**: Estimate; Source: Global Trade Atlas*

Vietnam Exports of Wheat Products in Marketing Year *(ton, wheat equivalent)*

Country	2011	2012	2013	2014	2015	2016	2017*	2018*
Germany	5,472	6,840	4,104	2,736	12,312	19,152	15,000	16,000
United States	4,104	4,104	5,472	6,840	9,576	9,576	10,000	12,000
Japan	4,104	4,104	4,104	4,104	5,472	5,472	5,500	5,500
Singapore	4,104	4,104	5,472	5,472	5,472	5,472	5,500	5,500
Australia	1,368	1,368	1,368	2,736	2,736	4,104	4,000	4,000
France	1,368	1,368	2,736	4,104	4,104	4,104	4,200	4,200
Taiwan	1,368	1,368	1,368	1,368	2,736	2,736	2,800	2,800
Netherlands	-	1,368	1,368	2,736	2,736	2,736	2,800	2,800
Russia	9,576	10,944	6,840	5,472	5,472	2,736	2,800	2,800
United Kingdom	-	1,368	1,368	1,368	2,736	2,736	2,800	2,800
South Korea	1,368	2,736	2,736	2,736	2,736	2,736	2,800	2,800
Czech Republic	2,736	2,736	2,736	2,736	2,736	2,736	2,800	2,800
Canada	1,368	1,368	1,368	1,368	1,368	1,368	1,400	1,400
Hong Kong	-	-	-	-	1,368	1,368	1,400	1,400
Belgium	1,368	1,368	1,368	1,368	1,368	1,368	1,400	1,400
China	1,368	1,368	-	1,368	1,368	1,368	1,400	1,400
Sweden	-	-	-	-	-	1,368	1,400	1,400
Thailand	-	1,368	-	-	-	1,368	1,400	1,400
Malaysia	-	-	-	1,368	1,368	-	1,400	1,400
Hungary	1,368	-	-	1,368	-	-		
Poland	10,944	12,312	-	-	-	-		
Slovakia	-	-	1,368	-	-	-		
Romania	1,368	-	-	-	-	-		
South Africa	1,368	1,368	1,368	-	-	-		
Total	54,720	61,560	45,144	49,248	65,664	72,504	70,800	73,800

**: Estimate; Source: Global Trade Atlas*

2. CORN

STATISTICAL TABLES

Vietnam’s Production, Supply and Demand for Corn

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	May 2015		May 2016		May 2017	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1150	1150	1100	1200	1050	1200
Beginning Stocks	818	818	1248	1248	848	1316
Production	5230	5230	5100	5568	5000	5592
MY Imports	7950	7950	8000	8000	9500	7500
TY Imports	8600	8600	9500	8100	10500	7500
TY Imp. from U.S.	436	436	0	110	0	0
Total Supply	13998	13998	14348	14816	15348	14408
MY Exports	500	500	500	500	500	500
TY Exports	500	500	500	500	500	500
Feed and Residual	10800	10800	11600	11600	12300	11300
FSI Consumption	1450	1450	1400	1400	1600	1400
Total Consumption	12250	12250	13000	13000	13900	12700
Ending Stocks	1248	1248	848	1316	948	1208
Total Distribution	13998	13998	14348	14816	15348	14408
(1000 HA) ,(1000 MT)						

PRODUCTION

Corn is the second most widely produced annual crop in terms of acreage in Vietnam. However, corn is planted only in areas including the mountainous regions with poor soil fertility and other regions lacking adequate water supply. Since corn is primarily grown in unfavorable conditions, Vietnam's corn yields are significantly low. Additionally, corn yields are also affected by crop losses due to pests and diseases. Vietnam has introduced biotech corn to overcome shortages, losses, and low yields caused by pest, weeds and low water conditions. In April 2015, approved GM corn varieties were planted in Vietnam. The decision made Vietnam the 29th country to commercialize a biotech crop in the world. The overall increase of corn production is mainly due to the higher average corn yield. As average corn yields increase, Vietnamese farmers are realizing the economic viability of GM corn. The average corn yield is expected to be slightly higher in MY 2016/2017, at 4.64 tons per hectare, and MY 2017/2018, at 4.66 tons per hectare, most possibly due to the adoption of GM corn varieties.

Corn is one of several local crops including cassava and rice (broken rice, rice bran), which are used to supply the fast-growing feed industry. However, local corn production has been unable to meet the demand in recent years. Each year, increasing volume of imported corn is brought into Vietnam. As such, corn producers are under pressure to increase their productivity in order to meet the increasing demand. The reality is local corn simply cannot compete with imported corn regarding production cost and quality. Increasing corn productivity through the use of high-yielding varieties seems the most likely way to achieve the government's objectives of increasing yield to meet domestic demand in the feed sector.

According to the Ministry of Agriculture and Rural Development (MARD), the revised Vietnam corn production is estimated at 5.57 million tons in MY 2016/2017, due to larger harvested area (1.2 million hectares compared to 1.1 million hectares). The forecast for MY 2017/2018 harvested area is revised from 1.18 million hectares to 1.2 million hectares, the same area as in MY 2016/2017.

Vietnam Corn Production in MY 2015/2016, 2016/2017 and forecast 2017/2018

	Unit	MY 2015/2016		MY 2016/2017		2017/2018 Forecast	
		Old	New	estimate	Revised	Old	New
Harvested	1,000 Ha	1,150	1,150	1,100	1,200	1,180	1200
Yield	mt/ha	4.55	4.55	4.64	4.64	4.66	4.66
Production	1,000 mt	5,230	5,230	5,100	5,568	5,500	5,592

Source: MARD / Post Estimate

The government's policy of shifting current rice cultivated areas into corn has not been as effective as intended. Corn harvested area have increased only slightly.

Over the last decade, the cultivation of corn has gradually increased. However, the drive to produce more corn has resulted in no significant changes over time. This situation reflects the Vietnamese government policy of encouraging the increase cultivation of corn for supplying to the local feed industry. The present reality is local corn production faces stiff competition from major corn producers like Argentina, and Brazil, and recently Euro-Asia countries mainly on price.

Area of Corn by region *Unit: 1,000 hectares*

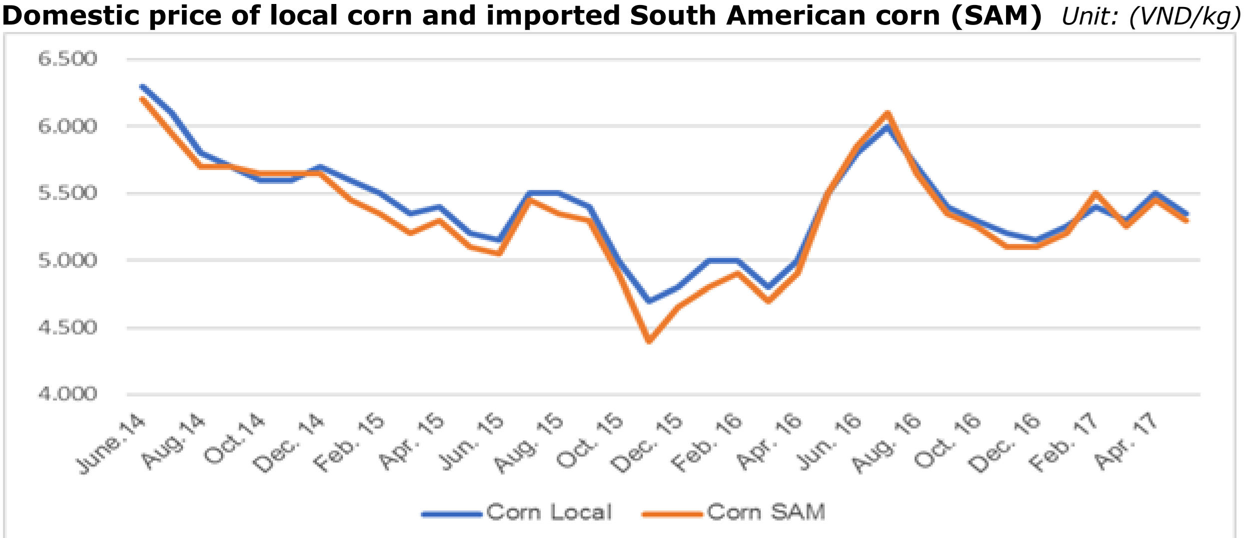
	2012/13	2013/14	2014/15	2015/16	2016/17
WHOLE COUNTRY	**1,156**	**1,170**	**1,179**	**1,150**	**1,200**
Red River Delta	86	88	88	83	129
Northern midlands & mountain areas	502	505	515	410	383
North Central & Central coastal area	202	206	208	241	242
Central Highland	247	252	250	301	292
South East	79	80	80	77	104
Mekong River Delta	40	40	38	38	50

Source: General Statistics Office

DOMESTIC PRICES

The fall in imported corn prices below local corn prices is the primary factor driving corn imports into Vietnam. Starting from Mid-June 2014, domestic corn prices fell continuously and reached their lowest levels in November 2015 due to low imported corn prices. The bulk of corn harvesting takes place in May, so price movements in 2015 are in line with seasonality. For 2016, local prices were up in response to the crop shortage in Brazil. In general, local corn prices recently reflect a corresponding downward trend in international prices, regardless of the seasonal structure. However, Corn prices in the global market have declined relatively slower than meat prices in Vietnam. This situation has made the feed industry fall into a difficult time.

Domestic price of local corn and imported South American corn (SAM) *Unit: (VND/kg)*



Source: US Grain Council Representative Office in Vietnam

The above graph show that imported corn price is very competitive with local corn price. For the most part, imported corn price is lowers compared to the local corn price.

CONSUMPTION
In Vietnam, corn is used as the main source of energy-ingredient for animal feed, for food use as corn starch, and for limited use in producing beer, textiles, and pharmaceutical products. However, more than 80 percent of corn is used as feed ingredients.

In the animal feed industry, corn is used in both the commercial and home-made sectors, mainly for hog and poultry feeds. The majority of corn entering Vietnam predominantly comes from imported sources because local corn production is unable to meet the fast-growing demand of the animal feed industry.

The real imported volume depends greatly on the availability of other alternative products like broken rice, rice bran, and cassava locally, and the price competitiveness of imported feed wheat and DDGS. In theory, the annual increase of corn use both for food and feed is about 200,000 – 400,000 tons. However, the level of corn imported volume depends on both the growth of the hog and poultry sectors and the availability of other alternative products can greatly affect the corn volume import each year. For example, the significant increase of imported corn in MY 2015/2016 and 2016/2017 was mainly as a result of record high number of hogs in calendar year 2016. By late MY 2016/2017 and early MY 2017/2018, corn stock is expected to be at high volume carry over from MY 2016/2017 to MY 2017/2018.

TRADE / COMPETITION
Commercial feed manufacturers usually purchase up to 50 percent of the total locally produced corn. In MY 2015/2016 and MY 2016/2017, Post believes that home-made feed consumed a large amount of imported corn to meet the high demand from the local hog industry.

Corn faced strong competition from feed wheat because feed wheat prices have been lower than corn prices since the summer of 2016. Additionally, cassava and local broken rice are among the main alternatives to corn. Over the past 5 years, rice and cassava farmers have focused more on export markets. The result is less supply of cassava and broken rice for the domestic animal feed industry. However, in MY 2015/2016 and My 2016/2017, rice and cassava exports declined, leaving more ingredients for the local feed industry. Competition is also emerging from the varied corn sources. Traditionally, Vietnam has bought corn from Brazil and Argentina. However, Vietnam has also bought corn from Euro-Asian countries (especially Russia and Ukraine).

IMPORT / EXPORT
In the last 5 months of MY 2016/2017, Vietnam imported about 800,000 tons of corn from Russia and Ukraine, which accounted for 10 percent of total corn import in the marketing year. However, corn imported from Brazil and Argentina, usually called South American corn is estimated about 6.3 million tons. Corn from Brazil and Argentina has dominated the imported corn market. In total, corn imported volume in MY 2016/2017 is about 8.0 million tons. Post revised corn imported volume in MY 2017/2018 down from 9.5 million tons to 7.5 million, due mainly to the scale back in the hog industry and large carry over stock from MY 2016/2017.

According to trade sources, Vietnam exported some volume of its locally produced corn to China via the border trade. There is no official data on the total volume. Reportedly, Vietnam exported around 500,000 tons of local corn to China in MY 2015/2016. Post estimates the border trade with China will be the same volume, 500,000 tons in MY 2016/2017 and MY 2017/2018 respectively.

RICE

STATISTICAL TABLES

Vietnam’s Production, Supply and Demand for Rice

Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7704	7704	7700	7734	7700	7730
Beginning Stocks	1259	1259	1455	1455	1316	1426
Milled Production	27584	27584	27861	27971	28100	28461
Rough Production	44134	44134	44578	44754	44960	45538
Milling Rate (.9999)	6250	6250	6250	6250	6250	6250
MY Imports	300	300	300	300	300	300
TY Imports	300	300	300	300	300	300
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	29143	29143	29616	29726	29716	30187
MY Exports	5088	5088	5600	5600	6000	6000
TY Exports	5088	5088	5600	5600	6000	6000
Consumption and Residual	22600	22600	22700	22700	22700	22800
Ending Stocks	1455	1455	1316	1426	1016	1387
Total Distribution	29143	29143	29616	29726	29716	30187
(1000 HA) ,(1000 MT)						

Vietnam's Area, Yield, and Production for Rough Rice (as of June 2017)

Marketing Year	2015/2016 Revised		2016/2017 Estimate		2017/2018 Forecast	
Harvested Area (t. ha)	**Old**	**New**	**Old**	**New**	**Old**	**New**
Winter[1]	1,705	1,705	1,700	1,700	1,700	1,700
Spring[2]	3,034	3,034	3,050	3,074	3,050	3,070
Autumn[3]	2,964	2,964	2,960	2,960	2,960	2,960
TOTAL	**7,704**	**7,704**	**7,710**	**7,734**	**7,710**	**7,730**
Yield (mt/ha)						
Winter	4.94	4.94	4.90	4.90	4.95	4.95
Spring	6,40	6,40	6.45	6.27	6.50	6.50
Autumn	5.49	5.49	5.60	5.79	5.65	5.80
AVERAGE	**5.73**	**5.73**	**5.78**	**5.78**	**5.83**	**5.89**
Production (t. mt)						
Winter	8,423	8,423	8,330	8,330	8,415	8,415
Spring	19,430	19,430	19,672	19,286	19,825	19,955
Autumn	16,281	16,281	16,576	17,138	16,723	17,168
TOTAL	**44,134**	**44,134**	**44,578**	**44,754**	**44,963**	**45,538**

[1] Lua Mua (10th Month), [2] Winter-Spring, [3] Summer-Autumn
Source: MARD, Post estimates

<u>Estimate for MY 2016/2017 (began January 2017)</u>

Post revised the estimate for total rice production for MY 2016/2017 from 44.58 million tons to 44.75 million tons of paddy rice, or approximately 27.97 million tons of milled rice equivalent. This estimate is slightly higher than USDA's official number for the same marketing year, and it is about 387,000 tons of milled rice increase compared to Post's estimate for MY 2015/2016 production, due to overall good weather conditions, especially ample water supply. However, MARD reports that excessive rain in the early dry season has made it difficult for many farmers to reach peak production. As a result, the production of the Spring crop in the Mekong River Delta (MRD) decreased. The Spring crop production in the whole country was down -about 150,000 tons of paddy or 94,000 tons of milled rice less compared to the MY 2015/2016 Spring crop. The increased production for MY 2016/2017 comes from better than expected production of the Autumn crop, mainly increase in yield due to favorable conditions.

Post also revised the forecast for MY 2017/2018 rice production from 44.96 million tons to 45.54 million tons with expected slight increase in area of the first crop, or also called the Spring crop, (about the same area of MY 2016/2017) and higher yield of the second crop, or Autumn crop (5.8 tons per hectare compared to 5.65 tons per hectare from the last forecast) in MY 2016/2017).

Spring Crop
Post revised the total harvested area for the MY 2016/2017 Spring crop from 3.05 million hectares to 3.07 million hectares, according to MARD's report, about 40,000 hectares more than the previous Spring crop of MY 2015/2016 due to good weather conditions and sufficient water supply. However, unseasonal and excessive rain in the MRD area has resulted in harvest losses, which brought down the Spring crop production overall, 19.28 million tons compared to 19.43 million tons of the MY 2015/2016 Spring crop.

Autumn Crop
The Autumn crop is mainly located in the southern provinces. Specifically, the MRD typically accounts for more than 80 percent of the total Autumn crop planting area. As of June 15, 2017, the on-going MY 2016/2017 Autumn crop planted area totaled more than 2.07 million hectares, compared to about 1.78 million hectares in MY 2015/2016, year on year basis.

The Vietnam harvested area for the MY 2016/2017 Autumn crop is estimated unchanged compared to the previous estimate or about the same with MY 2015/2016 Autumn crop, 2.96 million hectares.

Winter Crop
Post estimates the harvested area for the Winter crop is 1.70 million hectares, in MY 2016/2017, and MY 2017/2018 about the same as MY 2015/2016. The Winter crop rice is a traditional variety and is grown mainly for local consumption. Consequently, the yield is usually lower than other crops in the year.

Mekong River Delta (MRD) Rice Production

The MY 2016/2017 rice production in the MRD has so far been considered favorable due to suitable weather conditions. However, excessive rains hindered the Spring crop production, which is down compared to MY 2015/2016. As of June 2017, MY 2016/2017 rice production is down about 500,000 tons of paddy.

Spring Crop
Due to excessive rain, Post revises the MY 2016/2017 harvested area in the region down from 1.55 million hectares to 1.537 million hectares, about 13,000 hectares loss due to wet weather. The estimated Spring crop production for the MRD is down from 11.16 million tons to 9.68 million tons of paddy, the yield is also down from 7.2 tons to 6.3 tons per hectares, resulting in lower production of more than 1 million tons compared to the MY 2015/2016 production.

Autumn Crop

The Autumn crop includes the Main Autumn and Late Autumn crops.

MRD farmers were encouraged to start planting earlier than usual in MY 2016/2017. As of June 15, 2017, farmers have planted about 1.63 million hectares of the total planned 1.6 million hectares for the main Autumn crop. The harvesting of about 464,000 hectares has taken place. The estimated yield increased from 5.85 tons per hectare to 6.1 tons per hectare. The main Autumn crop production is increased to 10.13 million tons

In general, the late Autumn crop appears right after the Main Autumn crop and the former is not endangered by the annual flooding. According to MARD, the plan for late the Autumn crop area is robust in light of the high selling price of the crop during the harvest, which is off-season with competing countries' harvests.

Post estimates the MRD total harvested area for the MY 2016/2017 Autumn crop at 2.51 million hectares (including main and late Autumn crops), compared to 2.5 million hectares in MY 2015/2016. The MY 2016/2017 Autumn crop production is expected to increase about 500,000 tons.

Winter Crop

Post holds the harvested area for the Winter crop in the MRD at 180,000 hectares due to the shift in planting from the Winter rice crop to the high-yielding late Autumn crop. Estimate for MY 2017/2018 Winter crop area is also at 180,000 hectares, about the same in a normal marketing year.

Rice Production in the Mekong Delta by Marketing Year *(000 ha; mt/ha; 000 mt)*

	2015/2016 (Revised)			2016/2017 (Estimate)			2017/2018 (Estimate)		
	Area	Yield	Prod.	Area	Yield	Prod.	Area	Yield	Prod.
Winter	**180**	**4.50**	**810**	**180**	**4.60**	**828**	**180**	**4.60**	**828**
Spring	**1,515**	**7.10**	**10,757**	**1,537**	**6.30**	**9,683**	**1,550**	**7.10**	**11,005**
Autumn *(in which)*	**2,500**	**5.68**	**14,202**	**2,510**	**5.70**	**14,716**	**2,500**	**5.74**	**14,740**
Main Autumn	*1,670*	*5.84*	*9,753*	*1,660*	*6.10*	*10,126*	*1,650*	*6.10*	*10,065*
Late Autumn	*830*	*5.36*	*4,449*	*850*	*5.40*	*4,590*	*850*	*5.50*	*4,675*
Total	**4,195**	**6.14**	**25,769**	**4,227**	**5.97**	**25,227**	**4,230**	**6.28**	**26,573**

Source: MARD, Post estimate

CONSUMPTION

Rice is the main staple food in Vietnam. Vietnam’s decline in per-capita rice consumption is consistent with other countries in Asia. As the country develops economically, consumers have greater purchasing power and more access to other foods. As a result, per-capita consumption of rice declines as income increases.

However, Vietnam’s growing population may help curb the declining trend in the country’s per capita rice consumption. According to MARD, the most recent per capita rice consumption is about 136 kilograms. MARD uses the average per capita rice consumption to forecast rice supply and demand. The amount of rice used for average per capita consumption has decreased because of the availability of other food sources. The average per capita rice consumption per month in urban areas is lower than that in the rural areas. Post estimates that the country needs each year an additional 150,000 tons to meet domestic consumption.

Post estimates the MY 20117/2018 consumption will be 22.8 million tons of milled rice, about 100,000 tons higher than that of MY 2016/2017.

STOCK

There is no official number of Vietnam rice stocks. Rice stocks are calculated from the total of rice production, carry-over stock and import after deducting export and consumption and residual. Rice carry-over stock in MY 2015/2016 was at about 1.46 million tons, due to smaller than expected export volume.

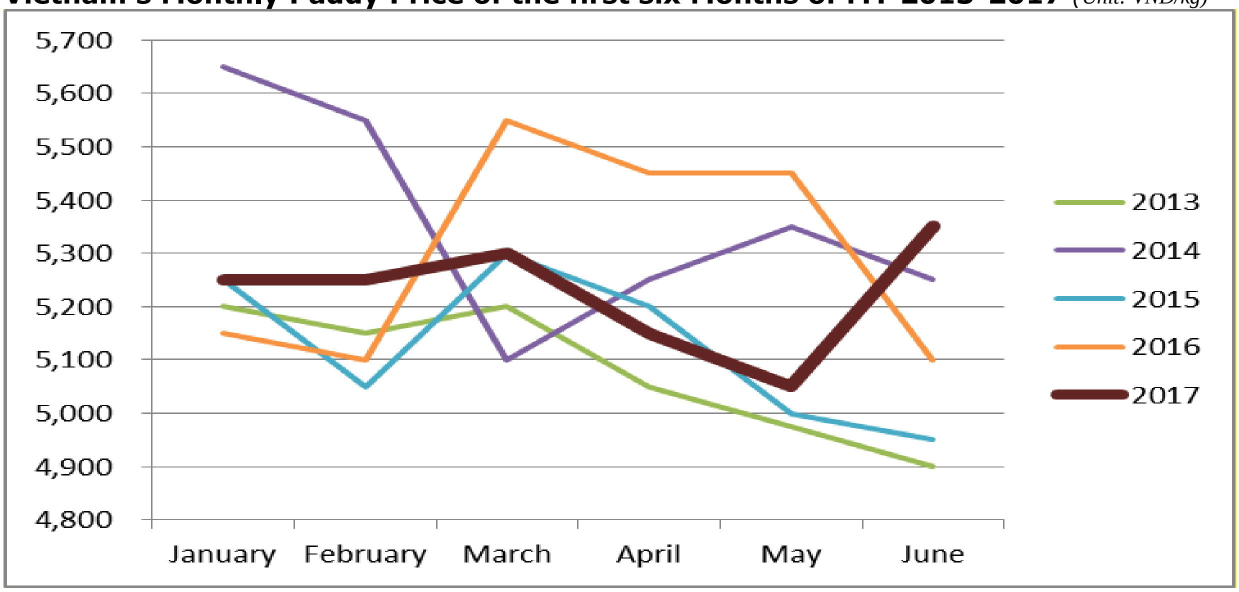
Rice carry-over stocks in MY 2016/2017 and MY 2017/2018 are estimated to remain at over one million tons of milled rice - specifically, 1.43 million tons and 1.39 million tons respectively, due to the GVN's trade policy relating to both official and border trade exports. According Post's calculation, 1 million tons of milled rice could approximately feed Vietnam's 93 million-population for 28 days.

TRADE / COMPETITION

Domestic Prices

Fluctuating domestic prices depend on several factors: the availability of paddy harvested from different crops during the year, export demand, and the overall carry-over stock/ending stock. Generally, paddy prices drop to their lowest point two times a year: once at the peak harvest of the Spring crop (during March-April) and the second drop occurs at peak harvest of the main Autumn crop (during June-July). The harvest of the Spring paddy crop in the MRD started at the end of January. Additionally, paddy prices also depend on the available stocks, especially carry-over stocks at the end of the year.

Vietnam's Monthly Paddy Price of the first six Months of MY 2013-2017 *(Unit: VND/kg)*



Source: Vietnam Food Association, Combined data

The above table shows local paddy prices for the first 6 months of the year. Prices generally tend to decline over the first half of the year, which is due to the abundant supply of paddy during the first harvest. However, MY 2016/2017 prices from May-June have increased sharply due to the expected demand for large volumes of rice exports to various destinations: Indonesia, Malaysia, the Philippines, Bangladesh, and Africa.

Exports

According to the Vietnamese Food Association (VFA), Vietnam MY 2016/2017 (January-May 2016) exports reached about 2.3 million tons of milled rice, with the CIF value at $1.1 billion.

In the first 5 months of MY 2016/2017, China imported about 1.1 million tons, compared to 786,000 tons of milled rice during the same period of MY 2015/2016. The Philippines' imports also increased from 193,000 tons in the first 5 months of MY 2015/2016 to 343,000 tons in the same period of MY 2016/2017. The export volumes of rice to these two countries comprise more than 50 percent of Vietnam's total rice export for the first 5 months of MY 2016/2017.

Post estimates Vietnam MY 2016/2017 rice export volume at 5.6 million tons and 6.0 million tons for MY 2017/2018 export forecast.