Required Report - public distribution

Date: 9/8/2016
GAIN Report Number: VM6052

Vietnam

Grain and Feed Update

August 2016

Approved By:
Gerald Smith
Prepared By:
Quan Tran

Report Highlights:
Total rice production for MY 2015/2016 is down about a million tons, due mainly to the impact of drought weather conditions caused by El Nino, which lowered mainly the spring crop production in the Mekong River Delta. The MY 2015/2016 rice export is revised down to 5.7 million tons.
Regarding the corn crop, the local corn production areas faced greater difficulties in MY 2015/2016 due to adverse weather conditions and competitive prices from large corn producing countries like India, Argentina, and Brazil. Imports of corn into Vietnam are up sharply from 4.9 million tons in the MY 2014/2015 to 7.9 million tons in the MY 2015/2016 due to attractive corn prices.

Post:
Hanoi

Commodities:
Wheat

Corn

Rice, Milled

SITUATION AND OUTLOOK

Total rice production for MY 2015/2016 is down about a million tons, due mainly to the impact of drought weather conditions caused by El Nino, which lowered the spring crop production in the Mekong River Delta. However, the planting expansion of the late autumn crop in the Delta, and in other areas has superseded the loss of harvested area. Currently, the annual flooding in the Mekong River Delta is diminished due to dams constructed up-stream. As a result, the late autumn crop can be expanded in previously flooded areas. However, the soil condition in the delta is becoming poorer as less fertile sediment is brought from up-stream via seasonal flooding.

Post revised down the forecast for MY 2016/2017 rice production. However, this is slightly higher than MY 2015/2016 rice production since the end of El Nino in May 2016. It is still lower than Post's April estimate mainly due to expected bad weather pattern (La Nina) towards the end of calendar year 2016.

Regarding the corn crop, the local production areas faced greater difficulties in MY 2015/2016 due to adverse weather conditions and competitive corn prices from large corn producing countries like India, Argentina, and Brazil. The corn import volume increase sharply to satisfy local needs and also meet the needs driven primarily by the cross border trade.

Vietnam does not produce wheat. The country has to import wheat annually for both milling and feeding purposes. Unlike milling wheat that has maintained an almost stable import volume, feed wheat imported in MY 2015/2016 increased sharply, due to its price competitiveness when compared to imported corn prices. However, price competitiveness is not the primary reason for this trend of increasing feed wheat import into Vietnam. There is another aspect to the issue - increasing wheat imports depend a lot on the price difference of feed wheat and corn.

1. WHEAT

STATISTICAL TABLES

Vietnam’s Production, Supply and Demand for Wheat

Wheat new	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jul 2014		Jul 2015		Jul 2016	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	368	368	288	310	563	517
Production	0	0	0	0	0	0
MY Imports	2296	2317	3000	2932	2700	2700
TY Imports	2296	2317	3000	2932	2700	2700
TY Imp. from U.S.	317	358	0	271	0	400
Total Supply	2664	2685	3288	3242	3263	3217
MY Exports	226	225	250	250	250	250
TY Exports	226	225	250	250	250	250
Feed and Residual	600	600	900	900	900	900
FSI Consumption	1550	1550	1575	1575	1600	1600
Total Consumption	2150	2150	2475	2475	2500	2500
Ending Stocks	288	310	563	517	513	467
Total Distribution	2664	2685	3288	3242	3263	3217
(1000 HA) ,(1000 MT)						

PRODUCTION

Vietnam does not produce wheat.

CONSUMPTION

The Marketing year (MY) 2015/2016 wheat total consumption is estimated at 2.475 million tons, about 325,000 tons increase compared to MY 2014/2015 due mainly to the increase use of feed wheat in the market. The latter is due to the competitive prices of feed wheat over corn for use in animal feed and aqua feed.

The MY 2016/2017 wheat consumption is also forecast to slightly increase due to greater demand for both feed wheat and milling wheat. The increase in feed wheat consumption is following the growth of the feed industry - specifically the aquaculture feed industry.

TRADE / COMPETITION

Import

Post estimates Vietnam's wheat imports volume in the MY 2015/2016 at 2.93 million tons, an increase of about 600,000 tons compared to MY 2014/2015 imported volume, due mainly to the increase in the use of feed wheat. Forecast for MY 2016/2017 import volume remained at 2.7 million tons, unchanged compared to USDA's official number.

Australian milling wheat is expected to continue its dominance in the wheat import market in Vietnam. However, its market share is declining from 70-80 percent down to about 43 percent of Vietnam's total wheat imported volume in MY 2015/2016. In volume, Australian wheat was down from 1.3 million tons in MY 2014/2015 to 1.26 million tons in MY 2015/2016.

Exports of U.S. wheat in MY 2015/2016 are down to 270,000 tons from 350,000 tons in MY 2014/2015, due to strong price competition from Canada. The forecast import volume for U.S. wheat in MY 2016/2017 is 400,000 tons.

Feed wheat can be an alternative feed source mainly in place of corn. Imports of feed wheat depend greatly on its price competitiveness with corn prices. Feed wheat imported in MY 2015/2016 increased sharply due to its price competitiveness. The main sources for feed wheat are Brazil, Canada and Black Sea. In MY 2015/2016, imports of feed wheat into Vietnam are estimated at about 600,000 tons, which is almost all the wheat import volume increase.

Export

Vietnam exports wheat flour to neighboring countries in South East Asia. Wheat flour produced in Vietnam is mainly for export and it is a competitive price product with low quality and mainly supplied as an ingredient for the aquaculture industry. Small quantities are used in the instant noodle industry. Vietnam is the largest wheat flour exporter to Thailand. Also, Vietnam exports wheat flour to other countries like Indonesia, Malaysia, and the Philippines for use in the feed industry. Additionally, Vietnamese flour exports to Singapore, Hong Kong and Taiwan are for the food processing industry and for re-selling to other countries. Vietnam exports of wheat flour in MY 2015/2016 and MY 2016/2017 are estimated at about 250,000 tons of wheat equivalent.

2. CORN

STATISTICAL TABLES

Vietnam's Production, Supply and Demand for Corn

Corn	2014/2015		2015/2016		2016/2017	
Market Begin Year	May 2014		May 2015		May 2016	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1179	1179	1300	1100	1300	1200
Beginning Stocks	724	724	1005	1061	1885	1562
Production	5281	5281	5980	4950	6250	5520
MY Imports	4900	4956	7300	7951	6000	6000
TY Imports	6700	6700	6900	7200	6000	6000
TY Imp. from U.S.	6	6	0	0	0	0
Total Supply	10905	10961	14285	13962	14135	13082
MY Exports	500	500	500	500	500	500
TY Exports	500	500	500	500	500	500
Feed and Residual	8100	8100	10500	10500	11000	10500
FSI Consumption	1300	1300	1400	1400	1500	1500
Total Consumption	9400	9400	11900	11900	12500	12000
Ending Stocks	1005	1061	1885	1562	1135	582
Total Distribution	10905	10961	14285	13962	14135	13082
1000 HA, 1000 MT, MT/HA						

PRODUCTION

The revised estimate of CY 2016 harvested area is 1.1 million hectares due to unfavorable weather conditions in corn planted areas (the central highland), and unfavorable international corn prices. The CY 2016 Vietnam corn production is revised down to 4.95 million tons, down about a million tons compared to Post's last estimate. The CY 2017 corn harvested area is forecasted about 1.2 million hectares. The average corn yield is expected to be slightly higher in CY 2016, at 4.6 tons per hectare, due to the introduction of GM corn varieties in Vietnam. The overall increase of corn production is mainly due to higher average corn yields. As average corn yields increase to certain levels, farmers can be convinced that achieving profit margin is possible by planting corn. Meanwhile, with small and scattered scale corn cultivation, Vietnam's locally grown corn faces strong competition from imported corn of many origins, such as Brazil, Argentina, India, and including the U.S.

Vietnam Corn Production in Calendar Year 2015-2016 and forecast for 2017

	Unit	2015		2016		2017	
		Old	New	estimate	Revised	Forecast	New
Harvested area	,000 ha	1,179	1,179	1,300	1,100	1,300	1,200
Yield	mt/ha	4.48	4.48	4.60	4.50	4.80	4.60
Production	,000 mt	5,281.00	5,281.00	5,980.00	4,950.00	6,240.00	5,520.00

Source: MARD / Post Estimate

IMPORT / EXPORT

Imports of corn into Vietnam are up sharply from 4.9 million tons in the MY 2014/2015 to 7.9 million tons in the MY 2015/2016 due to its attractive prices.

Imported corn is mainly used in the animal feed industry. Imported volume depends largely on the livestock and aquaculture industries. Corn (including local production and imported corn), imported feed wheat, rice/rice bran (local production), cassava (local production) are energy sources for feed production and can alternatively replace each other based on the market price and availability. The below table shows changes in energy sources in current MY 2015/2016 compared to MY 2014/2015 in the feed industry:

Changes in Energy Source Supply in MY 2015/2016 Compared to MY 2014/2015 (ton)

	MY 14/15	MY 15/16	+/- approx.	Jan-Jun 15	Jan-Jun 16	+/- approx.
Imported Corn	4,909,000	7,879,000	3,000,000	3,284,000	3,331,000	50,000
Imported Wheat	2,317,000	2,932,000	600,000	926,000	1,557,000	600,000
Cassava production*			(500,000)			
Rice/bran for feed**			(100,000)			
Local corn production***			(1,000,000)			
Total (surplus/less)			**2,000,000**			

*Note: *less in production*

***less export of rice > less production of broken rice/bran*

****less local production*

According to the above table, local supply of energy sources including cassava, rice/bran, and local corn in MY 2015/2016, decreased by about 1.6 million tons, due to lower local production.

The total increase of imported corn and imported feed wheat is about 3.6 million tons in MY 2015/2016 compared to MY 2014/2015. Consequently, the surplus of energy source supply in MY 2015/2016 is about 2 million tons.

In terms of demand, compared to MY 2014/2015, the increase of energy use for feed in MY 2015/2016 is expected around 500,000 tons, satisfying the expected 3 percent increase of the industry 2016.

After balancing the supply and demand, the outstanding increase of the volume is 1.5 million tons. This over-supply volume is believed to be absorbed by the border trade (China, Cambodia, and the Philippines). In MY 2014/2015, corn imported volume was 4.9 million tons, in which, about 2 million tons was expected as border trade (about 40 percent of the total import volume). The total border trade volume for MY 2015/2016, therefore, is about 3.5 million tons (accounting for 44 percent of the total import volume). However, since there is no official number available for border trade to specific countries, Post adds the over-supply number into feed and residual category.

The Vietnam MY 2016/2017 corn import forecast remains at 6.0 million tons. The year-over–year decline in imports is attributed to tight exportable supplies in Brazil in MY2016/2017, and expected decline in border trade. Feed wheat from Argentina and Brazil (in late MY 2015/2016) and East EU countries (in the early MY 2016/2017) will continue to be an important energy source in the Vietnam feed market. According to traders and Vietnamese importers, feed wheat is still preferred if its price is equal or below the level of $10 premium to corn price.

RICE

STATISTICAL TABLES

Vietnam's Production, Supply and Demand for Rice

Rice, Milled	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7823	7823	7654	7674	7750	7690
Beginning Stocks	1299	1299	1259	850	959	1108
Milled Production	28166	28166	27500	27458	28500	27791
Rough Production	45066	45066	44000	43933	45600	44466
Milling Rate (.9999)	6250	6250	6250	6250	6250	6250
MY Imports	400	400	400	400	400	400
TY Imports	400	400	400	400	400	400
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	29865	29865	29159	28708	29859	29299
MY Exports	6606	6615	6400	5700	6800	6500
TY Exports	6606	6615	6400	5700	6800	6500
Consumption and Residual	22000	22100	21800	21900	21900	22000
Ending Stocks	1259	850	959	1108	1159	799
Total Distribution	29865	29565	29159	28708	29859	29299
(1000 HA) ,(1000 MT)						

Vietnam's Area, Yield, and Production for Rough Rice (as of August 2016)

Marketing Year	**2014/2015 Revised**		**2015/2016 Estimate**		**2016/2017 Forecast**	
Harvested Area (tha)	**Old**	**New**	**Old**	**New**	**Old**	**New**
Winter[1]	1,780	1,780	1,700	1,700	1,700	1,700
Spring[2]	3,112	3,112	3,050	3,034	3,100	3,050
Autumn[3]	2,931	2,931	2,930	2,940	2,950	2,940
TOTAL	**7,823**	**7,823**	**7,680**	**7,674**	**7,750**	**7,690**
Yield (mt/ha)						
Winter	4.80	4.80	4.85	4.85	4.90	4.90
Spring	6.65	6.65	6.70	6.40	6.75	6.45
Autumn	5.40	5.40	5.55	5.53	5.60	5.60
AVERAGE	**5.76**	**5.76**	**5.85**	**5.72**	**5.90**	**5.78**
Production (tmt)						
Winter	8,544	8,544	8,245	8,245	8,330	8,330
Spring	20,695	20,695	20,435	19,430	20,925	19,672
Autumn	15,827	15,827	16,261	16,258	16,520	16,464
TOTAL	**45,066**	**45,066**	**44,941**	**43,933**	**45,775**	**44,466**

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

Source: MARD, Post estimates

Estimate for MY 2015/2016 (began January 2016)

Post revises total rice production for MY 2015/2016 down about a million tons, from 44.94 million tons to 43.93 million tons of paddy rice, due mainly to the impact of drought weather conditions caused by El Nino, which lowered the spring crop production in the Mekong River Delta.

Spring Crop

Post revises the area for the spring crop down about 16,000 hectares less than the old estimate due to less harvest areas in the southern upland area (about 8,000 hectares) and the northern provinces (about 8,000 hectares). However, according to the Vietnam Ministry of Agriculture and Rural Development, lowering crop yield has contributed significantly to a decrease in the spring crop production (from 6.7 tons per hectare to 6.4 tons per hectare). The total production for the spring crop is down 1 million tons of paddy.

Autumn Crop

The estimate for the harvested area is slightly up, about 10,000 hectares, compared to the old estimate, due mainly to shrinking harvested area of the early autumn crop in the MRD - as a result of late rains. However, the expansion of planting of the late autumn crop in the Delta, and in other areas has superseded the loss of harvested area. The overall yield however, is slightly down for the autumn early crop and main crop, due to unfavorable weather conditions. The total production for the MY 2015/2016 autumn crop is expected to be around 100,000 tons more than Post's last estimate.

Winter Crop

Post estimate for the winter crop harvested area remains 1.70 million hectares, in MY 2015/2016 due to favorable weather conditions for the crop during the planting period.

Forecast for MY 2016/2017 (began January 2017)

Post also revised the forecast for MY 2016/2017 rice production from 45.77 million tons down to 44.47 million tons of paddy. This is slightly higher than the MY 2015/2016 rice production at the end of El Nino conditions in May 2016. However, it is still lower than the Post April estimate due to expected bad weather pattern (La Nina) by end of calendar year 2016.

Mekong River Delta (MRD) Rice Production in the MY 2015/2016

Spring Crop

As stated, the loss area in the MRD is about 50,000 hectares compared to MY 2014/2015. The crop yield declined from expected 7.10 tons per hectare to 6.69 tons per hectare. As of August 2016, the loss of MRD production for the spring crop is about 620,000 tons of paddy.

Autumn Crop and Winter Crop

Water shortage and salinization are threatening the upcoming autumn crop in the MRD. Under this condition, the late planting of the autumn crop was impacted due to El Nino conditions in the MRD. The second impact relates to the lowering yield of the autumn main crop from expected 5.84 tons per hectare to 5.80 tons per hectare. Additionally, the harvested area was slightly down about 10,000 hectares

According to MARD, the late autumn crop area is still expanding due to the high selling price advantage of the crop during harvest. Additionally, the autumn crop is off-season with competing countries' harvests. Post revises the harvested area for late autumn crop from 850,000 hectares to 860,000 hectares

In total, Post estimates the autumn crop harvested area for the MY 2015/2016 at 2.52 million hectares (including main and late autumn crops), compared to 2.49 million hectares in MY 2014/2015.

Winter Crop
MY 2015/16 Post estimate for the winter crop harvested area in the MRD remains the same at 200,000 hectares, about the same with other normal marketing year.

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

	2014/2015 (Revised)			2015/2016 (Estimate) (old)			2015/2016 (Estimate) (new)		
	Area	**Yield**	**Prod.**	**Area**	**Yield**	**Prod.**	**Area**	**Yield**	**Prod.**
Winter	**280**	**4.20**	**1,176**	**200**	**4.20**	**840**	**200**	**4.20**	**840**
Spring	**1,563**	**7.14**	**11,160**	**1,515**	**7.10**	**10,756**	**1,515**	**6.69**	**10,135**
Autumn *(in which)*	**2,485**	**5.56**	**13,811**	**2,520**	**5.56**	**14,003**	**2,520**	**5.56**	**13,978**
Main Autumn	*1,670*	*5.83*	*9,736*	*1,670*	*5.84*	*9,753*	*1,660*	*5.80*	*9,628*
Late Autumn	*815*	*5.00*	*4,075*	*850*	*5.00*	*4,250*	*860*	*5.00*	*4,350*
Total	**4,310**	**5.93**	**25,392**	**4,235**	**6.04**	**25,599**	**4,235**	**6.04**	**24,953**

Source: MARD, Post estimate

CONSUMPTION

Rice is the main staple food in Vietnam. Vietnam's declining 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. Additionally, with growing income per-capita consumption of rice is declining.

According to MARD, the most recent per capita rice consumption is about 136 kilogram. 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. However, based on the current per capita rice number, the yearly population growth of about one million people is the main driver for the increase in total consumption – thus, total consumption continues to grow. Post estimates that the country needs each year an additional 150,000 tons to meet total rice consumption.

Part of Post's per capita consumption is the unrecorded volume of border trade, which is referred to as the residual (about 2 million tons of milled rice in MY 2014/2015). However, for MY 2015/2016, the border trade is expected to decrease about 1.5 million tons and about the same for MY 2016/2017, due to tightened controls at the border. As a result, rice will be shipped mostly through official channels.

STOCK

There is no official number of Vietnam rice stocks. Rice stocks are calculated from the total of rice production, carry over stock and import after deducting export and consumption and residual. Rice stocks in MY 2014/2015 went down to 850,000 tons, due to the increase of rice consumption and residual. A part of residual is the unrecorded volume of border trade. This contributed to higher paddy price increases in the early part of calendar year 2016. Rice stocks in MY 2015/2016 are revised up to about 1.1 million tons due to expected lower export volume. Rice stocks in the MY

2016/2017 are estimated to decrease to 799,000 tons, due to remaining strong rice consumption and higher residual and expected export volumes.

TRADE / COMPETITION

Exports

The Vietnam Food Association (VFA) maintains rice export registration requirements and the Minimum Export Price (MEP), which is based on government regulations – especially Ordinance 109/2010/ND-CP that regulates the flow and prices of rice exports.

The Vietnam MY 2015/2016 rice exports are estimated at a revised 5.7 million tons, compared to 6.6 million tons in the MY 2014/2015. Exports have been lower in recent months due to competitive exports from other Asian rice production countries.

Exports in MY 2016/17 are revised lower to 6.5 million tons, on account of the downward revision in exportable supplies. However, this still represents a year-on-year increase, given a relatively larger forecast crop.

Imports

In Vietnam, imported paddy is used for local consumption after processing. Most of the rice grown in the Mekong River Delta is purely for export. As a result, Vietnamese farmers also have paddy rice investments in Cambodia for additional rice production, which is used mostly for local consumption in Vietnam. In the absence of official data, Post estimates that MY 2015/2016 and MY 2016/2017 rice imports are maintained at 400,000 tons.