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Report Highlights:

Post revised its Vietnam's feed demand estimates for calendar year (CY) 2020 at 27.18 million metric tons (MMT) with increases in animal feed offsetting decreases in aquaculture feed, and forecasts CY2021 feed demand will increase slightly by 2 percent to 27.85MMT due to ongoing momentum in animal feed. Post revised estimates for MY20/21 wheat consumption down to 3.4MMT, slightly higher than the USDA official number, on lower consumption of milling and feed wheat. Post revised its estimates of Vietnam's corn consumption down to 14.5MMT for MY20/21, lower than the USDA official number, on lower feed and residuals. Post kept MY20/21 paddy production estimates at 43.36MMT, regardless of lower area, at 7,350 thousand hectares (THA). Post forecasts MY21/22 production and area will not increase, but remain the same as the previous year, considering the longer downward trend in cultivation area, prevalence of droughts and salinity intrusion, and the scarcity of Mekong River floods in recent years.

SITUATION AND OUTLOOK

Although Vietnam's domestic swine industry is slowly recovering after having been hit hard by African Swine Fever (ASF) in 2019, it has yet to recover to pre-ASF levels due to lingering risks of recurrence of the disease. According to the Ministry of Agriculture and Rural Development (MARD), ASF continues to recur at a smaller scale in some localities with most of these outbreaks quickly put under control. MARD continued to encourage producers who meet biosecurity requirements to repopulate their pig herds to meet steady pork demand. Feed-farm-food "3F" integrated businesses continued to expand their market share by taking advantage of biosecurity standards and cost-effective supply chains, while small and medium swine farms continue to struggle to fully revive. Poultry and bovine production also expanded in 2020, with noticeable new large-scale investments in the poultry sector. In its Livestock Development Strategy 2021-2030, MARD aims to raise commercial farming's share of overall production to 70 percent for swine, 60 percent for chicken, 40 percent for waterfowls, 60 percent for dairy cattle, and 30 percent for beef cattle by 2030.

Aquaculture, especially the catfish industry, was challenged by COVID-19 when demand in Vietnam's export markets declined due to widespread lockdowns and/or social distancing throughout 2020. Seafood exports prospects remain uncertain in 2021 and are dependent on the global situation of COVID-19 and shipping container availability and freights.

Post estimates an increase in animal feed to offset a reduction in aquaculture feed in CY2020, and forecasts that feed demand in CY2021 will slightly increase based on momentum in animal feed.

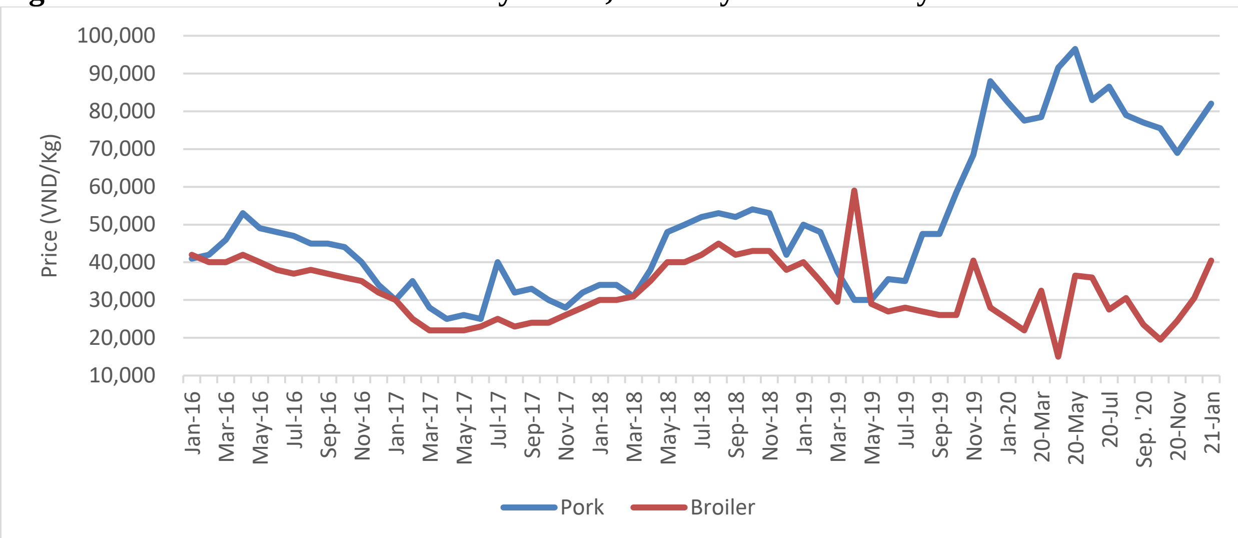
Vietnam Feed Industry Summary

Despite the challenges of COVID-19, ASF, and severe storms and flooding, Vietnam saw a gradual recovery in its swine husbandry, and continuing expansion in poultry and bovine production in 2020. The General Statistics Office (GSO) and MARD reported that the number of pigs increased to over 26 million head, including nearly 3 million sows by the end of 2020, equivalent to 85 percent of pre-ASF levels. Pork production reached 3.47 million metric tons (MMT), a 4.4 percent year on year increase. According to industry sources, Vietnam imported over 400,000 live pigs for slaughtering, mainly from Thailand, and more than 230,000MT of pork and pork products – double the previous year. *Note: The Government of Vietnam (GVN) allowed, for the first time, imports of live pigs from Thailand beginning June 2020 to offset domestic pork shortages.* The improved supply from the domestic repopulation of pigs and the importation of live pigs and pork products helped reduce pork prices in the second half of 2020, with December live weight prices decreasing by 14-15 percent compared with the same period last year (Figure 1).

Continuing threats of an ASF recurrence continued to prevent a full-recovery in household and small-scale farms, while large livestock companies reported an active and quick scale-up. In addition, increased prices of inputs, including piglets and feed, will likely limit the abilities of some farmers to restock. Industry contacts reported that a piglet currently costs $115-130, subject to weight. This is slightly lower than six months ago, but still double pre-ASF levels. According to MARD's Department of Livestock Production (DLP), the number of hogs at 16 large livestock companies, which account for approximately 35 percent of the total domestic pork market, increased by 71 percent in January 2021, as compared with January 2019 (before the first ASF outbreak), and by 64 percent as compared with

January 2020. Local media reported new investments in the swine husbandry sector in 2020, including Japfa Comfeed Vietnam Co., Ltd.'s high-tech 130,000 pigs farm in Binh Phuoc Province and Masan Meatlife's slaughtering and processing complex of 1.4 million pigs/year capacity in Long An Province. To control the risk of ASF in the long term, the MARD Minister announced that Vietnam would have ASF vaccines commercialized starting in the third quarter of 2021, according to media sources.

Figure 1: Domestic Pork and Poultry Prices, January 2016-January 2021



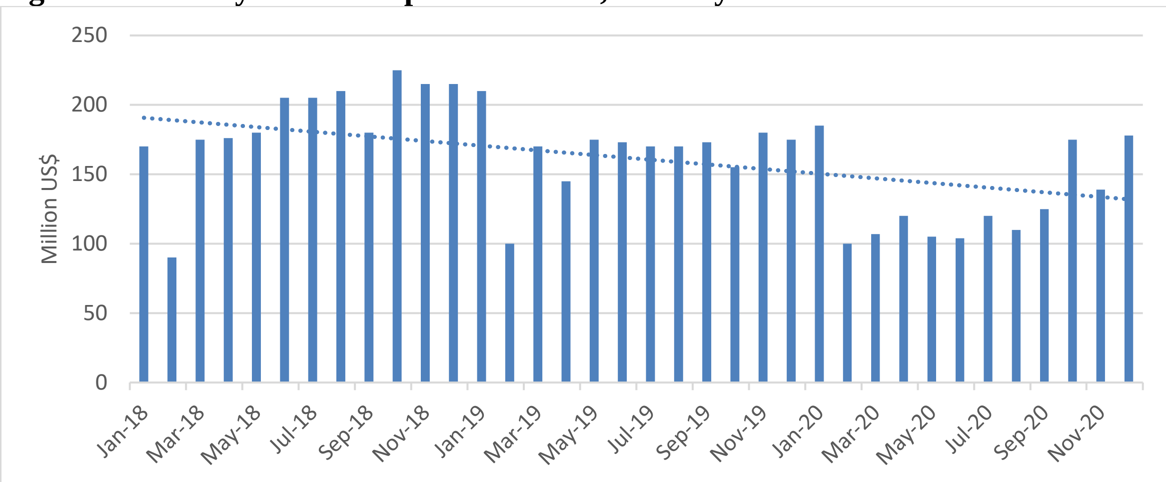
Source: U.S. Grains Council

Beef and dairy production continued to expand by 4.6 and 10.2 percent respectively from last year on steady domestic demand (source: GSO). Industry reported that Vietnam imported over 500,000 live bovines, the majority of which are for fattening, an increase of 10 percent over 2019.

Similarly, poultry and egg production increased by 11.6 and 10.5 percent respectively from the previous year. However, poultry live weight prices were volatile in 2020 due to an increased stock of birds that resulted from market disruptions during COVID-19 outbreaks (Figure 1). 2020 also saw new investments in the poultry sector, when CP Vietnam inaugurated an integrated poultry complex in Binh Phuoc Province. Located in southern Vietnam, the $230 million complex includes a feed mill, hatchery, breeding farm, broiler farm, slaughterhouse, and processing factory, and will process 50 million chickens for exports each year during its first phase, with an aim to double output from 2023 onwards. This project, when at full capacity, will generate higher demand for poultry feed. Masan Meatlife entered the poultry sector by acquiring a 51 percent share of 3F Viet, a poultry producer and processor.

The catfish industry experienced difficulties in 2020 as COVID-19 caused reduced demand in export markets and global supply chain disruptions. Export revenue of catfish was down by 25 percent from 2019 to $1.49 billon (source: Vietnam Association of Seafood Exporters and Producers [VASEP]), especially during Quarter 2 when many major importing countries imposed lock-down or social distancing policies (Figure 2).

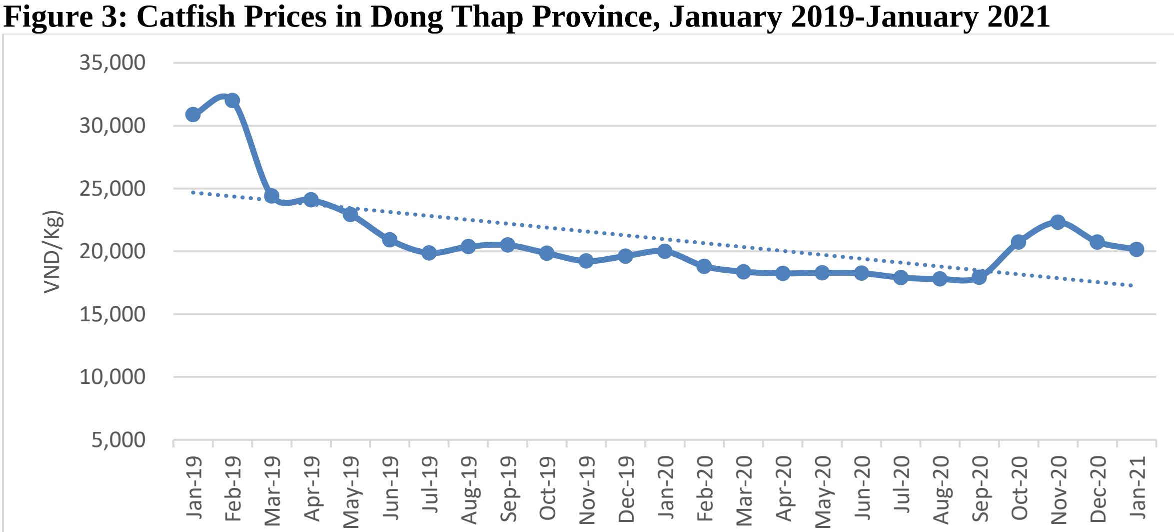
Figure 2: Monthly Catfish Export Revenues, January 2018-December 2020



Source: MARD, Trade

Lower catfish exports led to lower prices, higher stocks, and reduced production. Farmers reported losses when prices dropped below VND20,000/kg during the first three quarters (Figure 3). Although exports began to slightly recover in August 2020, farmers were hesitant to increase production due to the uncertainty of exports in the new year, combined with high prices of fingerlings and feed. GSO reported that catfish production output was down by 6 percent to 1.51MMT in CY2020. According to industry, the market uncertainty for catfish exports in 2021 is driven by a several factors, including COVID-19, the lingering shortage of containers and rising freights that could lead to delay or cancellation of export orders, and China's requirements for COVID testing on imported frozen seafood products that resulted in delays in import clearance and higher clearance costs on arrival.

Figure 3: Catfish Prices in Dong Thap Province, January 2019-January 2021



Source: VASEP

Having overcome unfavorable weather conditions and COVID-19 impacts, Vietnam's shrimp production reached 950,000MT, a 5.6 percent year on year increase, and production of other types of fish was approximately 2MMT, according to GSO. Shrimp export revenue increased by 15 percent to

US$3.8 billion in CY2020 and this uptrend is expected to continue in 2021. However, according to industry sources, this increased demand for shrimp feed did not offset decreased demand for catfish feed, leading to a decline of overall aquaculture feed in 2020.

Considering the ongoing efforts in swine repopulation, expansion of cattle and poultry production, and a contraction in catfish production, Post revised its feed demand estimates for CY2020 at 27.18MMT and forecasts feed demand in CY2021 and CY2022 at 27.85 and 28.44MMT, respectively (Table 1).

Table 1: Vietnam Feed Demand CY2020-2022 (Unit: MT)

	CY 2020	**CY 2021**	**CY 2022**
Animal Feed	20,796,933	21,504,454	21,995,238
Aquaculture Feed	6,387,000	6,347,050	6,442,403
Total	**27,183,933**	**27,851,504**	**28,437,640**

Source: Post's estimate

The Vietnam feed industry continues to rely heavily on imported ingredients with approximately 70 percent of feed ingredients being imported (Table 2). Although most broken rice is supplied by local production, Vietnam imported some broken rice from India to cope with high prices in CY2020. Corn production continued to trend downward and cassava feed stock has faced competition from exports and local industrial production. Based on Vietnam Customs statistics, Vietnam exported 2.8MMT of cassava and cassava products in CY2020, up 10.9 percent from the previous year, with cassava exports increasing by 62 percent to 650TMT. China was the largest importer of Vietnamese cassava and cassava products, accounting for 92 percent of the market share.

Table 2: Vietnam Feed Ingredients Demand CY2020-2022 (Unit: MT)

Year	**CY 2020**	**CY 2021**	**CY 2022**
Imports (*)	**19,206,054**	**19,740,804**	**20,208,747**
Soybean Meal	5,866,850	5,981,141	6,104,107
Corn	8,469,303	8,803,508	8,975,774
DDGS	1,039,847	1,075,223	1,099,762
Feed wheat	1,400,000	1,400,000	1,500,000
Other meal/bran	1,301,604	1,326,474	1,350,232
Others (MBM, FM, etc.)	1,128,450	1,154,459	1,178,871
Local Supply	**7,977,879**	**8,110,699**	**8,228,894**
Corn	2,500,000	2,500,000	2,500,000
Rice bran, broken rice	4,872,134	4,995,767	5,102,273
Cassava	605,745	614,932	626,621
Total	**27,183,933**	**27,851,504**	**28,437,640**

(*) Including local crush from imported beans

Source: Post's estimate

CORN

Vietnam's Production, Supply, and Distribution for Corn

Corn	2019/2020		2020/2021		2021/2022	
Market Begin Year	May 2019		May 2020		May 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	991	935	970	880		830
Beginning Stocks	1155	1155	1462	1385		2285
Production	4757	4480	4540	4200		3960
MY Imports	10700	10500	12000	12000		11500
TY Imports	12100	11900	12000	11800		11500
TY Imp. from U.S.	224	220	0	300		250
Total Supply	16612	16135	18002	17585		17745
MY Exports	500	500	800	800		800
TY Exports	500	500	800	800		800
Feed and Residual	13200	12800	14000	13000		13500
FSI Consumption	1450	1450	1500	1500		1550
Total Consumption	14650	14250	15500	14500		15050
Ending Stocks	1462	1385	1702	2285		1895
Total Distribution	16612	16135	18002	17585		17745
Yield	4.8002	4.7914	4.6804	4.7727		4.7711

(1000 HA), (1000 MT), (MT/HA)

PRODUCTION

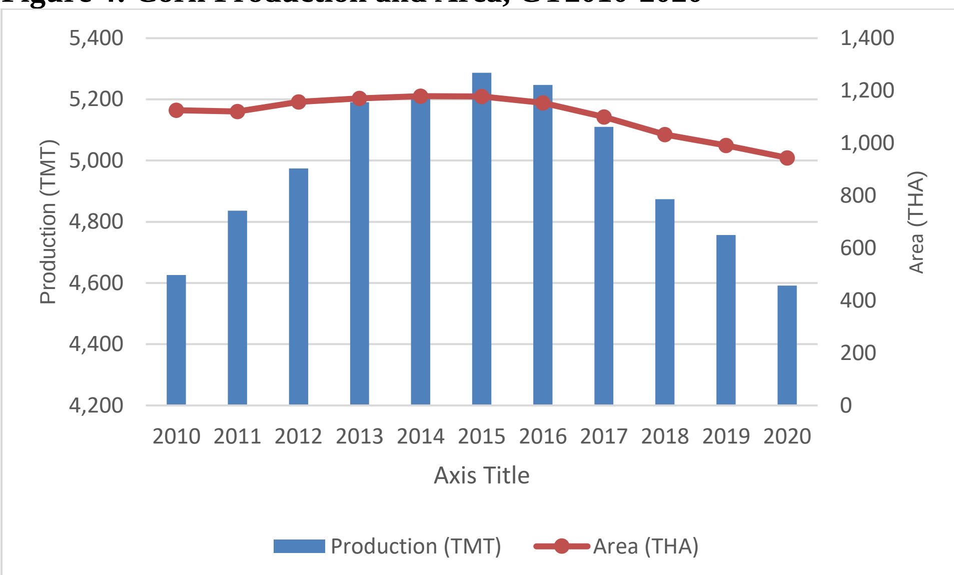
According to GSO, local corn production and area have steadily declined since 2015 as local production cannot compete with imported corn in terms of prices for feed ingredients (Figure 4). In CY2020, corn production and area declined by 4.7 and 3.5 percent to 4,592 thousand metric tons (TMT) and 944 thousand hectares (THA). However, industry's estimates for production are much lower compared with GSO's statistics. Therefore, Post lowered its estimates for MY20/21 corn production area and output to 880THA and 4,200TMT, and forecasts this decline to carry over to MY21/22 (Table 3). Although Post observed increased production of fodder corn to feed ruminant livestock, statistics on area are not available. According to experts and farmers, fodder corn is easier to grow than grain corn, requires less husbandry efforts, and can be rotated with rice during the winter season in the north and northern central regions.

Table 3: Vietnam's Area, Yield, and Production for Corn

Marketing Year	2019/20		2020/21		2021/22	
	Estimate		Estimate		Forecast	
	Old	New	Old	New	Old	New
Harvested Area (THA)	950	935	950	880		830
Yield (MT/HA)	4.74	4.79	4.74	4.77		4.77
Production (TMT)	4,500	4,480	4,500	4,200		3,960

Source: GSO, MARD, Post's estimate

Figure 4: Corn Production and Area, CY2010-2020



Source: GSO

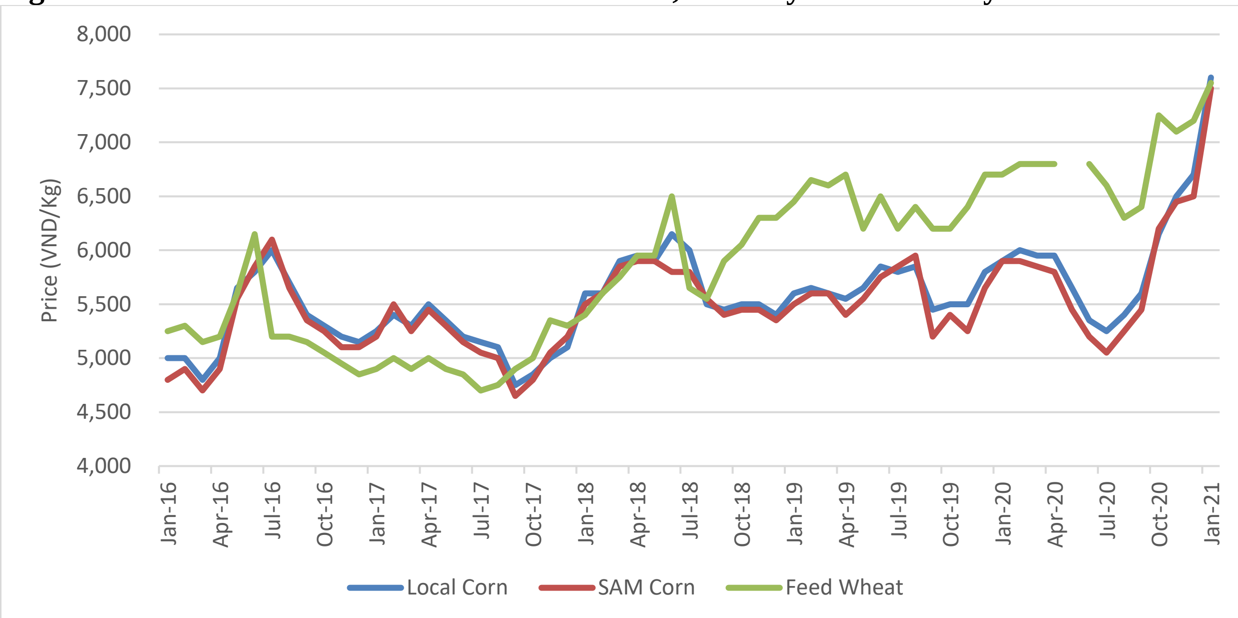
CONSUMPTION

Post revised its estimates of Vietnam's corn consumption down to 14.5MMT for MY20/21, including 13MMT feed and residual, lower than USDA official number. Post forecasts MY21/22 consumption at 15.05MMT, including 13.50MMT feed and residual, on par with the estimated growth in feed demand.

TRADE/COMPETITION

Although local corn tends to be more expensive than imported corn, price gaps closed during the last quarter of CY2020 when global corn prices climbed to a multiple years' peak (Figure 5). According to trade contacts, the commodities market in 2020 was extremely volatile, driven by a combination of factors, including booming demand in China to fuel the recovery in its livestock and feed industries, labor strikes and a brief ban on old crop exports in Argentina, a Russian export tariff to control its grain exports, and unfavorable weather forecasts in certain regions that could affect output of the new crops in some major grain producing areas. As a result, global prices for all major commodities, including corn, reached some of their highest levels in recent years, leading to increased prices for feed ingredients in the domestic market during the second half of CY2020. Trade contacts reported that corn prices in the domestic market increased by 44 percent over the last six months.

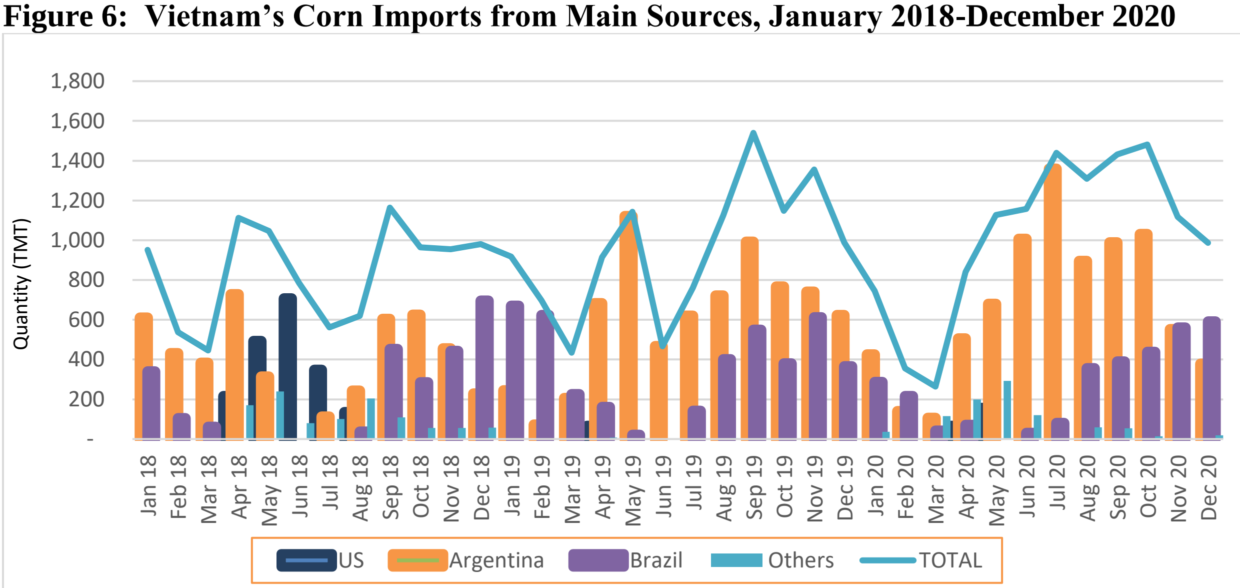
Figure 5: Prices of Feed Corn versus Feed Wheat, January 2017-January 2021



Source: U.S. Grains Council

Uncertainties in traditional corn supplying markets spurred Vietnamese importers to diversify sources to include the United States, Eastern Europe, and Myanmar (Figure 6). Imports of corn from Russia and Ukraine increased from zero in CY2019 to 500TMT and 190TMT in CY2020. Similarly, imports of corn from the United States and Myanmar increased from 80TMT and 1,300MT in CY2019 to 220TMT and 14,300MT in CY2020.

Figure 6: Vietnam's Corn Imports from Main Sources, January 2018-December 2020

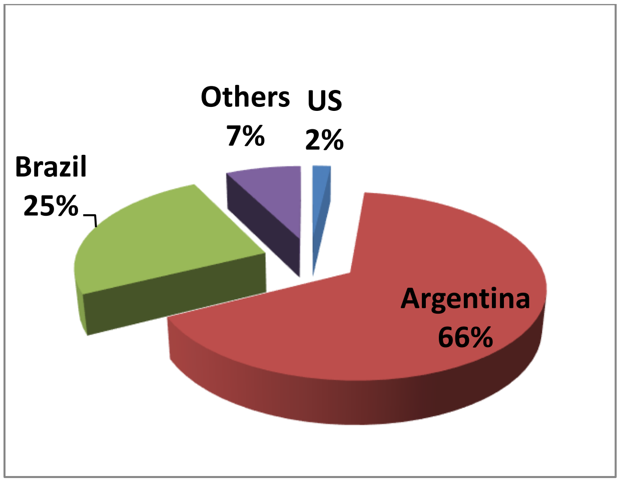


Source: Trade Data Monitor, Vietnam Customs, Trade, Post's calculation

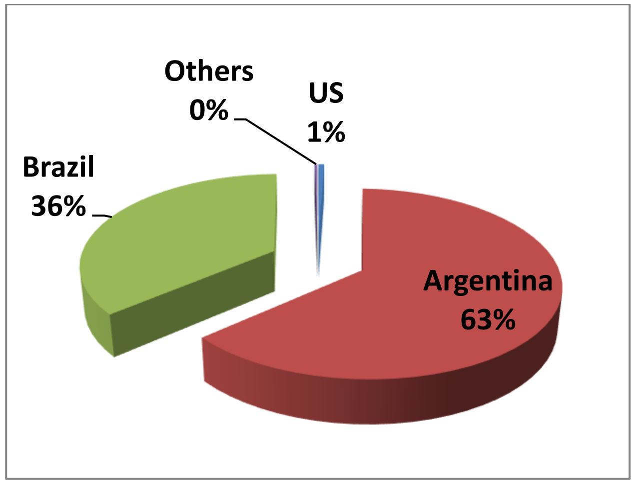
In CY2020, Argentina was the largest corn exporter to Vietnam, accounting for 66 percent of total corn imports, followed by Brazil, which captured 25 percent market share. While Brazil's market share dropped, the United States and other suppliers rose to 2 and 7 percent respectively (Figure 7).

Figure 7: Vietnam's Corn Imports Market Share

CY2020



CY2019



Source: Trade Data Monitor, Vietnam Customs, Trade, Post data

Post kept its estimates for MY20/21 imports at 12MMT on increased imports during the first nine months of the marketing year. Post also retained its estimates for MY20/21 exports at 800TM on higher demand from the Association of Southeast Asian Nations (ASEAN) countries.

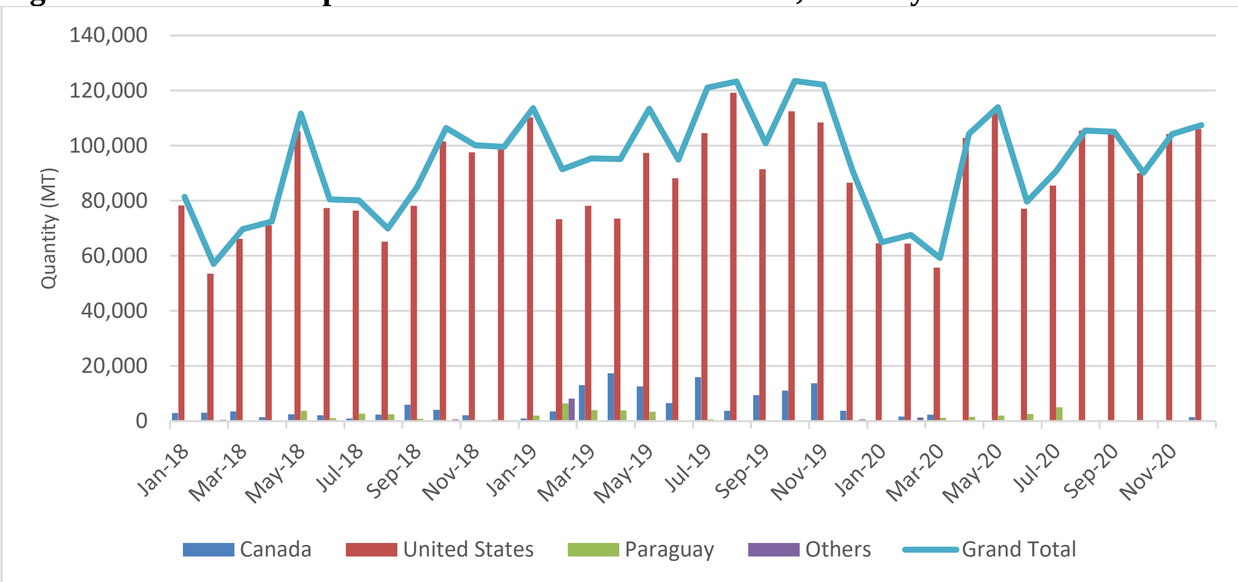
STOCKS

Post revised its estimate for MY20/21 stocks up to 2.28MMT, higher than the USDA official number, on higher imports.

Imports of Distillers Grains with Soluble (DDGS)

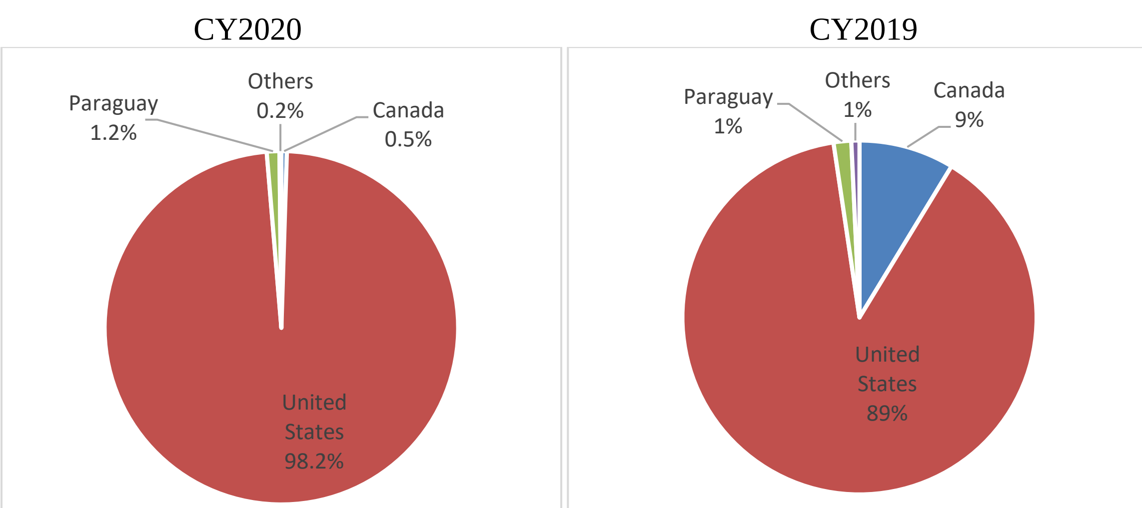
DDGS imports in CY2020 reached approximately 1.1MMT, 15 percent lower than the previous year. The United States continues to be the major supplier of DDGS to the Vietnamese feed industry (Figures 8 and 9). Post noticed increased imports of DDGS from wheat by nearly five times compared with the previous year to 30,000MT, mainly from Canada and Australia. According to trade contacts, corn DDGS are still preferred for their color, and the increase of wheat DDGS may not become a feature in the coming years.

Figure 8: Vietnam's Imports of DDGS from Main Sources, January 2018-December 2020



Source: Vietnam Customs, Trade, Post's calculation

Figure 9: Vietnam's DDGS Imports Market Share



Source: Vietnam Customs, Trade, Post's calculation

WHEAT

Vietnam's Production, Supply, and Distribution for Wheat

Wheat	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jul 2019		Jul 2020		Jul 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	879	879	849	799		599
Production	0	0	0	0		0
MY Imports	3570	3570	3400	3420		3600
TY Imports	3570	3570	3400	3420		3600
TY Imp. from U.S.	318	390	0	500		500
Total Supply	4449	4449	4249	4219		4199
MY Exports	250	200	250	220		220
TY Exports	250	200	250	220		220
Feed and Residual	1250	1250	1250	1300		1400
FSI Consumption	2100	2200	2100	2100		2100
Total Consumption	3350	3450	3350	3400		3500
Ending Stocks	849	799	649	599		479
Total Distribution	4449	4449	4249	4219		4199

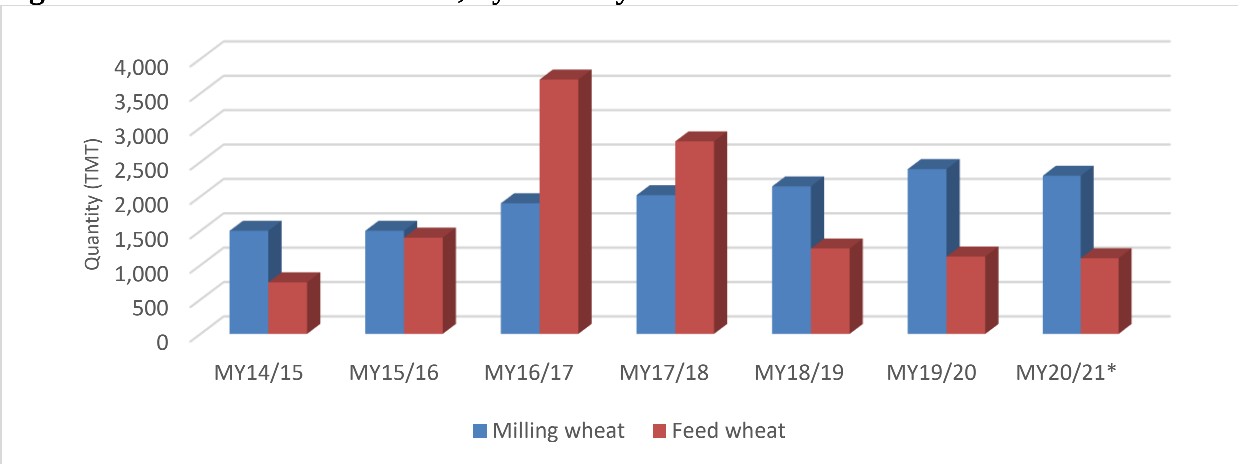
(1000 MT)

CONSUMPTION

Post revised its estimates for MY20/21 wheat consumption down slightly to 3.4MMT, slightly higher than USDA official number, on lower consumption of milling wheat and feed wheat. Demand for wheat-based products in Vietnam's hotel/restaurant/catering sectors dropped due to COVID restrictions on international tourism and travel, vacant hotels, and below-capacity operation of many western restaurants in Vietnam in CY2020. According to GSO, Vietnam's gross domestic product growth rate dropped to 2.9 percent in 2020, its lowest level in over ten years due to COVID-19. Slow economic growth combined with high unemployment also discouraged Vietnamese consumers from spending more on confectionary products with some industry contacts reporting flour sales declining by nearly 10 percent in CY2020.

Post also revised its estimates for MY20/21 feed wheat consumption and residual slightly up to 1.3MMT, higher than USDA official number. According to Vietnam Customs and trade sources, Vietnam's imports of feed wheat in CY2019 and 2020 dropped to below 1MMT, less than 50 percent of the CY2017 and 2018 levels (Figure 10).

Figure 10: Wheat Use in Vietnam, by industry



Source: Vietnam Customs, Trade, * Post's estimate

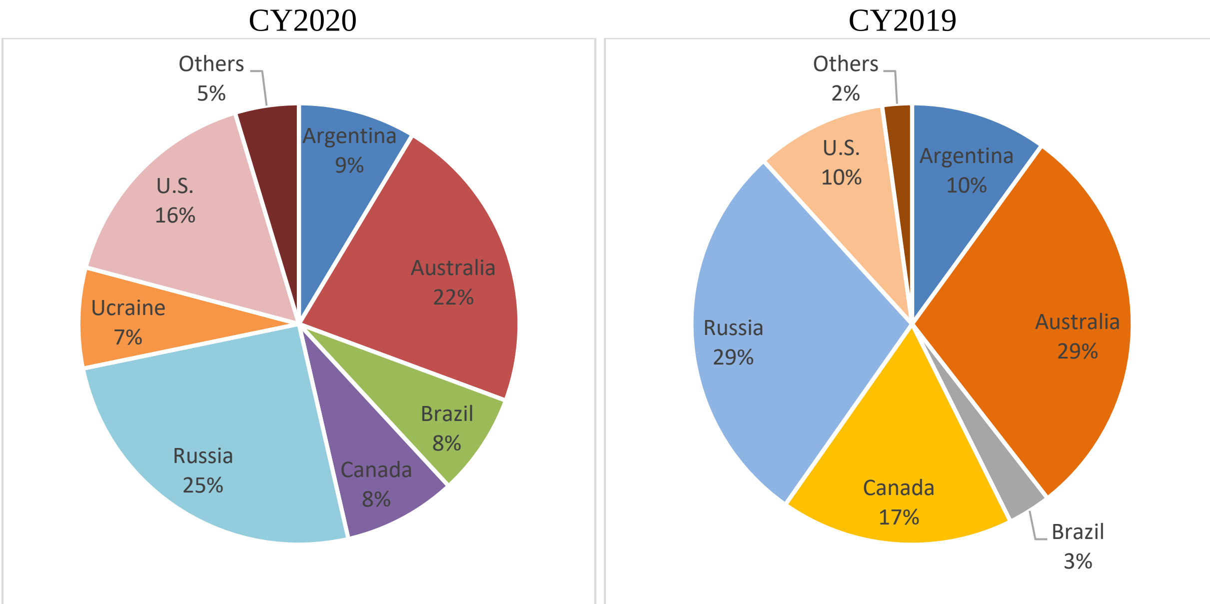
Looking forward, Post forecasts MY21/22 total wheat consumption at 3.5MMT, slightly up from MY20/21 on increased consumption for feed wheat. As any recovery in Vietnam's international tourism industry is uncertain and heavily dependent on the global COVID-19 situation, Post forecasts that milling wheat consumption will remain stagnant in MY21/22 and plans to reassess its forecast when the global COVID-19 situation becomes clearer.

TRADE/COMPETITION

Imports

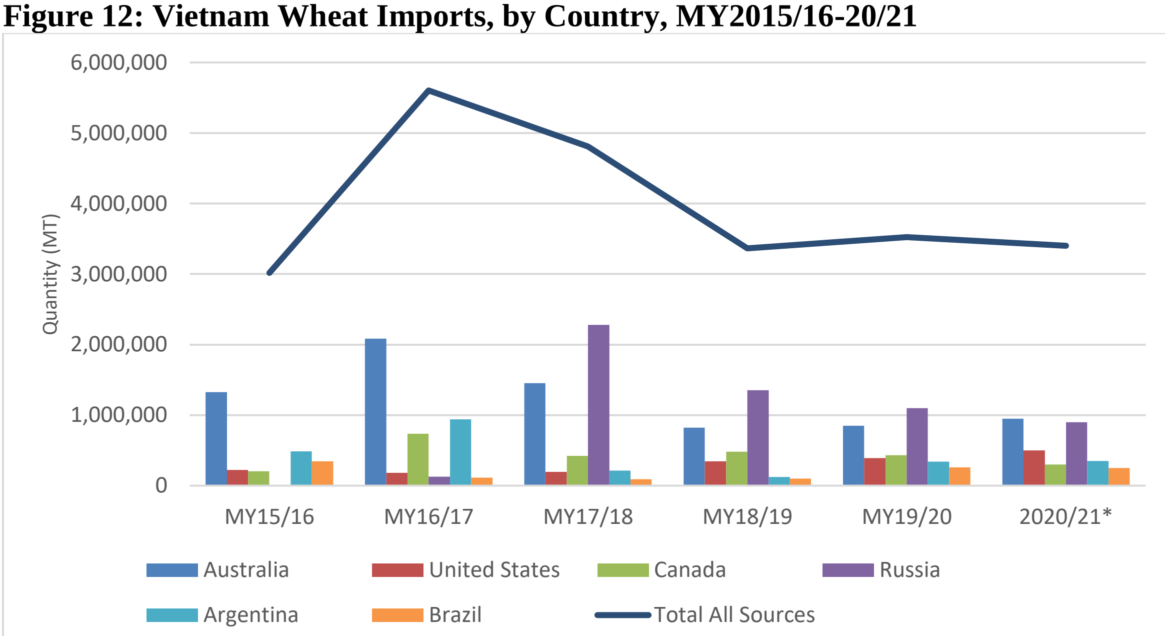
Beginning July 10, 2020, Vietnam reduced its most favored nation (MFN) tariff rate on imported wheat, including U.S. wheat, to 3 percent. Although other major competitors are already benefiting from tariff-free entry into the Vietnamese market, including Australia, Russia, Canada, the MFN tariff reduction is an opportunity for U.S. wheat to expand its footprint in the Vietnam market. CY2020 saw an increase in market share of the United States, Brazil, and other countries, including the Ukraine, that offsets a contraction of Australia, Canada, and Russia imports (Figure 11 and 12). U.S. wheat export revenues to Vietnam doubled in 2020, reaching US$136 million.

Figure 11: Vietnam's Wheat Imports Market Share



Source: Trade Data Monitoring, Trade, Vietnam Customs, Post's calculation

Figure 12: Vietnam Wheat Imports, by Country, MY2015/16-20/21



Source: Trade Data Monitoring, Trade, Vietnam Customs, * Post's estimate

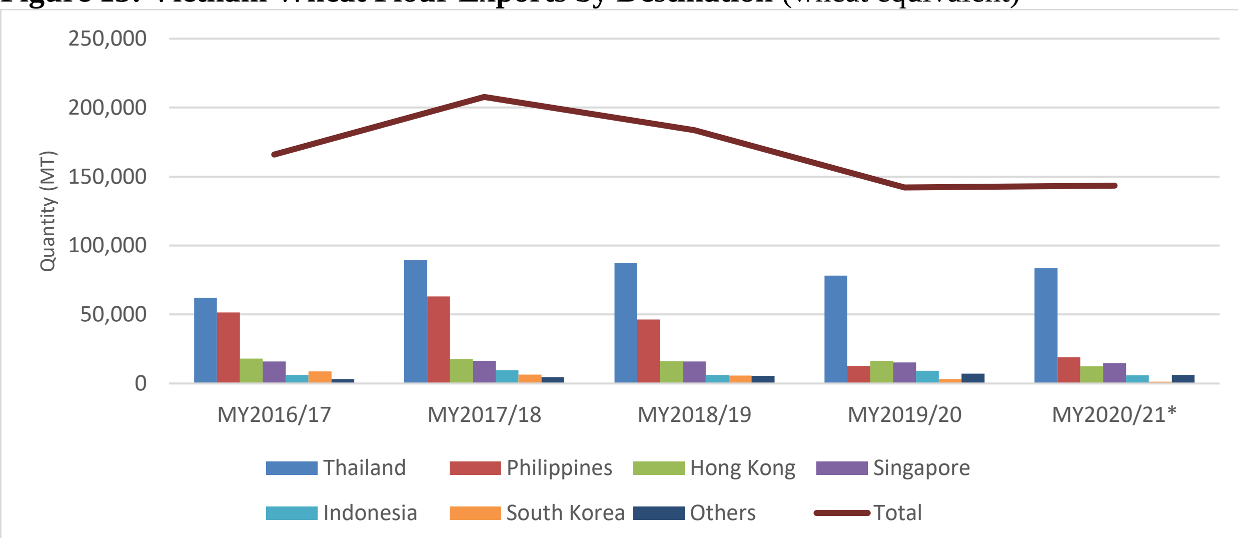
Based on Vietnam Customs statistics, Russia was the largest supplier for feed wheat with 40 percent of all wheat imported as a feed ingredient, followed by Brazil and Argentina with the majority destined for feed use. Australia was the largest supplier of milling wheat, followed by the United States, Russia, and Canada. As a hard-to-replace ingredient, U.S. wheat is used for blending in cake, confectionary, and bread production.

As Vietnam's zero tolerance for Cirsium Arvense continues to potentially impede imports of wheat from the northern Hemisphere, and uncertainty of COVID-19 will impact demand for milling wheat, Post revised estimates for Vietnam's wheat imports in MY20/21 down to 3.42MMT, slightly higher than the USDA official number. Post forecasts that Vietnam's wheat imports in MY21/22 will increase to 3.6MMT, on increased estimate for feed demand.

Exports

Based on Trade Data Monitoring, Vietnam's exports of wheat flour in the first six months of MY20/21 slightly increased compared with the previous year. However, the industry reported that rising freights and container shortages have challenged their flour exports, including delays of sailing. Therefore, Post revised its estimate for MY20/21 exports of wheat flour down to 220TMT, lower than USDA official number, and forecasts that MY21/22 exports will remain stagnant (Figure 13).

Figure 13: Vietnam Wheat Flour Exports by Destination (wheat equivalent)



Source: Trade Data Monitoring, *Post's estimate

POLICY

On December 25, 2020, MARD issued Circular 15/2020/TTBNNPTNT that promulgates the National Technical Regulation (NTR) on phytosanitary requirements for imported plant products. The NTR sets a zero tolerance for all plant quarantine pests listed under Circular 35/2014, including Cirsium Arvense. Please see FAS's GAIN report VM2020-0128 for more information.

RICE

Vietnam's Production, Supply, and Distribution for Rice

Rice, Milled	**2019/2020**		**2020/2021**		**2021/2022**	
Market Begin Year	**Jan 2020**		**Jan 2021**		**Jan 2022**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	7380	7380	7390	7350		7350
Beginning Stocks	1097	1097	1180	1097		1097
Milled Production	27100	27100	27100	27100		27100
Rough Production	43360	43360	43360	43360		43360
Milling Rate (.9999)	6250	6250	6250	6250		6250
MY Imports	400	400	500	500		500
TY Imports	400	400	500	500		500
TY Imp. from U.S.	1	0	0	0		0
Total Supply	28597	28597	28780	28697		28697
MY Exports	6167	6300	6400	6400		6400
TY Exports	6167	6300	6400	6400		6400
Consumption and Residual	21250	21200	21250	21200		21200
Ending Stocks	1180	1097	1130	1097		1097
Total Distribution	28597	28597	28780	28697		28697
Yield (Rough)	5.8753	5.8753	5.8674	5.8993		5.8993

(1000 HA), (1000 MT), (MT/HA)

Production

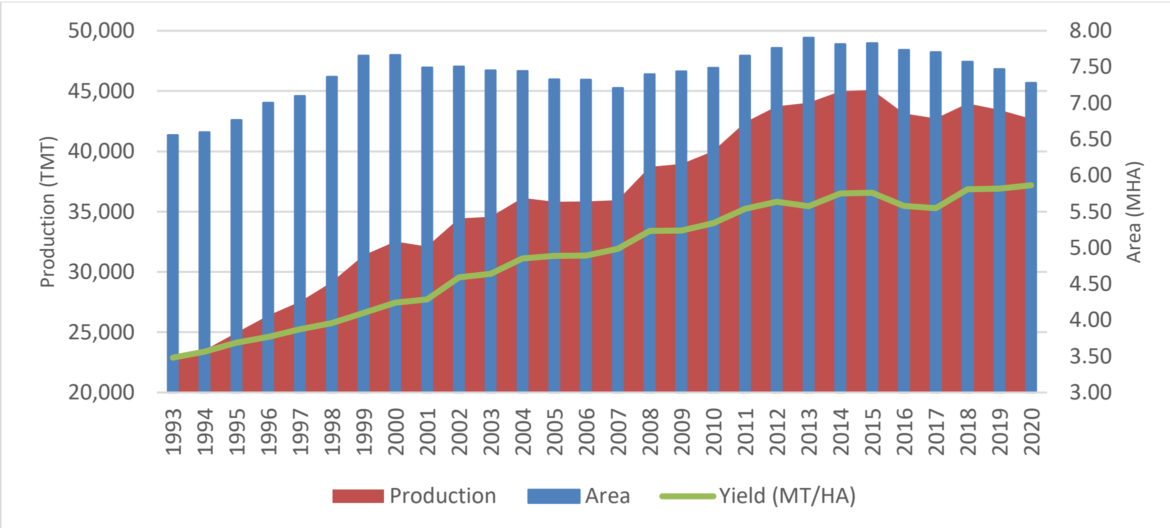
Table 4: Vietnam's Area, Yield, and Production for Rough Rice

Marketing Year	**2019/2020 Estimate**		**2020/2021 Estimate**		**2021/2022 Forecast**	
Harvested Area (THA)	**Old**	**New**	**Old**	**New**	**Old**	**New**
Spring[1]	3,040	3,040	3,040	3,000		3,000
Autumn[2]	2,780	2,740	2,750	2,750		2,750
Winter[3]	1,600	1,600	1,600	1,600		1,600
TOTAL	**7,420**	**7,380**	**7,390**	**7,350**		**7,350**
Yield (MT/HA)						
Spring	6.64	6.64	6.63	6.72		6.72
Autumn	5.43	5.50	5.49	5.49		5.49
Winter	5.13	5.06	5.06	5.06		5.06
AVERAGE	**5.86**	**5.88**	**5.87**	**5.90**		**5.90**
Production (TMT)						
Spring	20,200	20,200	20,150	20,150		20,150
Autumn	15,100	15,060	15,110	15,110		15,110
Winter	8,200	8,100	8,100	8,100		8,100
TOTAL	**43,500**	**43,360**	**43,360**	**43,360**		**43,360**

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

According to GSO, the total paddy area and production in CY2020 continued to trend down due to urbanization, crop alteration, drought, and salinity intrusion impacts, despite improvement of yields over the past four years (Figure 14).

Figure 14: Vietnam Area, Yield and Paddy Production, 1993-2020



Source: GSO

As of mid-February, Vietnam sowed 2,606THA of the Spring crop, equivalent to 96 percent of the previous year. Although the sowing pace is on par as the previous year in the South, it is slower in the North due to colder weather and the Tet holiday. Based on GSO's preliminary reports, the total growing area of MY20/21 Spring crop in the South declined by 18THA, mainly in the Mekong Delta region. MARD/Crop Production Department's (CPD) initial assessments showed that yields of the Spring crop grew significantly in the Mekong Delta to nearly 7MT/HA. Good planning of the seedling schedule and effective salinity prevention operations demonstrated their efficiency in reducing drought and salinity intrusion impacts on the MY20/21 Spring crop in the Mekong Delta. Therefore, Post revised its estimate of the total MY20/21 Spring crop area down to 3,000THA, but upheld production at 20.15MMT (Table 4).

According to the Vietnam Meteorological and Hydrological Administration's forecasts, temperature and precipitation will generally be average from March to August 2021, but precipitation in the South will be 5 to 15 percent higher than average from March to May. As the weather forecast is more favorable for paddy cultivation than the previous year, and the Spring crop yields appear to improve in the Mekong Delta, Post maintained its MY20/21 paddy production estimates at 43.36MMT, regardless of lower area at 7,350THA (Table 4). Considering the decline in cultivation area, prevalence of droughts and salinity intrusion, and scarcity of Mekong river floods etc. in recent years, Post forecasts that MY21/22 production and area will not increase but remain the same as the previous year as an optimistic scenario.

Mekong River Delta

Table 5: Rice Production in the Mekong Delta, MY19/20-21/22

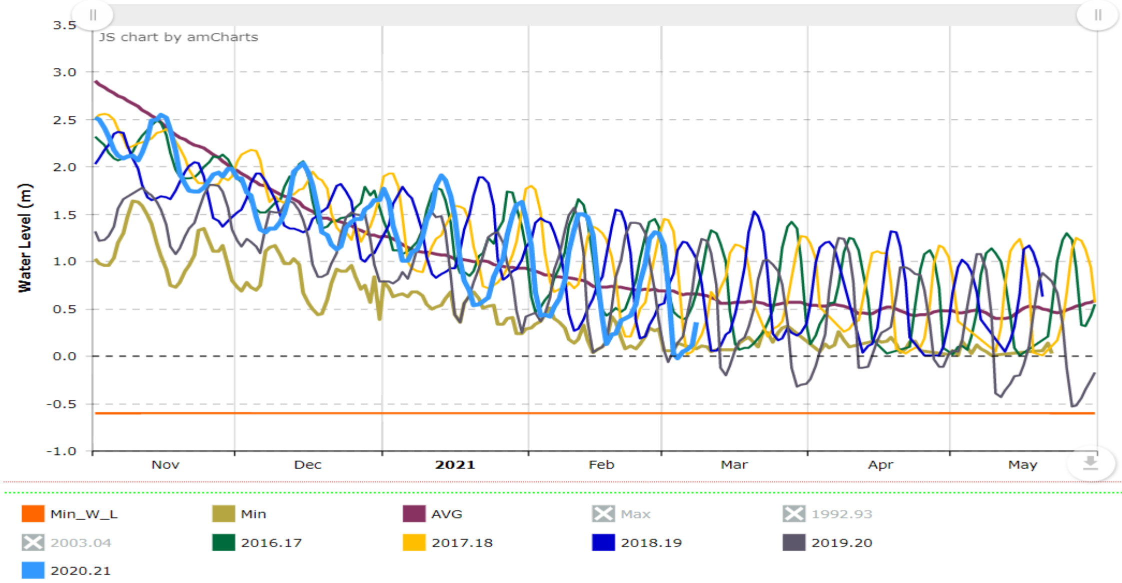
Crop	**MY19/20**			**MY20/21 (Estimate)**			**MY21/22 (Forecast)**		
	Area	**Yield**	**Prod.**	**Area**	**Yield**	**Prod.**	**Area**	**Yield**	**Prod.**
Spring	**1,540**	**6.88**	**10,600**	**1,520**	**6.94**	**10,550**	**1,520**	**6.94**	**10,550**
Autumn *(in which)*	**2,310**	**5.78**	**13,360**	**2,310**	**5.78**	**13,360**	**2,310**	**5.78**	**13,350**
Main Autumn	*1,530*	*5.90*	*9,030*	*1,540*	*5.88*	*9,060*	*1,540*	*5.88*	*9,050*
Late Autumn	*780*	*5.55*	*4,330*	*770*	*5.58*	*4,300*	*770*	*5.58*	*4,300*
Winter	**170**	**4.65**	**790**	**170**	**4.65**	**790**	**170**	**4.65**	**790**
Total	**4,020**	**6.16**	**24,750**	**4,000**	**6.18**	**24,700**	**4,000**	**6.17**	**24,690**

Area (THA), Yield (MT/HA), Production (TMT)
Source: MARD; GSO; Post's estimate

According to GSO and CPD, the MY20/21 Spring crop cultivation area in the Mekong Delta region dropped by 30THA as farmers proactively switched to other crops in places vulnerable to droughts and salinity intrusion. As mentioned above, an efficient seedling schedule and effective operation of salinity prevention structures proved their ability to reduce drought and salinity intrusion impacts on the MY20/21 Spring crop in the Mekong Delta. By the end of February, the Mekong Delta harvested 550THA of the Spring crop, and the harvest should finish in May. Although CPD's initial assessments are optimistic about higher yields of the Spring crop, production is expected to drop by 60TMT compared with the previous year on lower cultivation area. Post revised estimates for the MY20/21 Spring crop production and area down to 10.55MMT and 1,520THA.

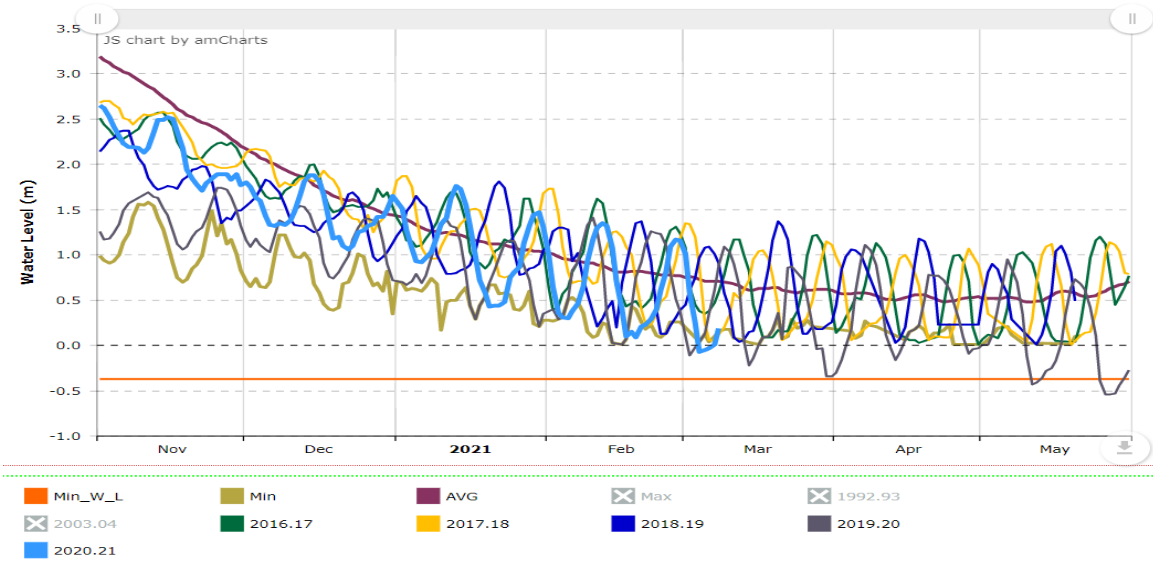
Based on the Mekong River Commission's (MRC) water flow observation, Mekong River water levels in the 2020/2021 dry season are close to multiple years' average and higher than the previous year (Figure 15 and 16), helping reduce the 2020/2021 levels of salinity intrusion compared with the previous year. In addition, the Vietnam Meteorological and Hydrological Administration's forecasts show that temperature and precipitation will be at average levels from March to August 2021, with above average precipitation forecasted in the South from March to May. Therefore, Post maintained its forecasts of production and area of the MY20/21 Autumn crop in the Mekong Delta at 13.36MMT and 2,310THA.

Figure 15: Mekong River Water Level Monitoring at Chau Doc Station



Source: MRC

Figure 16: Mekong River Water Level Monitoring at Tan Chau Station



Source: MRC

Consumption

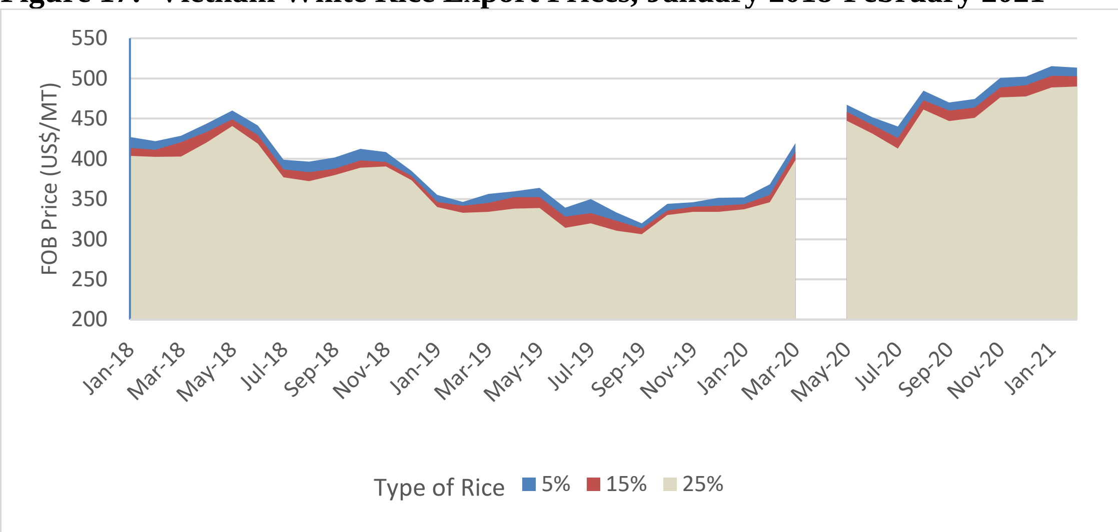
Post maintained its estimate of MY20/21 consumption and residue at 21.20MMT and retains this number for the MY21/22 forecast. Although social distancing due to COVID-19 briefly compelled people to buy more rice for stockpiling, the country's total rice demand was not affected overall in CY2020 as consumers had to destock gradually. In addition, Post notes that per capita rice consumption in the Vietnam's large cities is declining with more and more people diversifying their diets.

Trade

Export Prices

Vietnam's white rice export prices increased to a decade high in CY2020 (Figure 17), making it less competitive in the world market. In the past seven months, prices of Vietnam's five percent broken white rice remained at over $100 per metric ton premium over Indian rice and sometimes priced higher than Thai rice. Industry attributed low sales in the first two months of CY2021 to these high prices and the low supply of white rice, as buyers waited for bulk harvests of the Spring crop in March, with their lower prices, to conclude contracts. According to GSO, the cultivation area of high-quality rice increased to 74 percent in CY2020 from 50 percent in CY2015, contributing to the increase of high-quality rice export volume and value.

Figure 17: Vietnam White Rice Export Prices, January 2018-February 2021

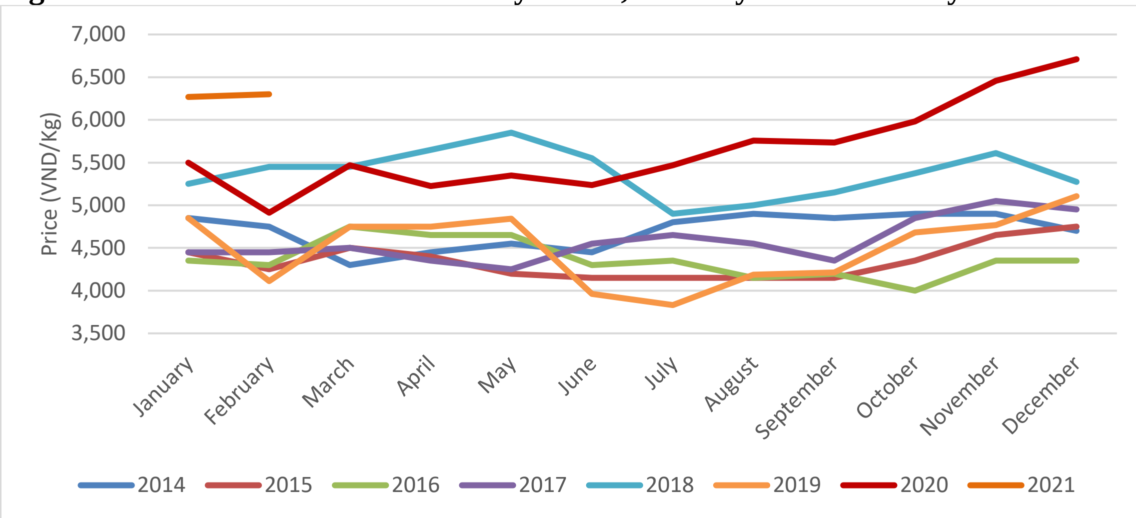


Source: Trade
Note: Prices in April 2020 were not available due to the Government of Vietnam's rice export ban.

Domestic Prices

White rice paddy prices also increased to a decade high in CY2020 due to low supplies amidst stable demands (Figure 18). According to industry, the cultivation area of the IR504 white rice variety has contracted in recent years to approximately 10 percent, while demands for exports and local processing of noodle, flour, brewing, and animal feed etc. remained stable. Paddy price gaps between IR504 and OM5451 white rice varieties and the DT8 fragrant rice variety have narrowed in the past six months on demands and supply dynamics alteration. Cooler weather in the first two months of CY2021 delayed the harvest of the Spring crop in some areas in the Mekong Delta up to two weeks, adding more pressure on domestic paddy prices.

Figure 18: Vietnam White Rice Paddy Prices, January 2014-February 2021

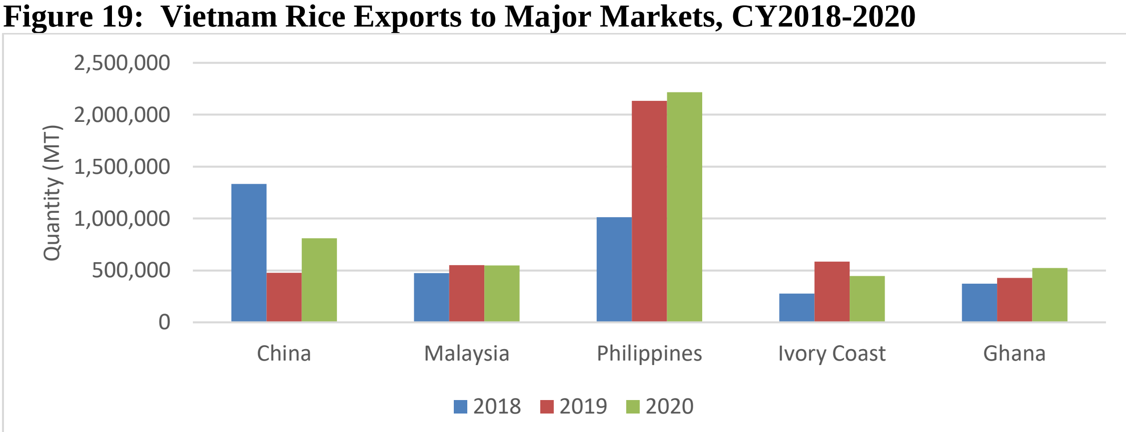


Source: Trade

Exports

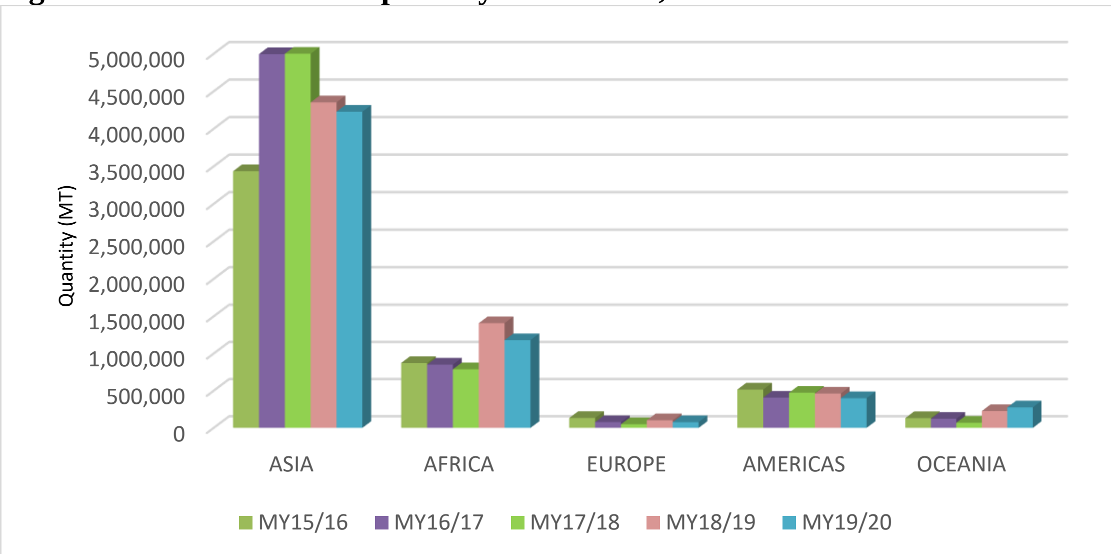
Demand for Vietnamese rice slowed during the final months of MY19/20 due to uncompetitive prices. According to Vietnam Customs, rice exports in CY2020 reached 6.25MMT, 1.9 percent lower, equivalent to US$3.12 billion, 11.2 percent higher than the previous year. The Philippines was the largest importer, buying 2.22MMT (up 4 percent year on year), followed by China with 810TMT (up 70 percent), Malaysia 547TMT (stable), Ghana 523TMT (up 22 percent), and Cote d'Ivoire 446TMT (down 23 percent) (Figure 19 and 20). Australia increased its rice imports from Vietnam by 65 percent year on year to 29,523MT. According to media sources, short domestic supplies of rice in Australia urged the country to ramp up imports, including from Vietnam, which has tariff-free access under the ASEAN-Australia-New Zealand Free Trade Agreement.

Figure 19: Vietnam Rice Exports to Major Markets, CY2018-2020



Source: Vietnam Customs

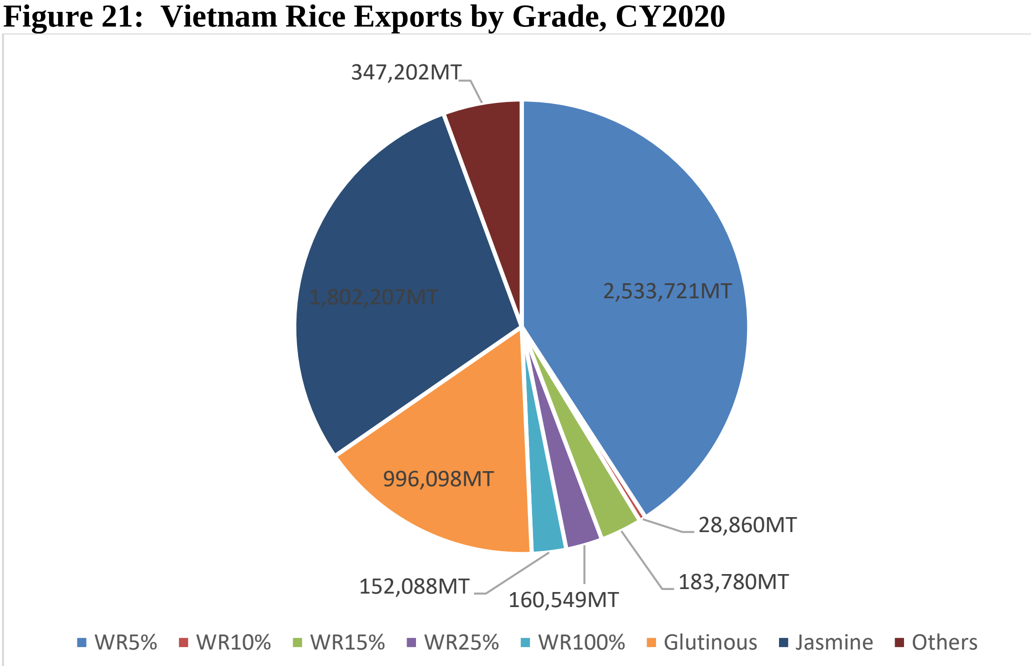
Figure 20: Vietnam Rice Exports by Destination, MY15/16-19/20



Source: Vietnam Customs, Trade, Post's calculation

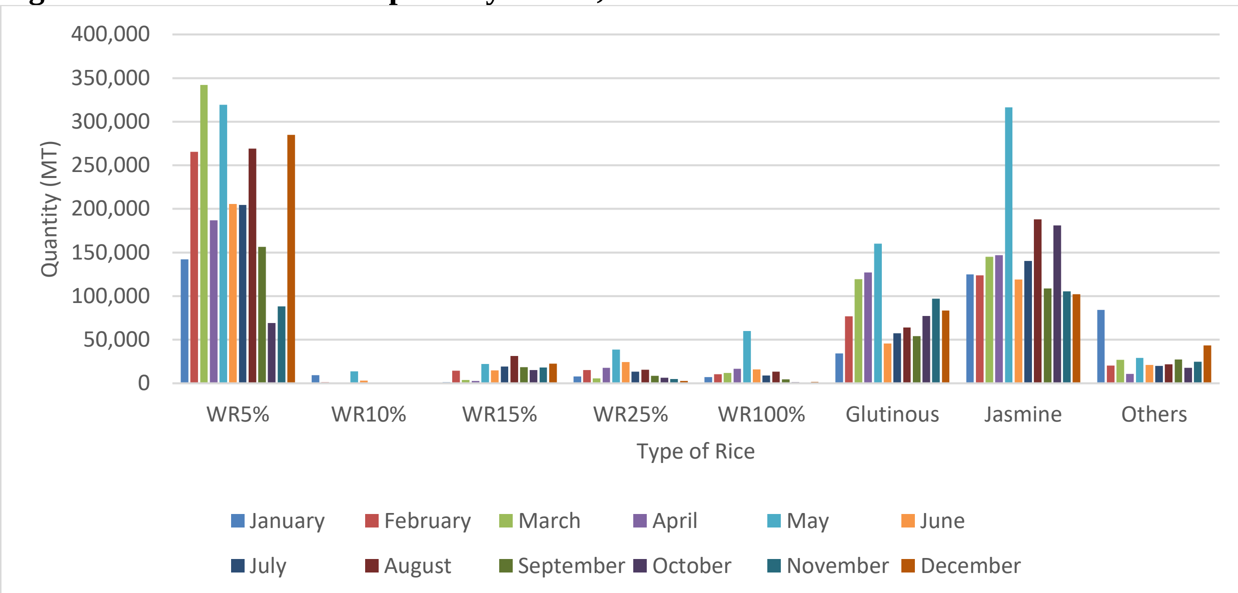
In CY2020, exports of white rice accounted for 49 percent of total exports, followed by jasmine at 29 percent, and glutinous at 16 percent (Figure 21 and 22). Chinese destinations made up 73 percent of Vietnam's total glutinous rice exports, while the Philippines accounted for 57 percent of Vietnam's total white rice exports.

Figure 21: Vietnam Rice Exports by Grade, CY2020



Source: Vietnam Customs, Trade, Post's calculation
Note: WR – White rice

Figure 22: Vietnam Rice Exports by Grade, CY2020

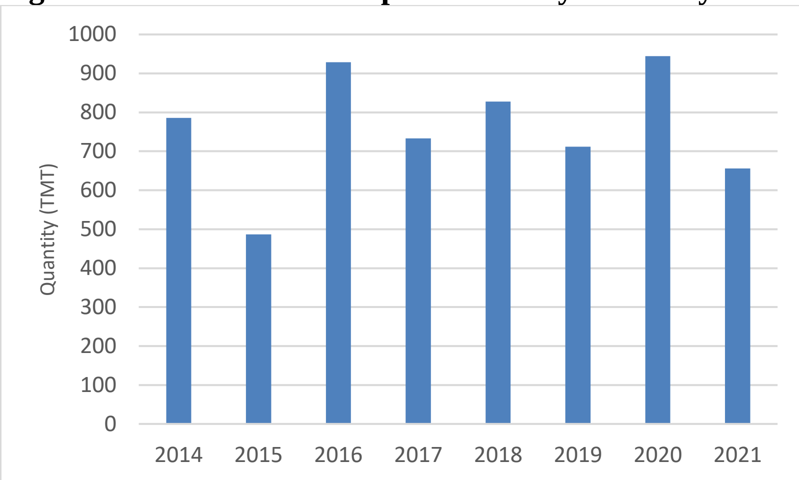


Source: Vietnam Customs, Trade, Post's calculation
Note: WR – White rice

The first two months of CY2021 saw Vietnam's rice exports decline to their lowest level since 2016, due to uncompetitive prices and a low supply of white rice (Figure 23). However, some industry contacts are confident about CY2021 exports as they anticipate demand in the major markets in Asia and Africa to remain steady despite lingering COVID-19 concerns, and tariff incentives under Vietnam's free trade agreements will help boost rice exports. International media reported that the Bangladesh government recently reduced its import tariff on white rice from 65 percent to 25 percent until April 30, 2021. Bangladesh also approved a government-to-government deal with Vietnam for 50,000MT of white rice to stabilize its domestic market. On December 8, 2020, South Korea's Agro-Fisheries and Food Trade Corporation announced tender awards of 10,124MT brown rice and 11,500MT milled rice from Vietnam for shipment in April and May 2021. International media also reported the lowest rice stock in the last three years in the Philippines as of January 1, 2021. Despite these developments, Vietnamese rice will face challenges, including:

- Competition from other major exporters: Indian white rice prices have remained at over US$100/MT lower than Vietnamese rice in recent months. Indian rice has enhanced its export handling and shipping capacity following the operation of an additional deep-water port in February 2021.
- China, despite being one of the largest importers, has diversified its sources, including India, Myanmar, and Cambodia.
- International media quoted the Philippines Department of Agriculture's forecast of a bumper crop that could lead to lower imports, and their proposal of reducing the import tariff on rice from non-ASEAN members from 50 percent to 35 percent to cope with rising prices of ASEAN sources.

Figure 23: Vietnam Rice Exports January-February



Source: Vietnam Customs

Post upheld Vietnam's MY20/21 rice export estimate at 6.4MMT and forecasts that MY21/22 exports will remain flat.

Imports

International media reported that Vietnamese importers had recently signed contracts to import a total of 70TMT of broken rice from India at US$310/MT price range which is approximately US$130 lower than Vietnam's broken rice offers. As explained in the Domestic Prices section, the contraction in cultivation area of the white rice IR504 variety in recent years has led to price upticks in the domestic market. This has compelled Vietnamese companies to import broken rice from India as materials for rice noodle, flour processing, brewing, and feed manufacturing. Based on Vietnam Customs statistics, Vietnam imported 18,800MT and 45,680MT of rice from India in December 2020 and January 2021, much higher than in the past. Post also noticed an increase in official imports of paddy from Cambodia during the second half of CY2020, ranging from 10,000MT to nearly 200,000MT/month, much higher than pre-COVID levels, a possible side-effect of stricter control of cross-border trade to control the COVID-19 transmission. Post maintained its MY20/21 imports estimate at 500TMT and forecasts that MY21/22 imports to remain flat.

Policy

On January 26, 2021, MARD issued Decision 555/QD-BNN-TT to approve the Rice Industry Restructuring Project until the deadlines of 2025 and 2030. The Project aims to keep Vietnam's rice acreage at 7-7.2 million hectares, with production output of 40-41MMT/year. The Project also targets 5MMT of rice exports by 2025, in which, specialty, fragrant and japonica rice account for 40 percent, glutinous rice 20 percent, high quality white rice 20 percent, medium, and low-grade rice 15 percent, and rice-based products 5 percent. Industry sources note that the Project clearly proves Vietnam's intention to improve the value of Vietnamese rice by increasing production and exports of high-quality rice.

Table 6: Vietnam's Rice Exports, by Grade and Destination, January-December 2020

Destination	5%	10%	15%	25%	100%	Glutinous	Jasmine	Others	Total
ASIA	**1,971,148**	**25,273**	**166,020**	**123,634**	**75,891**	**981,096**	**717,483**	**167,399**	**4,227,943**
Indonesia	14,177	6,040	14,350	-	500	75,565	19,924	4,476	135,031
Philippines	1,491,680	6,484	103,116	109,339	45,086	77,722	312,260	18,080	2,163,767
Malaysia	378,345	3,098	4,776	8,319	1,880	53,646	81,724	7,694	539,482
Singapore	26,217	564	943	116	2,981	5,110	64,261	7,948	108,140
East Timor	-	-	41,315	500	-	-	130	-	41,945
Iraq	-	-	-	-	-	-	60,000	-	60,000
Iran	-	-	-	-	-	-	-	49	49
Syria	25,462	-	-	-	-	-	25	125	25,612
Yemen	-	-	-	-	-	-	-	-	-
South Korea	209	341	-	2,665	-	11	435	65,572	69,233
Japan	24	-	-	0	-	79	19	407	529
Cambodia	24	-	-	22	-	578	-	81	704
Hongkong	9,789	8	47	445	2	4,160	69,875	3,123	87,449
UAE	5,528	-	125	147	-	616	29,513	7,491	43,420
Taiwan	1,565	1,347	360	-	-	11,965	2,909	1,449	19,595
Bahrain	140	-	-	-	-	8	2,824	45	3,018
Bangladesh	-	-	-	-	-	13	158	495	666
Saudi Arabia	5,026	-	-	168	-	506	18,769	8,028	32,497
China	4,582	1,049	-	-	14,940	723,871	33,103	16,906	794,451
Brunei	-	-	-	-	-	-	300	21	321
Others*	8,381	6,343	988	1,912	10,502	27,247	21,253	25,409	102,034
AFRICA	**174,480**	**100**	**1,065**	**3,945**	**69,540**	**83**	**909,920**	**20,785**	**1,179,919**
Tanzania	5,963	-	375	-	-	-	8,883	-	15,221
Senegal	143	-	-	-	25,000	-	17,037	-	42,180
Angola	3,030	-	75	-	-	4	411	-	3,520

Rwanda	-	-	-	-	-	-	-	-	-
Ghana	80,368	-	-	-	13,693	-	419,081	2,760	515,901
Uganda	-	-	-	-	-	-	-	-	-
Ivory coast	58,085	-	515	3,381	28,055	-	348,887	10,500	449,424
Reunion	125	-	-	-	-	-	6,850	264	7,239
West Africa	-	-	-	-	-	-	115	-	115
Mozambique	9,707	-	100	-	-	-	49,188	781	59,776
Kenya	4,940	-	-	520	360	-	2,767	-	8,587
Congo	7,151	100	-	-	146	-	2,409	26	9,832
Libya	-	-	-	-	-	-	-	104	104
Algeria	-	-	-	-	25	-	14	344	383
Benin	209	-	-	-	130	-	2,859	-	3,198
Burkina Faso	-	-	-	-	-	-	-	-	-
Cameroon	703	-	-	-	2,002	-	5,338	27	8,070
Gambia	-	-	-	26	-	-	1,066	-	1,092
Guinea	-	-	-	-	-	-	657	1,094	1,750
Guinea Bissau	-	-	-	-	-	-	-	-	-
Madagascar	18	-	-	-	-	3	44	30	95
Mali	-	-	-	-	-	-	-	-	-
Mauritania	-	-	-	-	-	-	810	-	810
Nigeria	-	-	-	19	-	-	728	-	747
Sierra Leone	-	-	-	-	-	-	307	-	307
Somali	-	-	-	-	-	-	-	-	-
South Africa	104	-	-	-	-	21	3,789	2,289	6,203
Togo	-	-	-	-	-	-	-	-	-
Zambia	-	-	-	-	-	-	-	-	-
Others*	3,936	-	-	-	130	55	38,681	2,567	45,368

EUROPE	**10,117**	**48**	**630**	**1,099**	**218**	**1,228**	**49,927**	**14,048**	**77,316**
Russia	4,051	-	400	69	98	142	586	2,268	7,614
Ukraine	-	24	-	-	-	53	298	2,312	2,688
Poland	21	-	-	22	-	8	6,199	3,465	9,715
Others*	6,045	24	230	1,008	120	1,025	42,844	6,003	57,299
AMERICAS	**337,229**	**168**	**4,000**	**6,264**	**-**	**960**	**46,770**	**4,432**	**399,823**
Cuba	325,813	-	4,000	-	-	-	2	-	329,815
Brazil	2,697	-	-	3	-	110	238	611	3,659
Haiti	-	-	-	-	-	-	78	-	78
Mexico	440	-	-	-	-	-	-	40	480
Chile	1,350	-	-	-	-	-	-	538	1,889
Puerto Rico	-	-	-	-	-	-	-	-	-
Others*	6,929	168	-	6,261	-	850	46,452	3,243	63,902
OCEANIA	**30,262**	**3,270**	**11,609**	**20,881**	**5,276**	**1,644**	**65,335**	**137,226**	**275,503**
Australia	5,635	471	147	1,583	309	487	12,989	9,091	30,711
New Caledonia	48	-	-	23	-	14	226	4,229	4,540
New Zealand	1,081	18	-	541	138	17	2,953	4,885	9,634
Others*	23,498	2,781	11,462	18,735	4,830	1,126	49,167	119,020	230,617
UNKNOWN	**10,485**	**-**	**456**	**4,725**	**1,163**	**11,086**	**12,772**	**3,313**	**44,000**
TOTAL	**2,533,721**	**28,860**	**183,780**	**160,549**	**152,088**	**996,098**	**1,802,207**	**347,202**	**6,204,505**

* Others indicates that no clear destination is declared. It may/may not include the countries in the list of the same region.

Source: Vietnam Customs, Trade, Post’s calculation

Attachments:

No Attachments