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Vietnam

Grain and Feed Update

July 2018

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Report Highlights:
For marketing year (MY) 2018/19, feed consumption is forecast to increase slightly, as the domestic pork industry rebounds and growth continues in the aquaculture sector.

Post: Hanoi

Commodities: Wheat

Corn

Rice, Milled

Vietnam Feed Industry Summary (Unit: ton)

Table 1: Vietnam Total feed demand from calendar year 2017-2019

	2017	2018	2019
Animal Feed	23,350,000	23,800,000	24,100,000
Aqua feed	5,750,000	6,200,000	6,800,000
Total Feed	**29,100,000**	**30,000,000**	**30,900,000**
Manufactured	**20,520,000**	**21,900,000**	**22,800,000**
Animal Feed	17,220,000	18,000,000	18,500,000
Aqua feed	3,300,000	3,900,000	4,300,000
Home made	**8,580,000**	**8,100,000**	**8,100,000**
Animal Feed	6,080,000	5,600,000	5,600,000
Aqua feed	2,500,000	2,500,000	2,500,000
Total Feed	**29,100,000**	**30,000,000**	**30,900,000**

Source: FAS-VN estimate (as of June 2018)

Table 2: Source of feed ingredients supplied for Vietnam feed industry CY 2017-2019

	CY 2017	CY 2018	CY 2019
Import(1)	**16,300,000**	**19,200,000**	**21,900,000**
Soybean Meal	5,800,000	6,200,000	6,500,000
Corn	5,700,000	8,700,000	10,250,000
DDGS	800,000	690,000	1,000,000
Feed wheat	2,600,000	2,000,000	2,500,000
Other meal/bran	700,000	800,000	800,000
Others (MBM, FM, ...)	700,000	810,000	850,000
Local supply (2)	**11,300,000**	**9,300,000**	**9,000,000**
Corn	5,000,000	3,000,000	3,000,000
Rice bran	5,000,000	5,000,000	5,000,000
Broken rice	500,000	500,000	500,000
Cassava	800,000	800,000	500,000
Imported feed (3)	**1,500,000**	**1,500,000**	**1,500,000**
Grand Total (4)	**29,100,000**	**30,000,000**	**30,900,000**
Manufactured feed (5)	**20,520,000**	**21,900,000**	**22,800,000**
Home-made feed (6)*	**8,580,000**	**8,100,000**	**8,100,000**

Source: FAS-VN estimate (as of June 2018)

**: includes local crushed from imported beans; **: (6) = (4)-(3)-(5); Source: Post's estimate*
Red text indicates a change from Post's previous estimate.

For feed ingredients in calendar year (CY) 2018, corn supply is revised down from 9.0 million metric tons (MMT) to 8.7 MMT, due to the actual lower import volume (see Table 2). Similarly, for imported DDGS, the import volume is revised down from 1 MMT to the actual volume of 690,000 MMT.

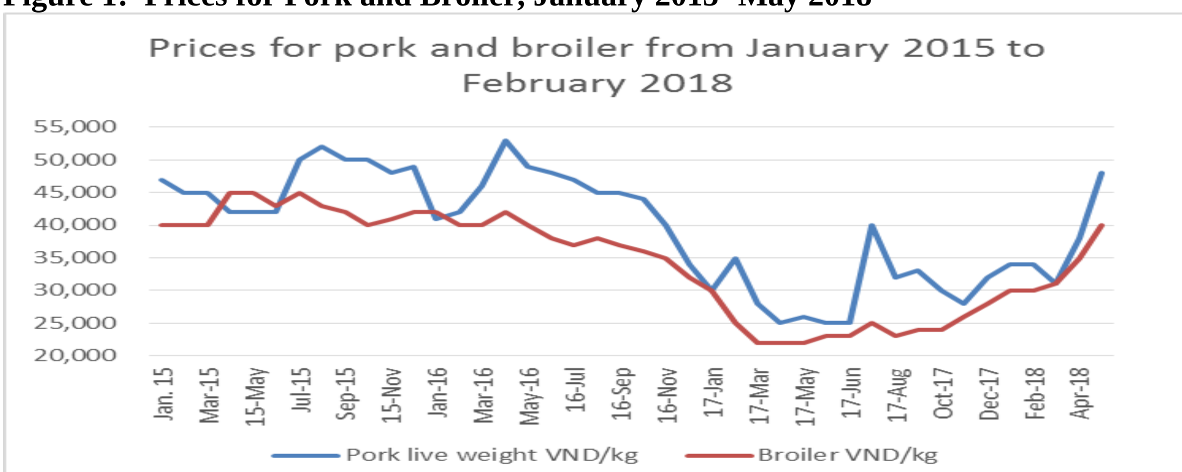
Feed wheat supply is revised up from 1.8 MMT to 2.0 MMT, as wheat imports increased due to price competitiveness. For cassava as a feed ingredient, Post revises the supply up from 500,000 MT to 800,000 MT in CY18, due to the lower export volume during the first half of the year, mainly to the Chinese market. Lower exports caused higher domestic use. Imports of other meal/bran is also revised up from 680,000 MT to 800,000 MT. The overall levels of feed ingredient supply remain unchanged.

For CY19, the DDGS import forecast is revised down from 1.2 MMT to 1.0 MMT, due to higher than expected prices. Imports of other meal/bran is revised up from 700,000 MT to 800,000 MT and soybean meal from 6.4 MMT to 6.5 MMT to off-set the reduced DDGS imports.

Prices for pork and broilers have a great impact on local feed production in Vietnam, since pork accounts for 75 percent of total meat consumption and chicken accounts for 10 percent. Figure 1 shows that both pork and poultry prices have increased steadily since November 2017, after falling to very low levels during the first 11 months of CY17. According to farmers, production costs range from VND 35,000-40,000 per kilo. In May 2018, pork prices reached VND 48,000 per kilo and broiler prices reached VND 40,000 per kilo.

According to analysts, the increase of pork and broiler prices is due the short supply of meat on the market. Sources report that after the crash of the animal husbandry sector in 2017, small scale (backyard) farms suffered severe losses, resulting in a vast closing of these businesses. Only large scale farms with an integrated farm-to-table model survived the crisis. Rising pork prices are now driving reinvestment in the hog sector, but the Ministry of Agriculture and Rural Development's (MARD) Animal Husbandry Department has warned small-scale farmers not to resume their activities to avoid another market crash due to over-supply. Analysts predict that the market might stabilize by early CY19.

Figure 1: Prices for Pork and Broiler, January 2015- May 2018



Source: U.S. Grain Council Representative Office in Vietnam

1. WHEAT

STATISTICAL TABLES

Vietnam's Production, Supply, and Demand for Wheat

Wheat	**2016/2017**		**2017/2018**		**2018/2019**	
Market Begin Year	**Jul 2016**		**Jul 2017**		**Jul 2018**	
Vietnam	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	0	0	0	0	0	0
Beginning Stocks	628	628	1033	1033	1033	1283
Production	0	0	0	0	0	0
MY Imports	5546	5546	4200	4500	4500	4500
TY Imports	5546	5546	4200	4500	4500	4500
TY Imp. from U.S.	187	187	0	100	0	200
Total Supply	6174	6174	5233	5533	5533	5783
MY Exports	241	241	300	250	300	250
TY Exports	241	241	300	250	300	250
Feed and Residual	3100	3100	1900	2000	2200	2500
FSI Consumption	1800	1800	2000	2000	2100	2100
Total Consumption	4900	4900	3900	4000	4300	4600
Ending Stocks	1033	1033	1033	1283	933	933
Total Distribution	6174	6174	5233	5587	5533	5837
Yield	0	0	0	0	0	0
(1000 HA), (1000 MT), (MT/HA)						

PRODUCTION

Vietnam does not produce wheat.

CONSUMPTION

MY 2017/18 wheat consumption is revised up, from 3.9 MMT to 4.0 MMT. The increase is mainly on the feed wheat side, due its competitive price. Milling wheat consumption remains unchanged.

MY 2018/19 total wheat consumption is revised up to 4.6 million tons, an increase of 300,000 MT compared to the USDA official number. This is due mainly to the increased use of feed wheat, as prices continue to be competitive with corn in the import market and the domestic animal husbandry sector continues to grow. While border trade in live hogs has been largely stopped, domestic meat consumption is rising.

TRADE / COMPETITION

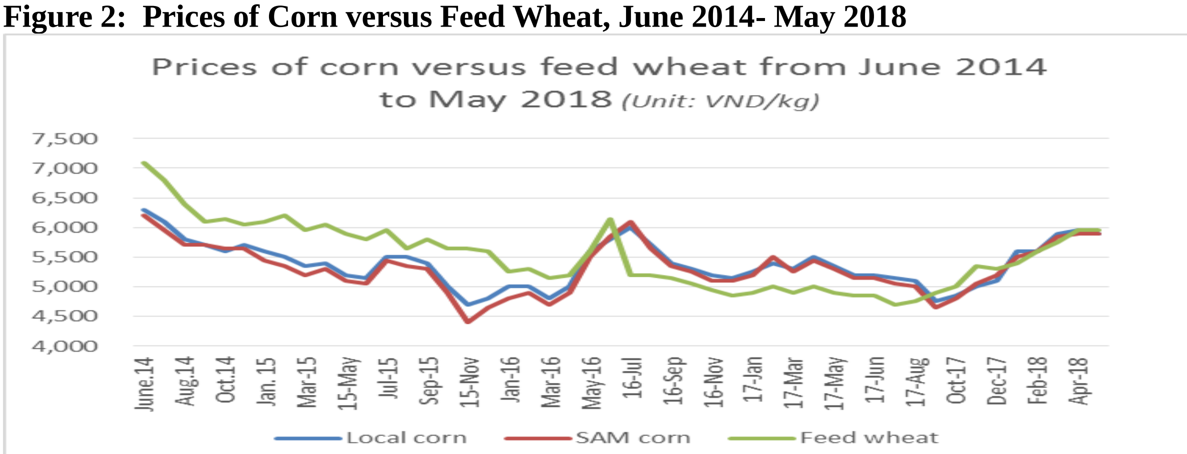
Import

For MY 2017/18, Post revises Vietnam's wheat import volume up from 4.2 MMT to 4.5 MMT, an increase of 300,000 MT compared to the USDA official estimate. The increase is mainly due to the increased importation of feed wheat, due to competitive prices from Eastern European sources, primarily from Russia.

The forecast for MY 2018/19 wheat import volume remains unchanged from the USDA official forecast. Vietnam continues to have strong demand for wheat from the livestock and aquaculture industry.

The important factor for buyers choosing between feed wheat and other feed ingredients is wheat's selling price compared to corn. Recently, feed wheat prices have been moving with corn prices, and since mid-2016, wheat has been running lower or at nearly the same level as corn. At similar prices, millers prefer feed wheat due to a variety of elements, including protein content, color, and binding factors. These price dynamics have resulted in the large volumes of feed wheat imports into Vietnam.

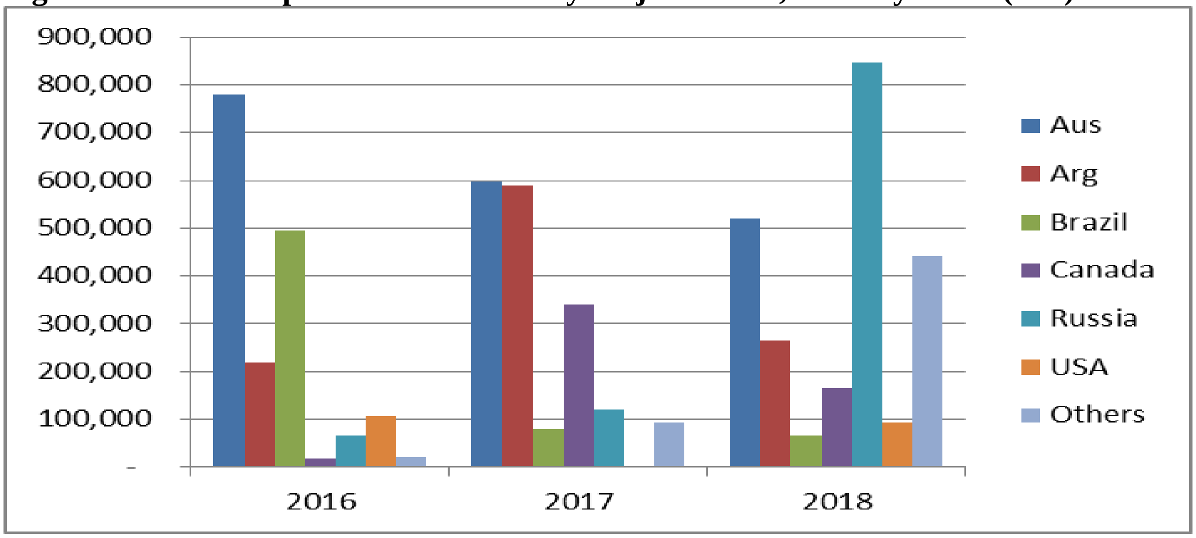
Figure 2: Prices of Corn versus Feed Wheat, June 2014- May 2018



Source: US Grain Council Representative Office in Vietnam

Recently, wheat imports from Australia have been decreasing, while there has been a large increase in Russian imports (see Figure 3). By the first 6 months of CY18, or the second half of MY 2017/18, Russia became the largest supplier of wheat (mainly feed wheat) into Vietnam, while Australia fell to second. While this change is due to the increase in demand for feed wheat, in addition, the price of Australian wheat in Vietnam is rising, while the price of Russian wheat is falling. Australian wheat is mainly used as milling wheat, but lower quality wheat from Russia is also milled, depending on the price spread. The selling price of flour from Russian-origin wheat is lower, but has become more competitive due to the lower import price.

Figure 3: Wheat Imports into Vietnam by Major Source, January- June (MT)



Source: Traders

STOCKS

In MY 2018/19, wheat ending stocks are forecast to fall to 933,000 MT due to the expansion of feed wheat use. However, according to traders, wheat stocks between 0.9 to 1.1 MMT are acceptable.

2. CORN

STATISTICAL TABLES

Vietnam's Production, Supply, and Demand for Corn

Corn	**2016/2017**		**2017/2018**		**2018/2019**	
Market Begin Year	**May 2016**		**May 2017**		**May 2018**	
Vietnam	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	1100	1100	1050	1050	850	850
Beginning Stocks	1298	1298	1054	1054	1034	994
Production	5056	5056	4880	4880	3950	3953
MY Imports	8100	8100	9000	8660	10000	11000
TY Imports	8500	8500	9500	9000	10000	11000
TY Imp. from U.S.	111	111	0	0	0	300
Total Supply	14454	14454	14934	14594	14984	15947
MY Exports	500	500	500	500	500	500
TY Exports	500	500	500	500	500	500
Feed and Residual	11500	11500	12000	11700	12500	13250
FSI Consumption	1400	1400	1400	1400	1400	1400
Total Consumption	12900	12900	13400	13100	13900	14650
Ending Stocks	1054	1054	1034	994	584	797
Total Distribution	14454	14454	14934	14594	14984	15947
Yield	4.5964	4.5964	4.6476	4.6476	4.6471	4.6506
(1000 HA), (1000 MT), (MT/HA)						

TRADE

For MY 2017/18, Post revises the corn import volume down from 9.00 MMT to 8.66 MMT, to off-set the aforementioned increase in wheat imports.

In MY 2018/19, Post forecasts corn imports at 11 MMT, a 1 MMT increase over the USDA official number, due expected steady growth in the animal husbandry industry.

Imports of DDGS

The United States continues to be the dominant supplier of DDGS to the Vietnam market. After the import suspension of U.S. DDGS was lifted in September 2017, imports have strongly rebounded due to the high demand from the domestic feed industry. DDGS are used for both an energy and protein source in feed. In MY 2017/18, import volumes of DDGS are estimated at 690,000 MT and are forecasted to rise to 1.0 MMT in MY 2018/19 (see Table 3).

Table 3: U.S. Export of DDGS to Vietnam MY 2014/15-2018/19

(Unit: Metric ton, US Dollar)

		2014/2015		2015/2016		2016/2017		2017/2018 (est.)		2018/2019* (forecast)	
Product	UOM	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty
Distillers Grains	MT	138,312	584,631.00	163,111	727,219.00	178,882	902,414.00	136,387	689,251.00	198,000	1,000,000

Data Source: U.S. Census Bureau Trade Data

3. RICE

STATISTICAL TABLES

Vietnam's Production, Supply, and Demand for Rice

Rice, Milled	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jan 2017		Jan 2018		Jan 2018	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7714	7714	7760	7760	7760	7760
Beginning Stocks	1555	1555	967	967	1147	1210
Milled Production	27400	27400	28580	28943	28675	29069
Rough Production	43840	43840	45728	46309	45880	46510
Milling Rate (.9999)	6250	6250	6250	6250	6250	6250
MY Imports	500	500	400	400	400	400
TY Imports	500	500	400	400	400	400
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	29455	29455	29947	30310	30222	30679
MY Exports	6488	6488	6800	7000	6800	7000
TY Exports	6488	6488	6800	7000	6800	7000
Consumption and Residual	22000	22000	22000	22100	22200	22400
Ending Stocks	967	967	1147	1210	1222	1279
Total Distribution	29455	29455	29947	30310	30222	30679
Yield (Rough)	5.6832	5.6832	5.8928	5.9677	5.9124	5.9936
(1000 HA), (1000 MT), (MT/HA)						

PRODUCTION

Table 4: Vietnam's Area, Yield, and Production for Rough Rice (as of March 2018)

Marketing Year	2016/2017 Revised		2017/2018 Estimate		2018/2019 Forecast	
Harvested Area (t. ha)	**Old**	**New**	**Old**	**New**	**Old**	**New**
Winter[1]	1,700	1,700	1,700	1,700	1,700	1,700
Spring[2]	3,074	3,074	3,100	3,100	3,100	3,100
Autumn[3]	2,940	2,940	2,960	2,960	2,960	2,960
TOTAL	**7,714**	**7,714**	**7,760**	**7,760**	**7,760**	**7,760**
Yield (mt/ha)						
Winter	4.76	4.76	4.95	4.95	4.95	4.95
Spring	6.27	6.27	6.50	6.69	6.50	6.70
Autumn	5.60	5.60	5.80	5.80	5.85	5.85
AVERAGE	**5.68**	**5.68**	**5.89**	**5.96**	**5.91**	**5.99**
Production (t. mt)						
Winter	8,100	8,100	8,415	8,415	8,415	8,414
Spring	19,286	19,286	20,150	20,726	20,150	20,780
Autumn	16,464	16,464	17,168	17,168	17,316	17,316
TOTAL	**43,850**	**43,850**	**45,733**	**46,309**	**45,880**	**46,510**

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

For MY 2017/2018, Post revises total production up from 45.73 MMT to 46.31 MMT, or in milled equivalent, from 28.58 MMT to 28.94 MMT, an increase of about 580,000 MT of paddy compared to the USDA official number. This is due mainly to the increase in yield of the Spring crop in the Mekong River Delta (MRD).

Post revises MY 2018/19 total paddy rice production up from 45.88 MMT to 46.51 MMT, or from 28.68 MMT to 29.07 MMT of milled rice equivalent, mainly due to the expected increase in yield of the Spring crop in MRD.

Spring Crop

As of June 2018, Post estimates that the total MY 2017/18 Spring crop harvested area remains at 3.1 million ha. The forecast for the MY 2018/19 Spring crop harvested area will remain steady, assuming no change in the harvest in the northern part of Vietnam. As of May 2018, the planted area of the MY 2017/18 Spring crop in the North is about the same as in MY 2016/17.

In MY 2017/18, the overall Spring crop yield, however, is revised up from the last estimate of 6.50 MT/ha to 6.69 MT/ha. According to MARD's May 2018 monthly report, the overall yield increase was mainly due to the increased yield in the MRD.

Mekong River Delta Rice Production in MY 2017/18

Spring Crop
As of June 20, 2018, MRD farmers have completed the harvest of their MY 2017/18 Spring crop. A full 100 percent the total planted area of 1.574 million ha was harvested. The estimated Spring crop production for the MRD is 10.89 MMT of paddy, up about 1.2 MMT from MY 2016/17.

Autumn Crop
The Autumn crop consists of Main Autumn and Late Autumn crops. As of June 15, MRD farmers have planted about 1.05 million ha of the MY 2017/18 Main Autumn crop. Last year at this time, farmers had already completed planting. Therefore, progress is slower than normal, about 12 percent behind last year. This is due to the late planting and harvesting of the previous crop, the Spring crop. However, the total harvested area for the MY 2017/18 Main Autumn crop is expected to remain unchanged from Post's previous estimate.

The late Autumn crop appears directly after the Main Autumn crop in areas not endangered by annual flooding. It is off-season with competing countries' harvests and, therefore, commands a high selling price during harvest. In MY 2017/18, Post estimates that harvested area will remain at 870,000 ha, an increase of 30,000 hectares over MY 2016/17.

Mekong River Delta (MRD) Rice Production in the MY 2016/2017

Table 5: Rice Production in the Mekong River Delta by MY *(000 ha; mt/ha; 000 mt)*

	2016/2017 (Revised)			**2017/2018 (Estimate)**			**2018/2019 (forecast)**		
	Area	**Yield**	**Prod.**	**Area**	**Yield**	**Prod.**	**Area**	**Yield**	**Prod.**
Winter	**180**	**4.60**	**828**	**180**	**4.60**	**828**	**180**	**4.60**	**828**
Spring	**1,537**	**6.30**	**9,683**	**1,574**	**6.92**	**10,892**	**1,575**	**6.95**	**10,946**
Autumn *(in which)*	**2,490**	**5.86**	**14,601**	**2,520**	**6.06**	**15,276**	**2,520**	**5.74**	**15,424**
Main Autumn	*1,650*	*6.10*	*10,065*	*1,650*	*6.20*	*10,230*	*1,650*	*6.20*	*10,230*
Late Autumn	*840*	*5.40*	*4,536*	*870*	*5.80*	*5,046*	*870*	*5.97*	*5,194*
Total	**4,227**	**5.94**	**25,112**	**4,274**	**6.32**	**26,996**	**4,275**	**6.36**	**27,198**

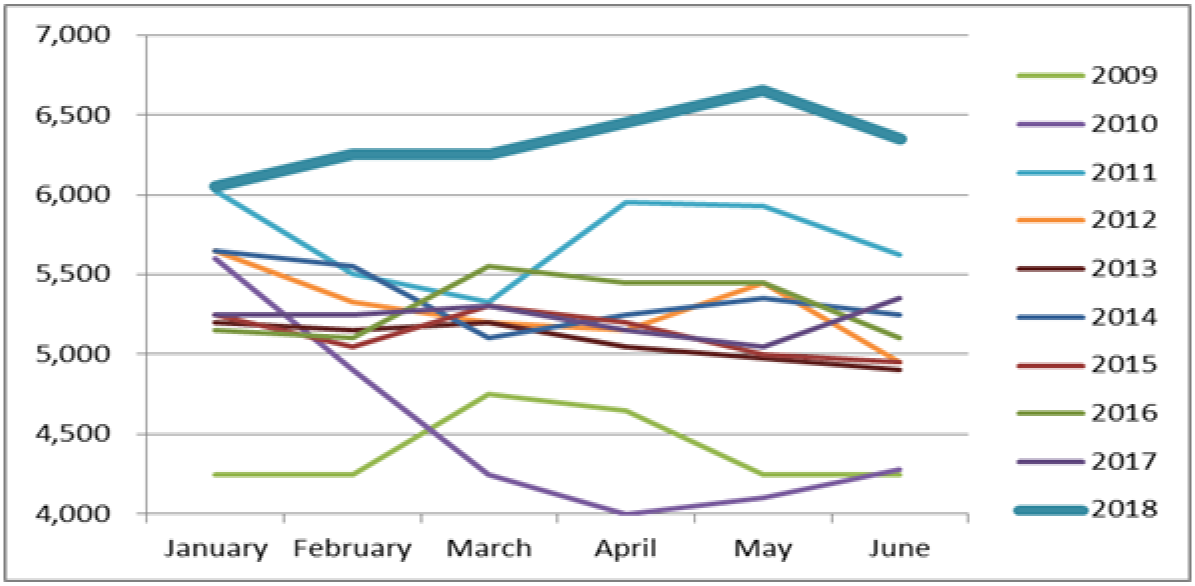
Source: MARD, Post estimate
Red text indicates a change from Post's previous estimate.

TRADE / COMPETITION

Domestic Prices

Figure 4: Vietnamese Monthly Paddy Price, January- July 2009-2018

Unit: VND/kg



Source: Vietnam Food Association, combined data

In past years, prices have continuously dropped in the first 3-4 months of the year during peak harvest. Prices then normally went up in May and June during the off-harvest season. MY 2017/18 prices, however, kept rising during the first 5 months of the CY, despite the peak harvest of the spring crop in the MRD, and only fell in June with the harvest of the second crop, the Main Autumn crop. MY 2017/18 prices were also at their highest levels in 10 years. This indicates high export demand and the continuing movement of rice from the MRD to the North for border trade, as well as strong demand from conventional export markets.

Exports

Post revises the MY 2017/18 export volume up from the official USDA estimate of 6.8 MMT to 7.0 MMT. For MY 2018/2019, Post also raises the forecast from 6.8 MMT 7.0 MMT due to high demand from traditional importing countries in Southeast Asia, such as China, the Philippines, Indonesia, and Malaysia. Other importing markets, such as Cuba and West Africa, remain strong.

In South East Asia, there have been major changes for both importing and exporting countries. For exporters, Cambodia and Myanmar are looking to expand their markets both in terms of volume and number of buyers. These policy changes, together with competition from traditional exporters, such as India and Thailand, has created a tough regional market for Vietnam. For example, Thailand won the Philippines' National Food Authority (NFA) government-to-public contract, for a total of 250,000 MT in May 2018. This was the first time in many years that no Vietnamese companies received a contract and indicates that Thailand is now also looking to the medium-to-low quality rice market for the first time, a traditional haven for Vietnamese rice.

The Philippines is now reducing dependence on the NFA and increasingly opening to the private sector under the Minimum Access Volume Country Specific Quota (MAV-CSQ) program. This allows the private sector in Vietnam to sell rice into the market, and was widely hailed as good news. However, it might also be a challenge for Vietnam's rice export sector because Vietnam has traditionally been strong in government-to-government tenders. A similar change is happening in Malaysia, where the government indicated that it will end the exclusive role of BERNAS in rice purchases.

China remains the largest buyer of Vietnamese rice. It officially purchased about 2.4 MMT of Vietnamese rice in MY 2016/17, and Post estimates it will buy about 2.5 MMT in MY 2017/18. In MY 2018/19, Post forecasts that official imports will remain at the same volume. For unofficial channels, the yearly volume has been about 1.5 MMT of milled rice in recent years. However, in MY 2017/18, Post estimates that exports of rice via unofficial channels will decrease to 1 MMT. In MY 2018/19, Post forecasts the volume with remain steady at 1 MMT.