USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 4/3/2013
GAIN Report Number: VM3016

Vietnam
Grain and Feed Annual
2013

Approved By:
Michael Ward
Prepared By:
Quan Tran

Report Highlights:

Post estimates Vietnam's wheat imports in MY 2012/13 at 2.4 million tons, and the initial forecast for MY 2013/14 imports is 2.7 million tons as high demand and low carry-over stocks prompt stronger imports. Exports of U.S. wheat into Vietnam are expected to reach 120,000 tons in MY 2012/13, and 150,000 tons in MY 2013/14. Recent improvements in trade-related infrastructure should make U.S. wheat be more competitive in the Vietnam market.

Post estimates corn import volume in TY 2012/13 to be 1.6 million tons due to the increase demand of the animal feed industry and the competitiveness of imported corn vis-à-vis feed wheat. The import corn volume in TY 2013/14 is forecast at 1.8 million tons, 0.2 million tons higher than TY 2012/13 due to continued strong feed demand.

Post estimates total rice production for MY 2012/13 to reach 44.2 million tons of paddy rice. The initial forecast for MY 2013/14 rice production is 44.5 million tons with expected higher yield in lieu of the same total production area. MY 2012/13 rice exports are estimated down from 7.7 to 7.4 million tons due to expected strong competition and lower demand from Vietnam's traditional rice markets. MY 2013/14 rice exports are initially forecast at 7.5 million tons, up slightly on expected favorable price competitiveness.

Executive Summary:

Vietnamese consumers have become more familiar with convenience food to save time as the pace of life of ordinary Vietnamese quickens. Additionally, increased sophistication and exposure to the Western lifestyle has also boosted awareness and sales of Western food products. Growth in the consumption of wheat-based foods is increasing, substituting for a portion of the rice-based diet which still dominates Vietnamese cuisine.

Feed wheat's share of total feed consumption was historically 15-20 percent however in recent years importers have substituted feed wheat for corn, cassava, and broken, based on feed wheat's price competitiveness. Traditionally, feed wheat is mainly used for aquaculture feed, both as an ingredient and a binding agent for the feed.

Corn is one of several local crops, such as cassava and rice (broken rice and rice bran), utilized as sources of energy and protein to supply the fast growing feed industry. As such, corn producers are under pressure to quickly increase their productivity in order to satisfy the increasing demand. Significantly improving corn yield by using high-yielding varieties is the most likely way to achieve the government's objective of increasing corn production to supply the feed sector.

Domestic and imported corn has competition from other, cost competitive, feed sources. Cassava, feed grade wheat, and broken rice are among the main alternatives to corn. In recent years, rice and cassava have been more focused on export markets and fall short of supplying the domestic animal feed industry. However, as the livestock sector continues to grow, domestic utilization for these commodities is also increasing. In recent years, imported feed wheat was a very good alternative for imported corn when feed wheat prices become competitive vis-à-vis corn.

Vietnam rice paddy production continues to trend upwards, while harvested area is maintained at almost the same level throughout the year. The upward rice production trend is due to new, high-yielding varieties. Most new varieties are produced locally through a partnership with Vietnamese government research organizations and private seed growers.

The Ministry of Agriculture and Rural Development (MARD) is currently encouraging farmers to implement the Large Scale Farm model, where farmers gather individual small farms and consolidate them into a larger farm thereby lowering per hectare production costs on land preparation, irrigation, planting, harvesting; to better use mechanization in rice cultivation; protect the environment; and to build stronger competitiveness.

Vietnam exported 7.72 million tons, out of a total production of 27.15 million tons of milled rice in MY2011/12, maintaining its status as the world's second largest rice exporter after India. MY2012/13 rice exports will be likely 7.4 million tons due to expected stronger competition from India and Thailand and lower demand from Vietnam's traditional rice markets, such as the Philippines and Indonesia.

In order to stay strong in the highly competitive international rice market, Vietnam has expended considerable effort to access new rice markets. For instance, in the recent past, Vietnam exported rice to Chile and Haiti, and continues to look toward the Western Hemisphere as an area for future growth.

Commodities:

Wheat

Corn

Rice, Milled

1. WHEAT

STATISTICAL TABLES

Vietnam's Production, Supply and Demand for Wheat

Wheat Vietnam	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	504	504	365	207		14
Production	0	0	0	0		0
MY Imports	2,711	2,633	2,400	2,400		2,700
TY Imports	2,711	2,633	2,400	2,400		2,700
TY Imp. from U.S.	86	106	0	120		150
Total Supply	3,215	3,137	2,765	2,607		2,714
MY Exports	0	150	0	93		100
TY Exports	0	150	0	93		100
Feed and Residual	1,350	1,300	950	1,000		1,000
FSI Consumption	1,500	1,480	1,500	1,500		1,550
Total Consumption	2,850	2,780	2,450	2,500		2,550
Ending Stocks	365	207	315	14		64
Total Distribution	3,215	3,137	2,765	2,607		2,714
1000 HA, 1000 MT, MT/HA						

Vietnam's Wheat Imports

Import Trade Matrix	
Country	Vietnam
Commodity	Wheat

	Units: Metric Tons		
Time Period	Jul-Jun		July – Dec*
Imports for:	2011/2012		**2012**
U.S.	106,000	U.S.	58,000
Others		Others	
Argentina	0	Argentina	0
Australia	2,492,000	Australia	668,000
Black Sea	9,000	Black Sea	0
Brazil	0	Brazil	0
Canada	7,000	Canada	66,000
China	0	Russia	12,000
India	17,000	India	49,000
Pakistan	2,000	Pakistan	3,000
Total for Others	2,525,000		798,000
Others not Listed	1,000		0
Grand Total	2,634,000		856,000

***** 2012 totals are for six months only

PRODUCTION

Vietnam does not produce wheat.

CONSUMPTION

The Marketing year (MY) 2011/12 wheat consumption estimate is revised down 70,000 tons to 2.78 million tons, or 2.46 percent lower than USDA's MY 2011/12 official estimate. The decrease is mainly due to the smaller than expected import volume which led to lower milling and feed wheat use. Post estimates milling wheat consumption at 1.48 million tons, while feed wheat is estimated at 1.3 million tons, compared to USDA official estimates of 1.5 million tons of milling wheat and 1.35 million tons of feed wheat, respectively.

MY 2012/13 wheat consumption is estimated at 2.5 million tons, a sharp decline from the previous year due to the likely short supply of feed wheat on the market. The consumption of feed wheat in Vietnam is largely dependent on its price competitiveness vis-à-vis corn, an alternative animal feed ingredient.

MY 2013/14 wheat consumption is forecast to slightly increase due to the greater demand for milling wheat from the food industry. Feed wheat use, however, is forecast to be at the same level of MY 2012/13.

In recent years, the pace of urbanization has picked up, workers are working longer hours, and the number of mothers in the workforce is increasing. As a result, Vietnamese consumers have become more familiar with the usage of convenience food to save time. In addition, increased sophistication and exposure to the Western lifestyle has also boosted awareness and sales of Western food products.

Wheat-based foods, therefore, are being increasingly consumed in Vietnam, in place of the rice-based diet that still dominates Vietnamese cuisine.

Sales of Major wheat-based food products: 2007-2012 Volume (tons)

	2008	2009	2010	2011	2012
Noodles	294,914.2	323,371.9	347,241.4	375,076.6	403,292.1
Bread	294,602.8	315,048.4	339,139.5	363,363.7	388,881.9
Pasta	3,874.3	4,145.5	4,456.4	4,826.3	5,212.4
Bakery others	70,897.2	78,051.6	86,360.5	94,636.3	103,818.1
Total	**666,296.5**	**722,626.4**	**779,207.8**	**839,913.9**	**903,216.5**

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

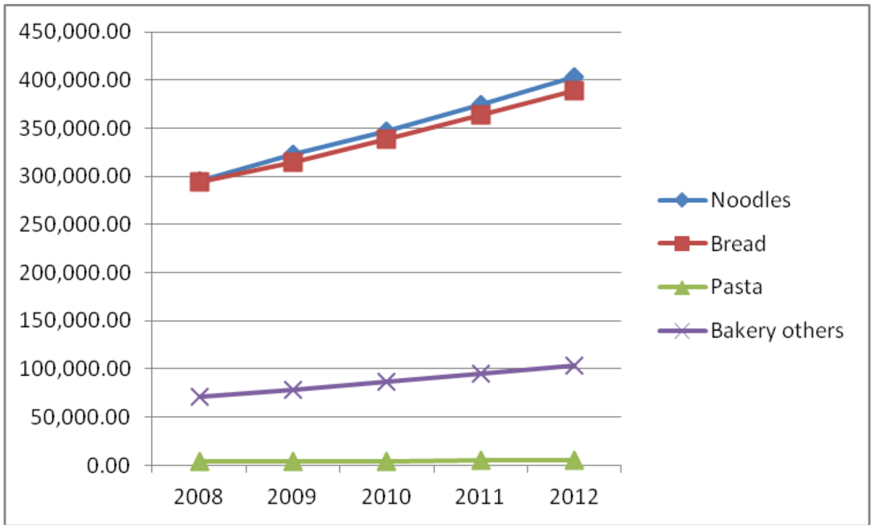
Forecast Sales of Major wheat-based food products: 2013-2017 Volume (tons)

	2013	2014	2015	2016	2017
Noodles	431,653.7	457,865.1	481,215.7	501,083.8	516,914.5
Bread	414,450.0	439,462.1	463,536.5	486,269.5	507,245.8
Pasta	5,603.3	5,995.5	6,385.3	6,768.4	7,140.6
Bakery others	113,250.0	122,737.9	132,663.5	142,830.5	153,154.2
Total	**966,970.0**	**1,028,074.6**	**1,085,816.0**	**1,138,968.2**	**1,186,472.1**

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

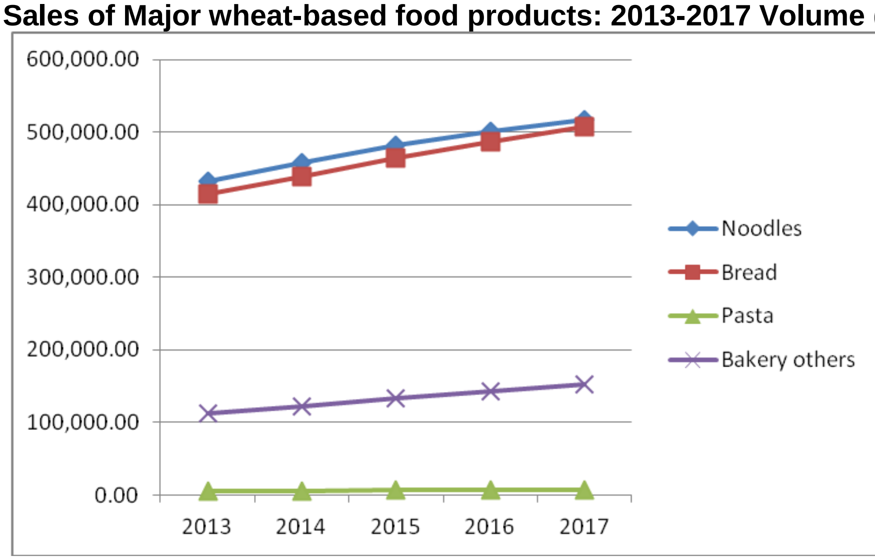
Chinese noodles and instant noodles account for the largest share of wheat flour consumption in Vietnam, at 40-50 percent. Bread/baguette production consumes about 35-40 percent, and about 10-25 percent is used for other baked goods and wheat-based foods. The growth of the noodle and baked goods industries is the driving factor for the growth of milling wheat consumption.

Sales of Major wheat-based food products: 2007-2012 Volume (tons)



Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Forecast Sales of Major wheat-based food products: 2013-2017 Volume (tons)



Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Sales of all major wheat-based products have increased over the last five years and are expected to increase in the next five years as shown in the above two graphs.

Feed wheat's share of total feed consumption was historically 15-20 percent, mainly used for aquaculture feed, both as an ingredient and a binding agent for the feed. Feed wheat, however, has recently been an alternative source for other animal feeds, in lieu of corn, cassava, and broken rice, based on its price competitiveness. Feed wheat imported in MY 2011/12 increased sharply to 1.16 million tons, about 44 percent of the total 2.63 million tons of imported wheat. Post estimates the use of feed wheat for the local animal feed industry in MY 2012/13 will go down in anticipation of the tighter supply of feed wheat from main suppliers and due to feed wheat prices becoming less competitive with imported corn prices.

Imports of Wheat: 2nd Half CY 2011 vs. 2nd Half CY 2012 - by origin (tons)

	2nd Half of CY 2011			2nd Half of CY 2012		
	Feed	Milling	Total Wheat	Feed	Milling	Total Wheat
Australia	483,708	531,525	1,015,233	111,942	556,297	668,239
Canada		1,022	1,022		65,576	65,576
India	1,519	11,003	12,522	4,830	44,451	49,281
Kazakhstan					353	353
Pakistan		2,144	2,144	1,521	1,975	3,496
Russia					12,025	12,025
Ukraine	1,206	908	2,114	1,160		1,160
U.S.		50,491	50,491		58,247	58,247
Total Import	**486,433**	**597,093**	**1,083,526**	**119,453**	**738,924**	**858,377**

Source: Custom Office, Trade

The table shows that while the import volume of milling wheat continued in the second half of 2012 compared to the previous year, feed wheat imports from Australia went down sharply in the second half of 2012 compared to the same period in 2011. The Indian corn harvest pushed imported corn prices down making corn more competitive vis-à-vis feed wheat during the second half of 2012.

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. Consequently, U.S. wheat imports are put at a disadvantage due to Australia's duty free access.

Post estimates Vietnam's wheat imports in MY 2012/13 at 2.4 million tons. Vietnam's wheat imports for the MY 2011/12 were 2.63 million tons, increased mainly due to feed wheat shipments from Australia.

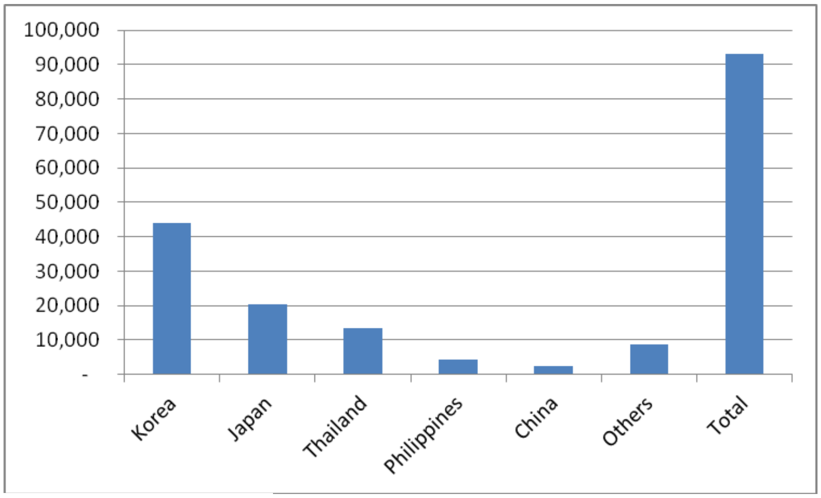
Australian wheat, both for milling and for feed, is expected to continue dominating the wheat import market, accounting for over 90 percent of Vietnam's total wheat import volume in the MY 2011/12. For milling wheat, Australia captures about 50 percent of the import market.

Post's initial forecast for MY 2013/14 imports is 2.7 million tons as high demand and low carry-over stocks prompt stronger imports. Australian wheat may get challenged in MY 2013/14 by Indian wheat. Black Sea wheat, according to traders, will also compete in the market during the middle of calendar year 2013.

The growth of baked wheat-based products and noodles requires high quality wheat, which favors the increased consumption of U.S. wheat. U.S. wheat is also used by Vietnamese mills for blending as a cost-effective way to improve the quality of their flour products. The volume of U.S. wheat exported to Vietnam, however, depends very much on its price competitiveness with Australian high quality wheat. The recent, average volume of U.S. wheat exports to Vietnam exceeds 100,000 tons and is gradually increasing year on year. Post forecasts exports of U.S. wheat to reach 120,000 tons in MY 2012/13, and

150,000 tons in MY 2013/14. Recent improvements in trade-related infrastructure should help U.S. wheat be more competitive, and the growing demand for high-quality flour made from premium-quality U.S. wheat will also increase imports.

Imports of wheat flour in CY 2012



Source: Custom Office, Trade

Imports of flour (HS code 1101) into Vietnam in CY 2012 were about 94,000 tons. South Korea, Japan, and Thailand were the three major wheat flour suppliers to Vietnam. Imported wheat flour is used for special food products that need specific flour specifications.

Export

Vietnam Exports of wheat/Meslin flour in Marketing Year *(wheat equivalent quantity)*

Importer	2010/11	2011/12	2012/13
Hong Kong	5,472	10,944	8,208
Indonesia	1,368	n.a.	n.a.
Malaysia	10,944	13,680	n.a.
Philippines	16,416	21,888	12,312
Singapore	23,256	21,888	13,680
Taiwan	12,312	4,104	n.a.
Thailand	32,832	77,976	58,824
Totals	**102,600**	**150,480**	**93,024**

Source: Global Trade Atlas

Vietnam has recently exported wheat to neighboring countries in South East Asia. Thailand is the biggest partner of Vietnamese flour. According to the traders, wheat flour from Vietnam exported to Thailand is mainly competitively priced, low quality products and supplied as an ingredient for aquaculture industry. Additionally, small export quantities are reportedly used for the instant noodle industry. Vietnam exports of wheat flour to other countries like Indonesia, Malaysia, and Philippines are mainly for the feed industry, and to Singapore and Taiwan for food processing industry and/or re-selling to other countries. Export of Vietnamese wheat flour is forecast to reach 100,000 tons, wheat equivalent quantity in MY 2013/14, nearly the same volume of MY 2012/13, due to aquaculture industry demand in neighboring countries.

2. CORN

STATISTICAL TABLES

Vietnam's Production, Supply and Demand for Corn

Corn Vietnam	2011/2012		2012/2013		2013/2014	
	Market Year Begin: May 2011		Market Year Begin: May 2012		Market Year Begin: May 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,100	1,081	1,150	1,118		1,120
Beginning Stocks	497	497	247	139		142
Production	4,950	4,648	5,300	4,803		4,816
MY Imports	1,000	994	1,100	1,500		1,700
TY Imports	1,500	1,522	1,100	1,600		1,800
TY Imp. from U.S.	1	0	0	50		100
Total Supply	6,447	6,139	6,647	6,442		6,658
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	5,000	5,000	5,200	5,200		5,400
FSI Consumption	1,200	1,000	1,200	1,100		1,200
Total Consumption	6,200	6,000	6,400	6,300		6,500
Ending Stocks	247	139	247	142		58
Total Distribution	6,447	6,139	6,647	6,442		6,658
1000 HA, 1000 MT, MT/HA						

Vietnam's Corn Import

Import Trade Matrix			
Country	Vietnam		
Commodity	Corn		
Time Period	Jan – Dec	Units:	Metric Tons
Imports for:	2011		**2012**
U.S.	2,350	U.S.	220
Others		Others	
India	560,000	India	1,151,000
Brazil	130,000	Brazil	60,000
Thailand	132,000	Thailand	3,000
Argentina	128	Argentina	246,000
Laos	21,000	Laos	22,000
Cambodia	40,000	Cambodia	35,000
		Pakistan	50,000
Total for Others	883,128		1,567,000
Others not Listed	65,000		20,000
Grand Total	950,478		1,587,220

PRODUCTION

According to the Ministry of Agriculture and Rural Development (MARD), Vietnam calendar year (CY) 2012 corn production was 4.81 million tons, a slight increase compared to CY 2011. CY 2012 actual planted area totaled 1.12 million hectares, only 37,000 hectares larger than CY 2011. Crop yield remained unchanged with last year.

Vietnam Corn Production in Calendar Year 2011-2012 and Forecast for 2013

	Unit	2011	2012		2013
			estimate	revised	Forecast
Planting area	1,000 hectares	1,081	1,100	1,118	1,120
Yield	mt/ha	4.30	4.50	4.30	4.30
Production	1,000 mt	4,648.30	4,950.00	4,808.26	4,816.00

Source: MARD / Post Estimate

Post forecasts the corn planted area in CY 2013 at 1.12 million hectares. The minimal growth in corn area is likely due to lower corn profit margins, compared with other crops. Corn is Vietnam's second largest annual crop, after rice, in terms of cultivated area, however, corn production area is located only where other better yielding, cash crops cannot be grown (such as in the mountainous regions with poor soil fertility) or intercropped after a better cash crop (such as rice). This severely restricts corn area expansion.

According to MARD, Vietnam uses hybrid seed to plant 90 percent of the annual corn area. The local production for hybrid corn seed, however, can only supply up to 20 percent of the total demand. The outstanding 80 percent is imported from other countries. Thailand and Indonesia are two biggest suppliers of hybrid corn seed into Vietnam. They account for about 62 percent and 19 percent, respectively, of the total hybrid corn seed import volume.

The use of biotech corn varieties is expected to bring higher output and profits to farmers, not only due to higher yields, but also due to reduced input costs for pesticides, herbicides, and labor.

Currently, the regulatory frameworks to evaluate and approve the cultivation biotech crops and for utilization of biotech agriculture for food and feed use are under development. The Vietnamese Ministry of Natural Resources and Environment (MONRE) has been working on the Circular on the Procedure to issue Bio-Safety Certificate for Genetically Modified Organisms (GMO) since last year. The Circular provides legal frame for agricultural biotechnology to be legally cultivated in Vietnam following successful field trials conducted by the Ministry of Agricultural and Rural Development (MARD). MONRE's Circular will permit the legal cultivation of biotech corn, cotton, and soybeans, once a biotech trait receives the Bio-safety Certificate from MONRE.

MARD is also developing the Circulars on the approval of GMO products allowed for feed and food use. The Feed Circular was notified to the WTO for comments by trading partners. MARD is now reviewing comments. In addition, MARD also plans to have the Circular on Approval of GMO products allowed for food use issued by the end of 2013.

For more information on agricultural biotechnology in Vietnam, please refer to VM2071.

Corn is one of several local crops such as cassava and rice (broken rice, rice bran), which are 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 increasing demand. Significantly improving average yields by using high-yielding varieties seems the most likely way to achieve the government's objectives of increasing corn production for supplying the feed sector.

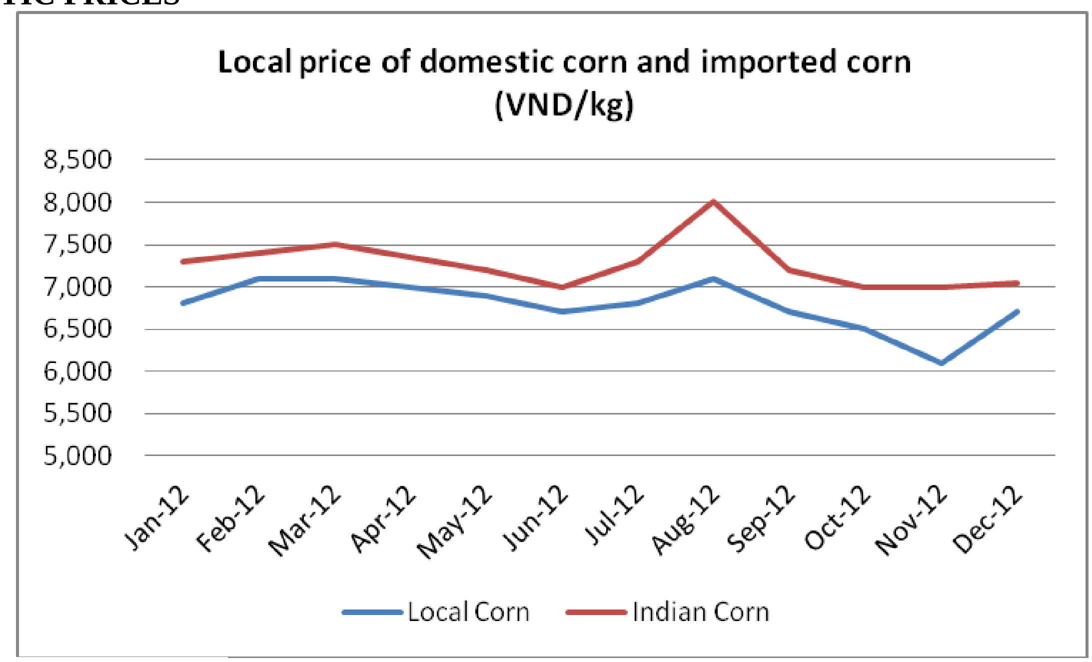
In the corn production plan for 2011-2015, MARD maintains the production area at 1.2 million hectares, with the main focus being to increase crop yield gradually. The target planted area, however, is the highest level that it has ever reached. Planted area for corn depends highly on the profit margins of corn compared to other cash crops.

MARD's Corn Production Plan 2011-2015

	Unit	2010	2011	2012	2013	2014	2015
-Area	1,000 ha	1,200	1,200	1,200	1,200	1,200	1,200
-Yield	Ton/ha	4.40	4.70	5.00	5.20	5.30	5.40
-Production	1,000 ton	5,280	5,640	6,000	6,240	6,360	6,480

Source: MARD

DOMESTIC PRICES



Source: ASA Rep. Office in Vietnam

Domestic corn prices are usually higher than imported corn, due to domestic supply typically falling short of demand. However, in 2012, the domestic corn price was lower than the price for Indian corn (see above graph), most likely due to the tight corn global supply. Local prices usually drop sharply during the seasonal harvests (Autumn and Winter crops), then go up during the first 4-5 months of the year. Both domestic and imported corn prices went up very quickly during June-August CY 2012, following global market prices.

CONSUMPTION

In Vietnam, corn is used as the main source of energy for the animal feed industry, for food use as corn starch, and for limited use by other industries like the brewing, textiles, and pharmaceutical industries.

In the animal feed industry, corn is used in both the commercial and home-made sectors, mainly for hog and poultry feeds. Corn use is expected to increase to meet the livestock sector's growth, and predominantly comes from imported sources, at least for the time being and in the near future, because local corn production is not able to keep up with fast growing animal feed industry demand. The growth in corn imported volume depends highly on its price competitiveness vis-a-vis other alternative feed materials such as feed wheat, broken rice, cassava, and others.

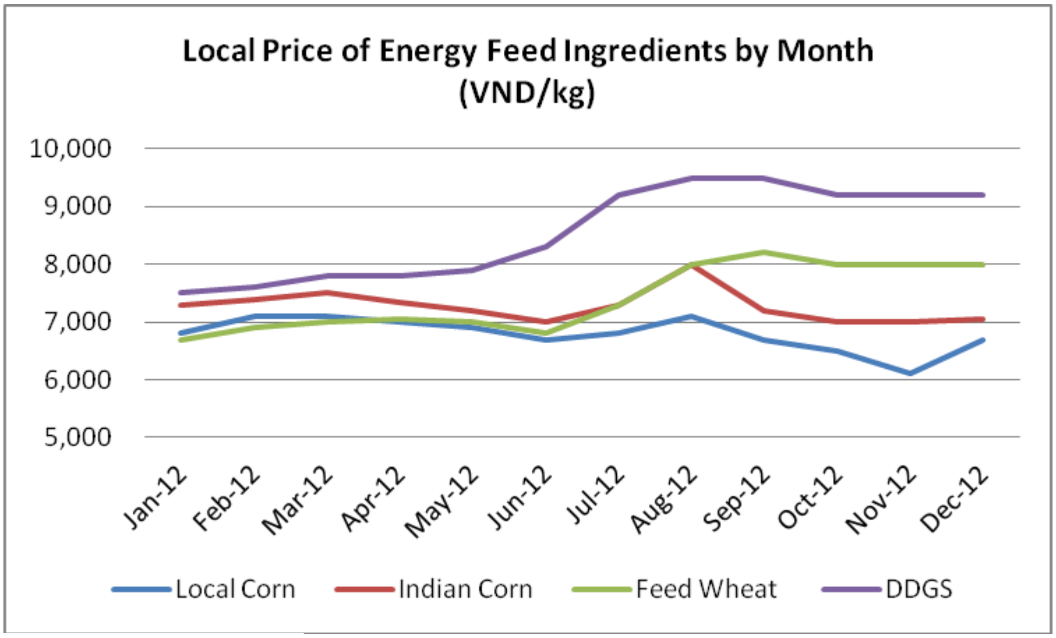
TRADE / COMPETITION

Competition exists between the home-made feed and manufactured feed sectors in Vietnam. Commercial feed manufacturers usually can only purchase up to 50 percent of total locally produced corn due strong demand from the home-made feed industry.

Corn growers, on the other hand, do not have appropriate storage facilities. Farmers must sell their product quickly after the harvest, which will continue to make the local corn prices prone to seasonal fluctuations.

Corn has competition from other feed ingredient sources. Cassava, feed grade wheat, and broken rice are among the main alternatives to corn. In recent years, rice and cassava have been more focused on export markets and fell short of supplying the domestic animal feed industry. Imported feed wheat is a very good alternative for imported corn when feed wheat prices become competitive. According to traders, feed wheat becomes competitive when the price per ton does not exceed the corn price by more than $10.

In trade year (TY) 2011/12, imported corn volume dropped dramatically in the first eight months of the year, as feed wheat prices trended lower than corn prices. Corn prices have fallen since August and imports of corn have picked back up reaching approximately 1.52 million tons for the TY, just over USDA's official import estimate for TY2011/12 of 1.5 million tons.



Source: ASA Rep. Office in Vietnam

Post estimates corn import volume in TY 2012/13 to be 1.6 million tons, compared to USDA's estimate 1.1 million tons, due to the increase demand of the animal feed industry and the competitiveness of imported corn price compared to feed wheat prices. The import corn volume in TY 2013/14 is forecast at 1.8 million tons, 0.2 million tons higher than TY 2012/13 due to higher demand in the animal feed industry.

U.S. corn exports dropped to near zero volume in TY 2012 due to uncompetitive prices. India is still one of the major corn suppliers for Vietnam. Post estimates the U.S. corn export to Vietnam will be back to an estimated 50,000 tons in TY 2012/13 and 100,000 tons in TY 2013/14.

U.S. Distiller's Dried Grains with Solubles (DDGS) have also been used by the Vietnamese feed industry to minimize manufacturing costs, and are a strong competitor of locally grown corn. Vietnam's feed industry uses DDGS that are mainly imported from the United States. There was a small volume of Canadian DDGS (about 6,000 tons) in CY 2012. Vietnam became the top importer of U.S. DDGS in Southeast Asia in CY 2010. Imports of U.S. DDGS increased in CY 2011, with a 16-percent increase in volume over CY 2010, reaching 500,000 tons valued at $126 million. Imports of U.S. DDGS in 2012 were 370,876 tons, a year-on-year decline of 26 percent on volume terms.

US Exports of Corn and Corn By-products into Vietnam 2009-2012 (USD, Ton)

	2009		2010		2011		2012	
Product	Value	Qty	Value	Qty	Value	Qty	Value	Qty
2303300000 – DDGS	45,954	250,638	80,644	430,236	125,336	494,599	105,132	370,876

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

Vietnam's import tariff on corn is 5 percent. The import tariff on DDGS is zero percent for countries with Most Favored Nation status.

3. RICE

STATISTICAL TABLES
Vietnam's Production, Supply and Demand for Rice

Rice, Milled Vietnam	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7.740	7.740	7.840	7.820		7.820
Beginning Stocks	1.941	1.941	1.749	1.826		2.075
Milled Production	27.075	27.152	27.710	27.649		27.839
Rough Production	43.320	43.443	44.336	44.238		44.542
Milling Rate (.9999)	6.250	6.250	6.250	6.250		6.250
MY Imports	100	100	200	100		100
TY Imports	100	100	200	100		100
TY Imp. from U.S.	0	0	0	0		0
Total Supply	29.116	29.193	29.659	29.575		30.014
MY Exports	7.717	7.717	7.400	7.400		7.500
TY Exports	7.717	7.717	7.400	7.400		7.500
Consumption and Residual	19.650	19.650	20.100	20.100		20.600
Ending Stocks	1.749	1.826	2.159	2.075		1.914
Total Distribution	29.116	29.193	29.659	29.575		30.014
1000 HA, 1000 MT, MT/HA						

PRODUCTION
Vietnam's Area, Yield, and Production for Rough Rice (as of March 2013)

Marketing Year	2011/2012 Revised		2012/2013 Estimate		2013/2014 Forecast	
Harvested Area (tha)	**Old**	**New**	**Old**	**New**	**Old**	**New**
Winter[1]	1,770	1,770	1,770	1,770		1,770
Spring[2]	3,120	3,120	3,220	3,150		3,150
Autumn[3]	2,850	2,850	2,850	2,900		2,900
TOTAL	**7,740**	**7,740**	**7,840**	**7,820**		**7,820**
Yield (mt/ha)						
Winter	4.68	4.75	4.70	4.75		4.75
Spring	6.39	6.39	6.45	6.45		6.50
Autumn	5.29	5.29	5.35	5.35		5.40
AVERAGE	**5.60**	**5.61**	**5.65**	**5.66**		**5.69**
Production (tmt)						
Winter	8,284	8,407	8,319	8,407		8,407
Spring	19,960	19,960	20,769	20,317		20,475
Autumn	15,076	15,076	15,248	15,515		15,660
TOTAL	**43,320**	**43,443**	**44,336**	**44,238**		**44,542**

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

Estimate for MY 2012/13 (began January 2013), Intial Forecast for MY 2013/14

Post estimates total rice production for MY 2012/13 to reach 44.238 million tons of paddy rice, or 27.469 millions of milled rice equivalent. This is slightly lower than the USDA official number for the same MY due to estimated lower harvest area, 20,000 hectares lower for the whole MY 2012/13 (Please see detail changes in each individual seasonal crop). The initial Post forecast for MY 2013/14 rice production is 44.542 million tons with expected higher yield in lieu of same total production area.

Spring Crop

The original planting plan for MY 2012/13 spring crop was set at 100,000 hectares larger than MY 2011/12 area in the Mekong River Delta (MRD), bringing the total up to 3.22 million hectares for the MY 2012/2013 spring crop, due to the favorable low levels of flooding at the beginning of the spring season during October-November 2012 that allowed farmers to plant their crop much earlier and expand area (Post's last report in late November 2012). During the spring crop growing season, unexpected early dry weather caused harvested area for spring crop to shrink an estimated 80,000 ha lower than the original planting plan.

Estimated harvested area in regions outside the MRD in MY 2012/13 is forecast to increase 10,000 hectares. As a result, the current estimate total harvested area for MY 2012/13 spring crop was offset to 3.15 million hectares. Down 70,000 hectares from the Post's last report number of the same crop, however, still 20,000 hectares larger than the harvested area of the same crop in MY 2011/12.

Autumn Crop

The autumn crop is mainly located in the southern provinces. The MRD typically accounts for more than 80 percent of the total autumn crop planting area. As of March 15, 2013, the ongoing MY 2012/13 autumn crop planting area totaled more than 350,000 hectares, compared to about 210,000 hectares at the same period last year, most likely due to favorable weather in early harvested areas which still had enough water for second crop and allowed earlier autumn crop planting. According to the MRD provincial Department of Agriculture and Rural Development (DARD) rice planting plan, the total planting area of the MRD autumn crop (including main autumn and late autumn crop) was 2.49 million hectares. Post estimates the MRD total harvested area for the autumn crop at 2.46 million hectares, up 50,000 hectares compared with 2.41 million hectares of MY 2011/12.

The overall Vietnam harvested area for the MY 2012/13 autumn crop is increased 50,000 hectares, assuming unchanged harvested area in other regions.

Winter Crop

Unlike spring crop and autumn crop trending, the planting area for winter crop is gradually going down or remains unchanged year-to-year. Post estimates the total harvested area for MY 2012/13 winter crop will remain the same as MY 2011/12, assuming normal weather conditions.

Rice Production in the Mekong Delta by Marketing Year

(000 ha; mt/ha; 000 mt)

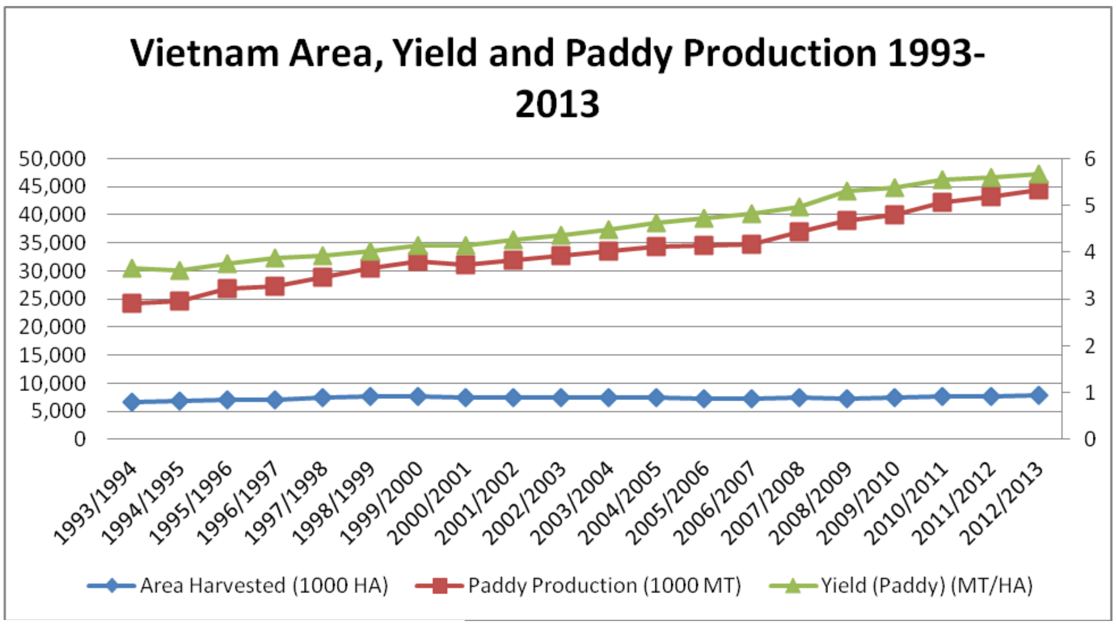
	2011/2012 (Revised)			**2012/2013 (old)**			**2012/2013 (Estimate) (new)**		
	Area	**Yield**	**Prod.**	**Area**	**Yield**	**Prod.**	**Area**	**Yield**	**Prod.**
Winter	200	4.30	861				200	4.10	820

Spring	1,579	6.86	10,832				1,600	6.90	11,040
Autumn	1,670	5.50	9,185				1,685	5.55	9,352
Late Autumn	740	4.86	3,596				770	4.90	3,773
Total	4,189		24,473				4,255		24,985

Source: MARD, Post estimate

<u>Review for MY 2011/12 (began January 2012)</u>

Post revises the MY 2011/12 Vietnam total rice production from 43.32 million tons to 43.44 million tons of rice paddy, or 27.15 million of milled rice equivalent. The increase is due to the revised higher yield of the winter crop from 4.68 to 4.75 tons per hectare.



Source: Foreign Agricultural Service, Official USDA Estimates

The Vietnam paddy production continued to trend upward, while harvested area is maintained at almost the same level during recent years. Production increases are almost entirely attributed to the introduction of better rice varieties. Most new varieties are produced locally, characterized as higher yielding, and have favorable food quality characteristics. The Cuu Long Rice Research Institute (CLRRI), located in the Mekong River Delta, does most of the research not only for the MRD region but for most of the whole country.

The Ministry of Agriculture and Rural Development (MARD) is currently encouraging farmers to implement the Large Scale Farm model, where farmers consolidate individual small farms into larger farms to lower per hectare production costs on land preparation, irrigation, planting, and harvesting costs; and to better use mechanization, protect the environment, and to build a stronger competitiveness.

Within 2 calendar years, the total area of large scale farms has reached 100,000 hectares, in which than 76,000 hectares are located in the MRD. A large scale farm is classified as one between 50-100 hectares in most of the provinces. A few farms have reached the 400-500 hectare size. A common large scale farm in the MRD is between 100-150 hectares.

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 economy develops, consumers have greater purchasing power and more access to other foods, with per-capita consumption of rice tending to decline as income increases.

According to MARD, the current average per capita rice consumption is about 136.8 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. Rice consumption also registered a faster decline in urban areas. Yearly population growth is the main driver of the annual increase in total consumption. Post estimates that the country needs and additional 150,000 tons of rice each year to meet growing domestic consumption.

Other factors in Vietnam's increased rice consumption include higher use of rice in home-made animal- and aquaculture-feeds, and growth in industrial scale food processing, especially in the brewing and rice wine (a local alcoholic drink) industries. Post estimates the additional use of rice for food processing industry is 50,000-100,000 tons per year.

In the animal feed industry, rice is one of the main ingredients for home-made feed for swine, fish, and poultry, especially in the MRD. Post estimates the increase use of rice for animal feed industry is estimated at 200,000-300,000 tons per year depending on its price competitiveness with other alternative ingredients, such as corn and cassava.

In total, the annual additional local rice consumption is averaging about 500,000 tons per year.

STOCKS

There is no official number or estimate for Vietnamese rice stocks. Rice stocks are calculated from the total rice production, carry over stock, and imports, after deducting export, consumption and residual use. Rice stocks in MY 2011/12 are revised to 1.826 million tons, due to the increased total production. Rice stocks in MY 2012/13 are forecast to grow to 2.075 due to lower exports in MY 2012/13.

TRADE / COMPETITION

Exports

Vietnam exported 7.72 million tons, out of a total production of 27.15 million tons of milled rice in MY2011/12, maintaining the status as the world's second largest rice exporter after India. The export value reached USD $3.45 billion on FOB basis (according to the Vietnam Food Association). Vietnam's MY2012/13 rice exports are forecast at 7.4 million tons due to expected stronger competition from India and Thailand, and lower demand from Vietnam's traditional rice markets, such as the Philippines and

Indonesia. MY 2013/14 rice exports are initially forecast at 7.5 million tons, up slightly on expected better competitiveness.

The Vietnam Food Association (VFA) maintains rice export registration requirements and the Minimum Export Price (MEP) based on the Government regulation on rice exports, Ordinance 109/2010/ND-CP, in order to regulate the flow and prices of rice exports.

Asia was the biggest market for Vietnamese rice with imports totaling nearly 6 million tons out of the total 7.72 million tons. Indonesia, Philippines, and Malaysia were still the main traditional buyers in MY 2011/12. Demand from the Asian countries, Vietnam's traditional rice export markets -- especially the Philippines, Indonesia, and Malaysia -- still has potential, but Post expects the growth in Vietnamese exports to these markets will be limited in the coming years.

The Philippines market became more competitive for Vietnam in MY 2012/13 when VFA decided allow all Vietnamese exporters to ship to The Phillipines. Previously, Vinafood 2 was the exclusive Vietnamese rice supplier to the Filipino market. Meanwhile, Vinafood 2 maintains it's exclusive supplier status on government to government contracts. These contracts will likely total about 200,000 tons for MY 2012/13. All Vietnamese rice commercial contracts can be signed by any Vietnamese rice supplier.

China became the top Vietnamese rice importer with more than 2 million tons of milled rice in MY 2011/12. Vietnamese rice exports to the Chinese market remains strong in MY 2012/13. However, Vietnam will face stronger competition from Thailand, India, Pakistan and Myanmar in this marketing year for the Chinese market.

Vietnam has advantages over India and Pakistan in the African market for exports of 5 percent broken rice but may face strong competition from Thailand since Thai exporters may lower their prices to compete with Vietnam in this important market. India and Pakistan, according to the Vietnam Food Association, are very competitive in the low quality rice market (25 percent broken).

By volume, Vietnam is able to ship 1.2 – 1.5 million tons each year, on average, to Africa. The buying season for the African market is not in the first quarter, but from the second quarter of the year onwards. 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 are able to stop at several ports in different African countries. The exact volume of Vietnamese rice that each African country imports is not clearly recorded by Vietnam's statistical authority.

Vietnam Rice Export By Grade and Destination in MY 2011/2012

	5%	**10%**	**15%**	**25%**	**100%**	**Glutinous**	**Jasmine**	**Unknown**	**Total**
ASIA	2,684,815	-	1,505,767	793,317	15,925	309,434	433,707	5,832	**5,748,797**
AFRICA	821,826	-	75,947	98,407	365,610	-	104,162	52,356	**1,518,308**
EUROPE and CIS	39,828	24,699	756	-	-	-	24,564	-	**89,847**
AMERICAS	32,014	-	213,090	2,901	55,883	-	25,445	-	**329,333**
AUSTRALIA	19,235	-	-	-	-	-	11,036	-	**30,271**
UNKNOWN									
TOTAL	**3,597,718**	**24,699**	**1,795,560**	**894,625**	**437,418**	**309,434**	**598,914**	**58,188**	**7,716,556**

Source: Trade/Custom Office/VFA

In order to stay strong in the highly competitive market in MY 2011/12 and MY 2012/13, Vietnam continues to expend energy and finance resources to access new rice markets, including the Western Hemisphere. In MY 2011/12, Vietnam exported rice to Chile and small volume to Haiti. In the first quarter of MY 2012/13, Vietnam announced a sizable volume government contract with Haiti.

Imports

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 the Cambodian main crop is harvested. In Vietnam, imported paddy is used for local consumption after processing, since most of the rice grown in the Mekong River Delta 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.

In MY 2011/12, there was reportedly a large quantity of Cambodian rice re-exported to Cambodia after milling in Vietnam. Post therefore revised the Cambodian rice import number from 400,000 to 100,000 tons of milled rice equivalent. Post estimates the import of Cambodian rice in MY 2012/13 and MY 2013/14 will remain at 100,000 tons.

The Government of Vietnam has a tariff rate quota (TRQ) policy to allow a limited volume of rice to be imported into Vietnam through the borders with Laos and Cambodia.

The newest TRQ for Cambodia is based on Circular No. 05/2012/TT-BTC, under the authority of the Ministry of Finance. A number of rice farms in Cambodia are allowed entry into Vietnam under a zero percent preferential import tax rate. The rice import quota to enjoy the preferential import tax will be 300,000 tons milled rice equivalent for calendar year 2013.

For Laos, the Laotian TRQ was based on Circular No. 37/2012/TT-BTC, under the Ministry of Finance. Farms in Laos also enjoy an in-TRQ duty of zero percent. The rice import quota to enjoy the preferential import tax will be 70,000 tons milled rice equivalent for calendar year 2013.

POLICY

Decree 109/2010/ND-CP on rice export and traders, the mechanism of regulating paddy price
The Decree, with effective date of January 1, 2011, aims to stabilize the rice market, by identifying reliable rice exporters. In detail, the Degree requires business entities that would like to engage in the rice export business to have at least one appropriate rice storage warehouse, with a minimum of 5,000 tons paddy holding capacity, and at least one rice processing facility with a minimum of 10 tons per hour capacity.

However, the Vietnamese Government allowed the business entities a time frame within which to prepare. According to that, rice export activities will remain the same as before in the first nine months of 2011. From October 1, 2011 to September 2012, Rice exporters could obtain a certificate of eligibility for the rice export business, and are allowed to lease storage and milling facilities. After that, rice exporters who do not satisfy the above requirements will not be allowed to conduct business.

Foreign businesses who want to participate in the rice export business should have rice storage warehouse and rice processing facilities similar to the local rice exporters.

Some Decree 109/2010/ND-CP related documents:

- Circular 44/2010/TT-BCT by the Ministry of Industry and Trade, dated December 31, 2010, on the regulations regarding rice export registrations, and focal point for rice export contracts and related issues, effective February 14, 2011.

- Official Letter 3088/BCT-XNK by the Ministry of Industry and Trade, dated April 8, 2011, asked for provincial authorities to inspect and certify the rice exporters' storage warehouses and rice processing facilities in order to help rice exporters obtain the certificate of eligibility required for a rice export business.

- Circular 89/2011/TT-BTC by the Ministry of Finance, established guidelines for the methodology for determining the floor price for export rice.

- Decision 560/QD-BNN-CB by the Ministry of Agriculture and Rural Development, dated March 24, 2011, on the promulgation of temporary regulations on technical requirements for appropriate rice storage warehouses and rice processing facilities for rice export.

- Official Letter 25/CV/HHLTVN by the Vietnam Food Association, dated February 22, 2011, on the procedure for rice export contract registration.

- Official Letter 211/CV/HHLTVN by the Vietnam Food Association, April 25, 2011 notifying rice exporters of Official Letter 3088/BCT-XNK by the Ministry of Industry and Trade, and Decision 560/QD-BNN-CB by the Ministry of Agriculture and Rural Development, for reference and preparation of the dossier for applying for a certificate of eligibility for the rice export business.