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2014

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Report Highlights:

Post estimates Vietnam’s wheat imports in MY 2013/2014 at 1.85 million tons. Post’s initial forecast for MY 2014/2015 imports is 2.0 million tons, due to low carry-over stocks prompting stronger imports. The recent average volume of U.S. wheat exported to Vietnam exceeded 100,0(tons and is gradually increasing year on year. Exports of U.S. wheat into Vietnam are expected t(reach 150,000 tons in MY 2013/2014, and 200,000 tons in MY 2014/2015.

Post estimates corn import volume in MY 2013/2014 to reach 2.2 million tons, increased from USDA’s official number of 2.0 million tons, due to a higher import volume of corn from Brazil. T import corn volume in MY 2014/2015 is forecast at 2.2 million tons, due to expected high carry-over stocks from MY 2013/2014. Post forecasts U.S. corn exports to Vietnam will reach 200,000 tons in TY 2014/1015.

Post estimates total rice production for MY 2013/2014 to reach 44.48 million tons of paddy. Post's initial forecast for MY 2014/2015 rice production is 44.482 million tons with expected higher yield. Vietnam's MY 2013/2014 rice export is estimated at 6.5 million tons due to an expected rebound of Vietnam's traditional rice markets. MY 2014/2015 rice exports are initially forecast at 6.7 million tons, slightly down due to expected low carryover stocks from MY 2013/2014.

SITUATION AND OUTLOOK

Rice and corn are the two largest crops in Vietnam. While rice is used mostly for food and export, corn mainly satisfies the local feed industry. Corn is also imported to fulfill the gap between local supply and demand. More than ten years ago, Vietnam was a seasonal corn exporter and importer. This has been halted recently due to local high demand from the feed industry. In calendar year 2013, Vietnam shipped some local corn through border trade to China. In turn, Vietnam imported a higher volume of Brazilian corn to substitute the demand gap. Vietnam may again become a corn exporter in peak harvest season, and an importer during other exporters' harvest season.

As evidenced by the rapid growth of international fast food chains in Vietnam, Vietnamese consumers have become more familiar with the consumption of convenience foods. 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.

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. Feed wheat, however, has recently been an alternative source for other animal feeds as well -- in lieu of corn, cassava, and broken rice -- based on its price competitiveness.

The Ministry of Agriculture and Rural Development (MARD) is currently encouraging farmers to implement a large -scale farm model, where farmers gather their individual small farms to create larger farms, and thereby decrease production costs, such as land preparation, irrigation, planting, and harvesting costs, which it is argued, better protects the environment and creates stronger competitiveness.

However, in order to avoid the over production of rice and to reduce imports of feed ingredients (mainly corn and soybeans), the Ministry of Agriculture and Rural Development developed a program for shifting acreage from rice to other cash crops, prioritized for corn and soybean. From now to 2015, there is an estimated 100,000-110,000 hectares of rice cultivation that will change to corn and soybeans (see more details at Policy section).

WHEAT

STATISTICAL TABLES

Vietnam's Production, Supply and Demand for Wheat

Wheat Vietnam	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: May 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	513	513	170	301		236
Production	0	0	0	0		0
MY Imports	1,671	1,652	1,900	1,850		2,000
TY Imports	1,671	1,652	1,900	1,850		2,000
TY Imp. from U.S.	117	121	0	150		200
Total Supply	2,184	2,165	2,070	2,151		2,236
MY Exports	164	114	160	115		120
TY Exports	164	114	160	115		120
Feed and Residual	350	250	300	250		350
FSI Consumption	1,500	1,500	1,550	1,550		1,550
Total Consumption	1,850	1,750	1,850	1,800		1,900
Ending Stocks	170	301	60	236		216
Total Distribution	2,184	2,165	2,070	2,151		2,236
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 – Feb*
Imports for:	**2012/2013**		**2013/2014**
U.S.	120,385	U.S.	104,055
Others		Others	
Argentina	0	Argentina	0
Australia	1,280,517	Australia	905,448
Black Sea	0	Black Sea	99,885
Brazil	0	Brazil	0
Canada	113,593	Canada	93,580
Russia	11,550	Russia	43,703
India	0	India	76,111
Pakistan	0	Pakistan	0
Total for Others	1,405,660		1,142,616
Others not Listed	125,756		107,882
Grand Total	1,651,801		1,354,553

***** 2012 totals are for eight months only

PRODUCTION

Vietnam does not produce wheat.

CONSUMPTION

The marketing year (MY) 2012/2013 wheat consumption estimate is revised down by about 100,000 tons to 1.75 million tons -- 5.4 percent lower than USDA's MY 2011/12 official estimate. The decrease is mainly due to the smaller than expected import volume of feed wheat. Post estimates milling wheat consumption at 1.5 million tons. while Feed wheat is estimated at 0.25 million tons, compared to USDA's official estimate of 0.35 million tons.

MY 2013/2014 wheat consumption is estimated at 1.8 million tons, a slight increase from the MY 2012/2013, due to the likely increase of milling wheat in the market.

MY 2014/2015 wheat consumption is forecast to slightly increase due to the greater demand for feed wheat following the expected growth of the feed industry, mostly for aqua feed.

Unlike feed wheat, which has consumption levels that increase and decrease depending on many factors, milling wheat has a clear upward trend. The pace of urbanization, combined with greater consumer awareness and usage of convenience foods, in recent years, as well as increased sophistication and exposure to western culture and western food products, has led to the increasing trend. As such, wheat-based foods are being increasingly consumed in Vietnam, in place of the rice-based diet that still dominates Vietnamese cuisine.

The rapid development of international fast food chains in Vietnam is also a key factor boosting the use of wheat based foods.

For the traditional wheat based food, 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 also a driving factor for the growth of milling wheat consumption.

Feed wheat's share of total feed consumption has typically been about 15-20 percent, mainly used for aquaculture feed, both as an ingredient and a binding agent for the feed. In recent years, feed wheat has become an alternative source for other animal feeds as well, in lieu of corn, cassava, and broken rice, based on its price competitiveness. However, feed wheat imports in MY 2012/2013 decreased sharply due to uncompetitive prices. Post estimates the use of feed wheat for the local animal feed industry in MY 2013/2014 to be the same level with MY 2012/2013, due to anticipated tighter supplies of feed wheat from major suppliers, and due to feed wheat prices becoming less competitive with imported corn prices.

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.

Post estimates Vietnam's wheat imports in MY 2013/2014 at 1.85 million tons. Vietnam's wheat imports for MY 2012/2013 were 1.65 million tons.

Australian milling wheat is expected to continue dominating the wheat import market in Vietnam, accounting for over 70-80 percent of Vietnam's total wheat import volume in MY 2012/2013.

Post's initial forecast for MY 2014/2015 imports is 2.0 million tons, due to anticipated low carry-over stocks prompting stronger imports. Australian wheat may get challenged in MY 2014/2015 by Indian wheat. Black Sea wheat, according to traders, also competed with other sources during the middle of the calendar year 2013.

The growth of baked wheat-based products and noodles requires high quality wheat, which possibly favors 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 exported to Vietnam exceeded 100,000 tons per, and is gradually increasing year on year.
Exports of U.S. wheat into Vietnam are expected to reach 150,000 tons in MY 2013/2014, and 200,000 tons in MY 2014/2015. Recent improvements in trade-related infrastructure should help U.S. wheat become more competitive, and the growing demand for high-quality flour made from premium-quality U.S. wheat will also increase imports.

Export

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

Importer	**2010/2011**	**2011/2012**	**2012/2013**	**2013/2014**
Hong Kong	5,472	10,944	8,208	12,312
Indonesia	1,368	n.a.	n.a.	n.a.
Malaysia	10,944	13,680	n.a.	n.a.
Philippines	16,416	21,888	12,312	19,152
Singapore	23,256	21,888	13,680	12,312
Taiwan	12,312	4,104	n.a.	n.a.
Thailand	32,832	77,976	58,824	69,768
Totals	**102,600**	**150,480**	**93,024**	**113,544**

Source: Global Trade Atlas

Vietnam has recently exported wheat to neighboring countries in South East Asia. Thailand is the biggest importer of Vietnamese flour. According to traders, wheat flour from Vietnam exported to Thailand is mainly competitively priced, low quality products that are mainly supplied as an ingredient for the aquaculture industry, and some small quantities for the instant noodle industry. Vietnam exports of wheat flour to other countries like Indonesia, Malaysia, and the Philippines are mainly for the feed industry, and to Singapore, Hong Kong and Taiwan for the food processing industry and/or re-selling to other countries. Export of Vietnamese wheat flour is estimated at 115,000 tons, wheat equivalent quantity, in MY 2013/2014 -- nearly the same volume as MY 2012/13, -- mainly due to demand from the aquaculture industry in neighboring countries.

CORN

STATISTICAL TABLES

Vietnam's Production, Supply and Demand for Corn

Corn Vietnam	2012/2013		2013/2014		2014/2015	
	Market Year Begin: May 2012		Market Year Begin: May 2013		Market Year Begin: May 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,118	1,157	1,120	1,173		1,200
Beginning Stocks	240	240	243	261		757
Production	4,803	4,801	4,900	5,196		5,340
MY Imports	1,500	1,720	2,000	2,200		2,200
TY Imports	1,600	1,650	2,000	2,400		2,200
TY Imp. from U.S.	0	0	0	190		200
Total Supply	6,543	6,761	7,143	7,657		8,297
MY Exports	0	0	0	200		400
TY Exports	0	0	0	400		400
Feed and Residual	5,200	5,400	5,500	5,500		5,600
FSI Consumption	1,100	1,100	1,200	1,200		1,300
Total Consumption	6,300	6,500	6,700	6,700		6,900
Ending Stocks	243	261	443	757		997
Total Distribution	6,543	6,761	7,143	7,657		8,297
1000 HA, 1000 MT, MT/HA						

Vietnam's Corn Import

Import Trade Matrix			
Country	Vietnam		
Commodity	Corn		
		Units:	Metric Tons
Time Period	May-April		May/February
Imports for:	2012/2013		**2013/2014**
U.S.	543	U.S.	188,862
Others		Others	
India	1,260,256	India	583,640
Brazil	124,988	Brazil	700,903
Thailand	19,287	Thailand	195,509
Argentina	160,470	Argentina	141,160
Laos	22,600	Laos	22,253
Cambodia	44,140	Cambodia	60,300
Total for Others	1,631,741		1,703,765
Others not Listed	80,846		48,774
Grand Total	1,713,130		1,941,401

PRODUCTION

According to the Ministry of Agriculture and Rural Development (MARD), Vietnam calendar year (CY) 2013 corn production was 5.19 million tons, about 290,000 tons higher than Post's last forecast (see Vietnam G&F 2013). This was due to both a larger planted area and higher crop yield. The production was about 220,000 tons higher than CY 2012.

CY 2012 actual planted area totaled 1.15 million hectares, an increase of about 40,000 hectares over Post's last estimate (see Vietnam G&F 2013). Crop yield, however, was down from the previous estimate 4.30 tons per hectares to 4.15 tons per hectares, due to the impact of severe drought in the central highland and provinces in northern central part.

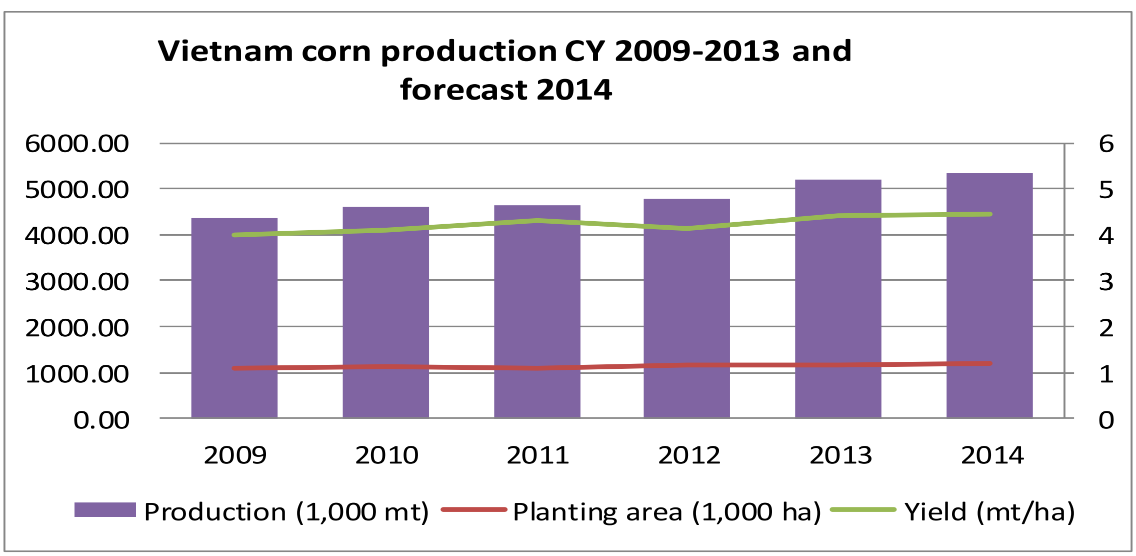
Vietnam Corn Production in Calendar Year 2012-2013 and forecast for 2014

	Unit	2012		2013		2014 Forecast
		Old	New	estimate	Revised	
Planting area	1,000 hectares	1,118	1,157	1,120	1,173	1,200
Yield	mt/ha	4.30	4.15	4.30	4.43	4.45
Production	1,000 mt	4,808.26	4,801.55	4,816.00	5,196.39	5,340.00

Source: MARD / Post Estimate

Post forecasts the corn planted area in CY 2014 at 1.2 million hectares. The slow growth of corn planted area is likely due to lower profit margins for corn 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 cash crops cannot be grown (such as in the mountainous regions with poor soil fertility) or lack of water for other better cash crops, or intercropped after a better cash crop (such as soybeans in the upland area, or rice in the lowland area when water supply is short for rice).

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 the 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.



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.

DOMESTIC PRICES

Domestic corn prices are usually higher than imported corn, due to domestic supply typically falling short of the demand. Local prices usually drop sharply during the seasonal harvests (Autumn and Winter harvest crops), then go up during the first 4-5 months of the year.

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 beer, textiles, and the pharmaceutical industry. However, more than 80 percent of corn is used as feed ingredients.

In the animal feed industry, corn is used in both the commercial and home-made sectors, mainly for hog and poultry feeds. 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. Currently, the feed industry needs about 1.8-2.0 million tons of imported corn to satisfy its demand. However, the real imported volume depends greatly on the availability of alternative local products like broken rice, rice bran, and cassava, and the price competitiveness of imported feed wheat and DDGS. The annual increase of corn use both for food and feed is about 200,000 – 400,000 tons depending on the various factors mentioned above.

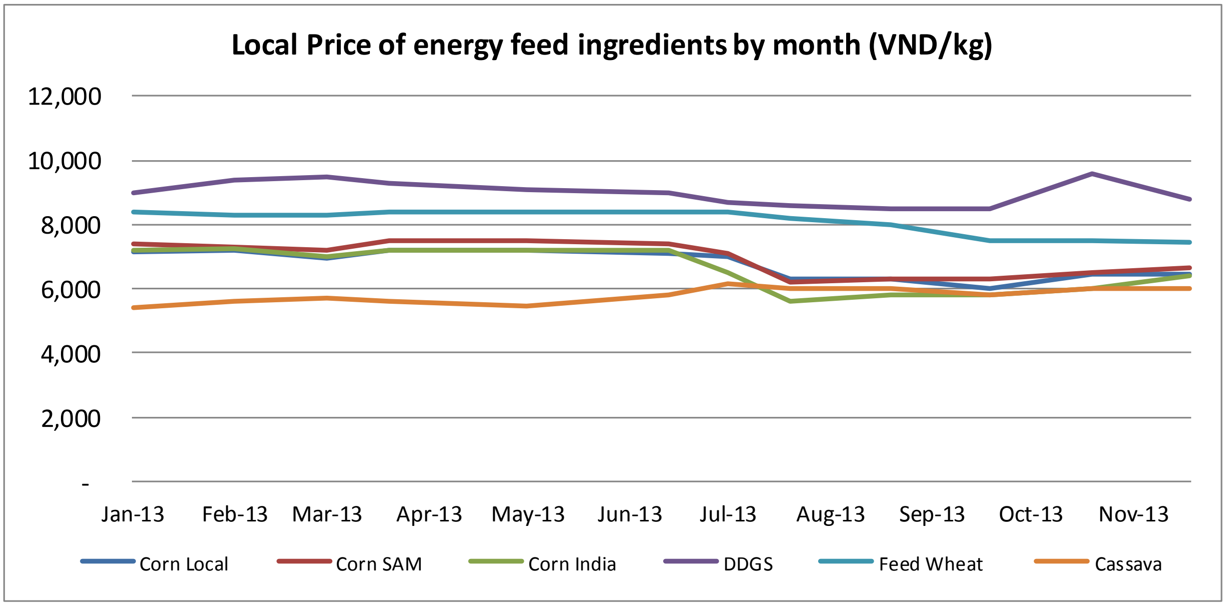
TRADE / COMPETITION

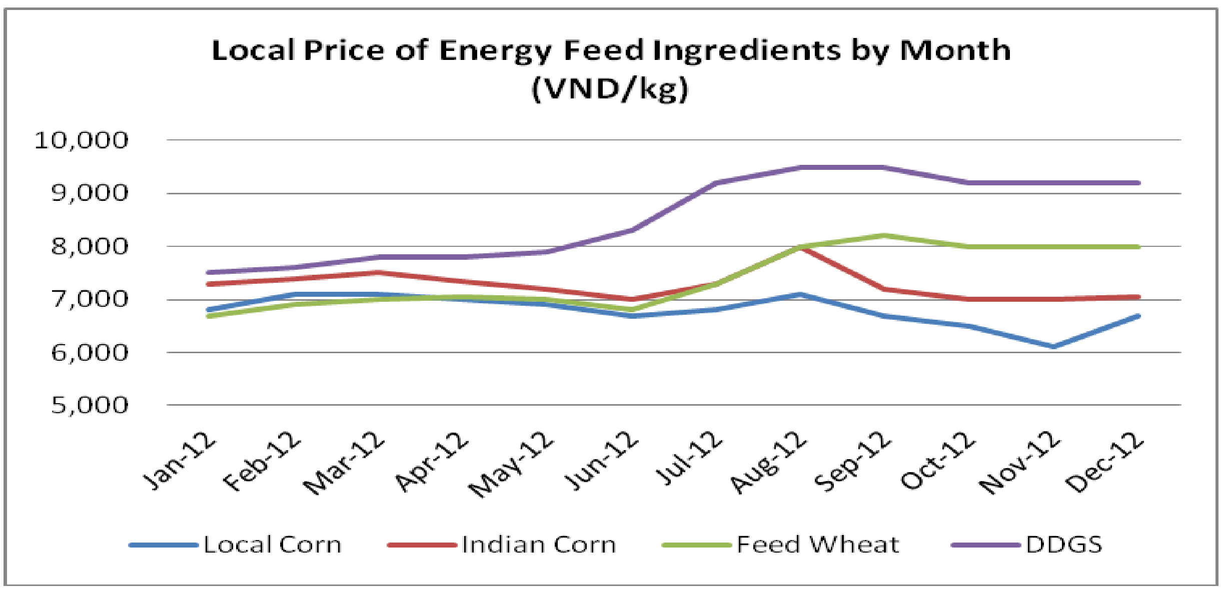
Competition exists between the home-made feed and manufactured feed sectors in Vietnam. Commercial feed manufacturers usually can only purchase up to 50 percent of total locally produced corn.

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 was a very good alternative to 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.

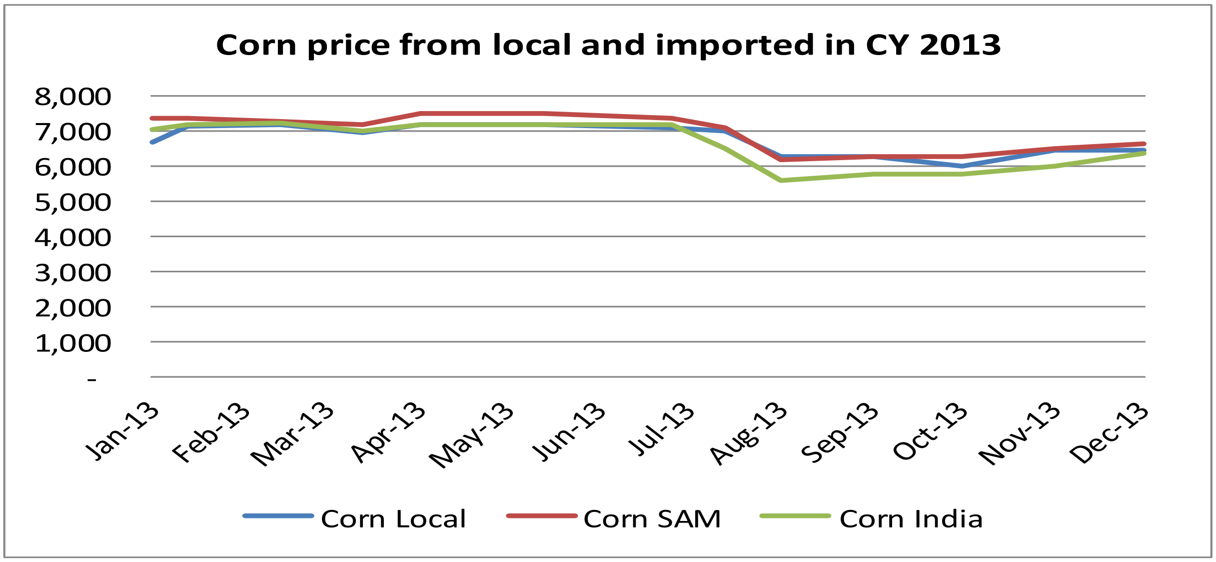
In calendar year (CY) 2012, both imported corn and local corn prices dropped in the last five months of the year, while feed wheat prices went higher by at least VND 1,000 (about $50) during the last three months of the year. That made feed wheat uncompetitive compared with corn. The price difference remained, at a minimum, VND 1,000 higher for wheat compared to corn for the all of CY 2013. This made feed wheat no longer price competitive with corn from the local market, and imported (South American, and Indian corn).

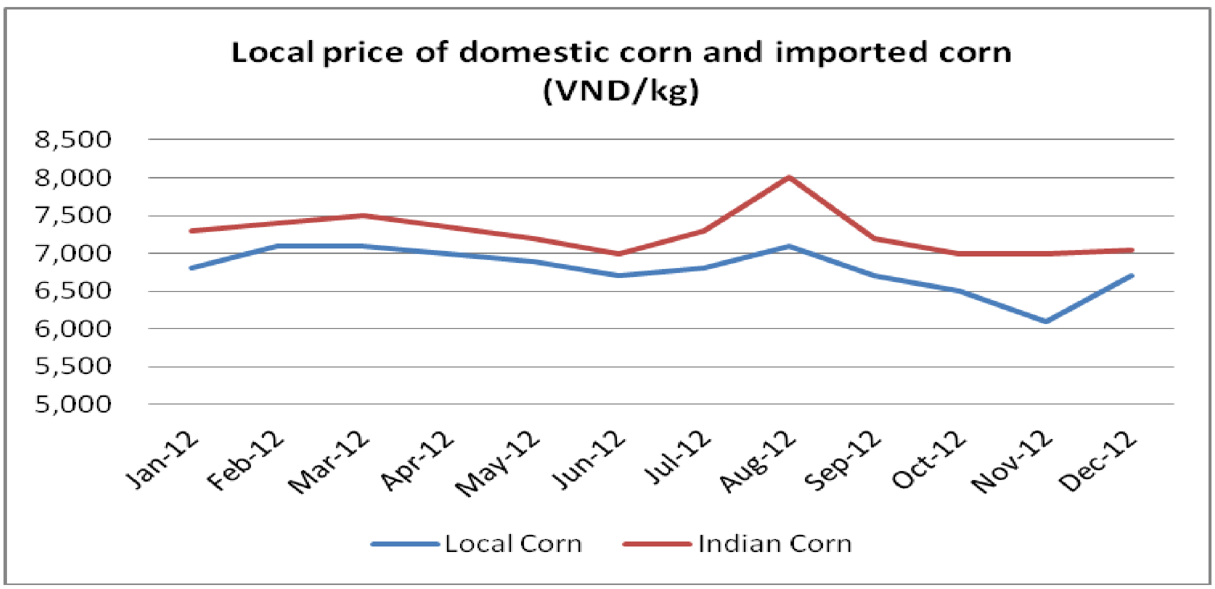




Source: ASA Rep. Office in Vietnam

Local corn and imported corn (American, Indian) price trends were almost the same in CY 2013. This made people easily decide to import more volume. Corn prices dropped significantly by end of the year, which created incentives to import more corn from the U.S. and Brazil.





IMPORT / EXPORT

Post estimates the corn import volume in MY 2013/2014 to reach 2.2 million tons, slightly higher than USDA's official number of 2.0 million tons, due to the increased import volume from Brazil.

The imported corn volume in MY 2014/2015 is forecast at 2.2 million tons, unchanged from MY 2013/2014, due to expected high carry-over stocks from MY 2013/2014.

U.S. corn export to Vietnam dropped to near zero volume in MY 2012/2013, due to non-competitive price. The export volume reached 190,000 tons in MY 2013/2014 due to attractive prices by the end of calendar year 2013. Post forecasts U.S. corn exports to Vietnam will reach 200,000 tons in TY 2014/1015. India was the top corn exporter to Vietnam in MY 2012/2013 with a total volume of 1.26 million tons. Brazil, however, rose to be the biggest supplier by exporting over 0.7 million tons in the last three months of CY 2013. The sizable volume of

Indian and Brazilian corn was shipped into Vietnam with highly discounted prices compared to other sources, which is expected to result in an increase of about 13 percent in Vietnam's total corn supply for MY 2013/2014 over that of MY 2012/2013.

Reportedly, Vietnam exported some volume of its locally produced corn to China via border trade. There is no official data on the total volume. However, according to trade sources, Vietnam exported around 200,000 tons of local corn to China over the first ten months of MY 2013/2014. The higher quality Brazilian corn was likely substituted domestically for the local corn volumes exported.

POLICY

- **Plant Biotechnology Trade and Production (**See VM3062**)**
- **Field Trials of GE Corn from 2010 – 2013 (**See VM3062**)**
- **MARD Regulation on Field Testing of GM Crops (**See VM2071**).**

RICE

STATISTICAL TABLES

Vietnam's Production, Supply and Demand for Rice

Rice, Milled Vietnam	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7,862	7,862	7,800	7,810		7,780
Beginning Stocks	1,826	1,826	2,326	845		843
Milled Production	27,700	27,519	27,700	27,798		27,801
Rough Production	44,320	44,030	44,320	44,477		44,482
Milling Rate (.9999)	6,250	6,250	6,250	6,250		6,250
MY Imports	100	100	100	200		300
TY Imports	100	100	100	200		300
TY Imp. from U.S.	0	0	0	0		0
Total Supply	29,626	29,445	30,126	28,843		28,944
MY Exports	6,800	6,700	7,500	6,500		6,700
TY Exports	6,800	6,700	7,500	6,500		6,700
Consumption and Residual	20,500	21,900	20,500	21,500		21,500
Ending Stocks	2,326	845	2,126	843		744
Total Distribution	29,626	29,445	30,126	28,843		28,944
1000 HA, 1000 MT, MT/HA						

PRODUCTION

Vietnam's Area, Yield, and Production for Rough Rice (as of March 2014)

Marketing Year	2012/2013 Revised		2013/2014 Estimate		2014/2015 Forecast	
Harvested Area (tha)	**Old**	**New**	**Old**	**New**	**Old**	**New**
Winter[1]	1,790	1,790	1,770	1,770		1,750
Spring[2]	3,140	3,140	3,120	3,140		3,140
Autumn[3]	2,932	2,932	2,900	2,900		2,880
TOTAL	**7,862**	**7,862**	**7,790**	**7,810**		**7,780**
Yield (mt/ha)						
Winter	4.75	4.75	4.75	4.75		4.75
Spring	6.45	6.45	6.50	6.50		6.52
Autumn	5.31	5.21	5.40	5.40		5.45
AVERAGE	**5.64**	**5.60**	**5.69**	**5.69**		**5.72**
Production (tmt)						
Winter	8,502	8,502	8,407	8,407		8,313
Spring	20,253	20,253	20,280	20,410		20,473
Autumn	15,568	15,275	15,660	15,660		15,696
TOTAL	**44,323**	**44,030**	**44,347**	**44,477**		**44,482**

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

Estimate for MY 2013/2014 (began January 2014)

The Ministry of Agriculture and Rural Development has submitted, to the Prime Minister, a proposed program for shifting acreage from rice to other cash crops, with a focus specifically on corn and soybean. From now to 2015, MARD would like around 100,000-110,000 hectares of current rice cultivation to shift to corn and soybeans (see more details in the Policy section). Post maintains the harvested area for MY 2013/2014 Autumn and Winter rice crops, in-line with Post's estimate in September 2013. However, this shows a decrease of harvested area of those two crops (Autumn and Winter) from MY 2012/2013 levels, which are expected to be affected by MARD's proposed program.

Post estimates total rice production for MY 2013/2014 to reach 44.48 million tons of paddy, or approximately 27.8 million tons of milled rice equivalent. This is about 130,000 tons of paddy more than USDA's official number due to an estimated 20,000 hectare increase in MY 2013/2014 Spring crop harvested area.

Similarly, Post's initial forecast for MY 2014/2015 rice production is 44.482 million tons with expected higher yield, offsetting the smaller production area of the Winter and Autumn crops.

Spring Crop

The total harvested area for the MY 2013/2014 Spring crop in the Mekong River Delta (MRD), planned by the Ministry of Agriculture and Rural Development (MARD), is reported at the same size as the MY 2012/2013 Spring crop. (Please see table: Vietnam's Area, Yield, and Production for Rough Rice (as of March 2014)). Vietnam's MY 2013/2014 Spring crop planted area, as a result, is estimated at 3.14 million hectares. This is also due to the favorable weather conditions, which allowed farmers to maintain their planted area the same as that of MY 2012/2013.

The planting of Spring crop in northern Vietnam, however, started in late February, about 15 days later than normal, due to the unfavorable long lasting cold weather that severely impacted rice nursery plants. As of March 15, 2014, the northern Spring crop planting was nearly finished at 1.10 million hectares about 98.6 percent of total targeted planting area, compared to 1.12 million hectares during same period of MY 2012/2013. Some areas are still planting a late Spring crop. The MY 2013/2014 harvested area in regions other than the MRD is expected to be unchanged compared with MY 2012/2013.

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, 2014, the on-going MY 2013/2014 autumn crop planted area totaled more than 212,000 hectares, compared to about 357,000 hectares at the same period last year, mainly due to the late harvest of the Spring crop in the Mekong River Delta.

Total Vietnam harvested area for the MY 2013/2014 Autumn crop is estimated to decrease by about 32,000 hectares, compared to the MY 2012/2013 Autumn crop, due to both strong export competition and the impact of MARD's policy.

Winter Crop

Post estimates the harvested area for the MY 2013/2014 Winter crop will decrease about 20,000 hectares compared with MY 2012/2013. The decrease will mainly occur in the Mekong River Delta, where the Winter crop is no longer considered one of the main crop due to its lower yield than other crops and longer crop cycle, that makes it more susceptible to pests and diseases.

Review for MY 2012/2013 (began January 2013)

Post revises Vietnam's MY 2012/2013 total rice production from USDA's official number of 44.32 million tons, to 44.03 million tons of rice paddy, or 27.6 million of milled rice equivalent. The decrease is due to the revised lower yield of the Autumn crop from 5.3 to 5.2 tons per hectare, which was due to several typhoons that resulted in unfavorable weather during the main Autumn crop in central Vietnam, and the late Autumn crop in the Mekong River Delta.

Vietnam Rice Production is trending up despite adverse weather conditions

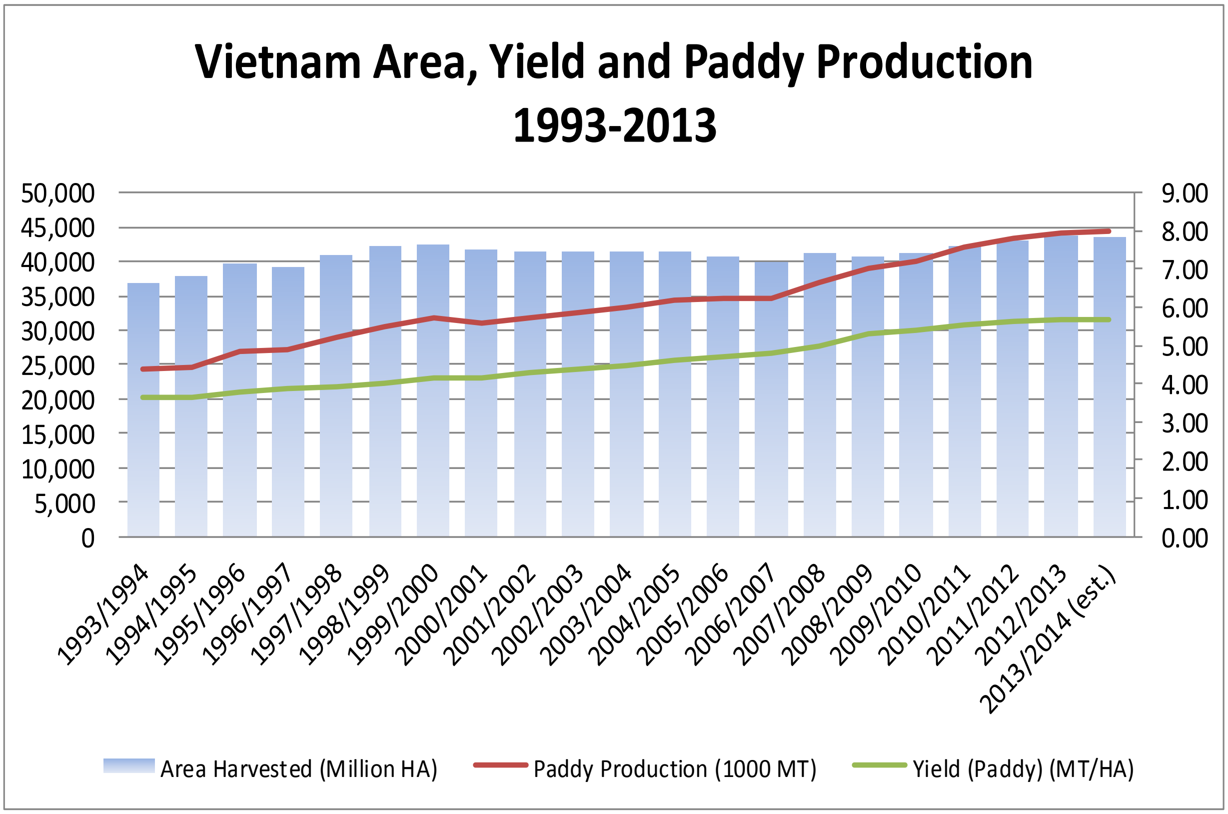
Vietnam paddy production shows an increasing trend in total production. While the harvested area has maintained nearly the same level throughout a numbers of years, yield has played a vital role in increasing total paddy production volumes. Most new varieties are produced locally, characterized by higher yield and good quality. 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 also almost the whole country. The majority of rice varieties developed have been named starting with the designation "OM", which is the abbreviation of O Mon, a location where CLRRI is located. New varieties have been developed based on the effect of adverse weather conditions such as: drought tolerance, salinity tolerance, and flood tolerance. Those varieties have both adverse weather tolerance and still maintain high yields.

Large scale farming is on the way

The Ministry of Agriculture and Rural Development (MARD) continues to encourage farmers to implement a Large Scale Farm model, where farmers gather their individual small farms to create larger farms, and thereby decrease production costs, such as land preparation, irrigation, planting, and harvesting costs, which, it is argued, better protects the environment and creates stronger competitiveness.

With this model, most of the production inputs (fertilizer, pesticides, machinery, etc.) are supported by a trading company. In return, the company will directly purchase most of the rice production from farmers, without going through middle men.

Since The total area of large scale farms in the MRD (throughout 13 provinces) had reached over 200,000 hectares by end of MY 2012/2013. However, since rice is planted at the same time on a much larger area than normal, the large scale farm model shows it weakness in that paddy prices are now more sensitive to market information. A large scale farm can be from 50-100 hectares in most of the provinces. A few farms can reach to 400-500 hectares. A common large scale farm in the Mekong River Delta ranges between 100-150 hectares. According to the MARD, it is expected to have a total of around 300,000-500,000 hectares of large scale rice farms by the year 2015.



Source: Foreign Agricultural Service, Official USDA Estimates

Mekong River Delta (MRD) Rice Production in MY 2012/2013

Spring Crop
As of March 20, 2014, Mekong River Delta (MRD) farmers harvested about 42 percent of their MY 2013/2014 spring crop. Post estimates the total Spring harvested area in the MRD to be 1.6 million hectares, about the same size as MY 2012/2013. The estimated total Spring crop production for the MRD is 11.07 million tons of paddy, up more than 30,000 tons from MY 2012/2013. According to MARD, this is one of the biggest bumper crops in Vietnam in recent years.

Autumn Crop and Winter 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. The Autumn crop includes Main Autumn and Late Autumn crops.

Under the MARD program for shifting about 100,000-110,000 hectares of rice cultivation to other crops, especially corn and soybeans, Post estimates the MRD total harvested area for the MY 2013/2014 Autumn crop at 2.46 million hectares, down 30,000 hectares compared with 2.49 million hectares of the MY 2012/2013 crop.

As of March 15, 2014, the ongoing MY 2013/2014 Autumn crop planting area totaled more than 212,000 hectares, compared to about 357,000 hectares at the same period last year, mainly due to the later harvest of Spring crop than in MY 2012/2013.

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

	2012/2013 (Revised)			2013/2014 (Estimate, old)			2013/2014 (Estimate) (new)		
	Area	**Yield**	**Prod.**	**Area**	**Yield**	**Prod.**	**Area**	**Yield**	**Prod.**
Winter	220	4.10	902				220	4.10	902
Spring	1,600	6.90	11,040				1,600	6.92	11,072
Autumn *(in which)*	2,490	5.31	13,221				2,460		13,085
Main Autumn	*1,700*	*5.50*	*9,350*				*1,670*	*5.50*	*9,185*
Late Autumn	*790*	*4.90*	*3,871*				*790*	*4.94*	*3,900*
Total	4,310		25,163				4,255		25,059

Source: MARD, Post estimate

CONSUMPTION

Rice is the main staple food in Vietnam. Vietnam's decline in per-capita rice consumption is consistent with other countries in Asia. As the 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 most recent 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 has also registered a faster decline in urban areas. However, despite the decreasing per capita consumption, the yearly population growth of about one million people is the main driver of the increase in total consumption -- and total consumption continues to grow. Post estimates that the country needs, each year, an additional 150,000 tons for total rice 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 beer and rice wine (a local alcoholic drink) industries.

Post estimates the additional use of rice for the food processing industry is 50,000-100,000 tons per year. In this sector, beer and local rice wine, mentioned above, are those taking up a large volume of rice. The growth of the industry is steady at 10 percent annually.

In the animal feed industry, commercial feed only satisfies around 50 percent of the total demand; the remaining 50 percent is drawn from local sources for home-made feed. Rice is one of the main sources of home-made feed for swine, fish, and poultry, especially in the MRD. Post estimates the increase in use of rice for the animal feed industry at 200,000-300,000 tons per year, depending on its price competitiveness with other alternative sources like corn and cassava.

In total, the additional local rice consumption is estimated at a maximum of 500,000 tons per year.

STOCKS

There is no official number for Vietnam rice stocks. Rice stocks are calculated from the sum of total rice production, carryover stocks and imports, after deducting exports, consumption and residual. Rice stocks in MY 2012/2013 went sharply down, from USDA's official number of 2.326 million tons to 845,000 tons, due to the increase in rice consumption and residual. Rice stocks in MY 2013/2014 will likely go down from 2.126 million tons to 843,000 tons due to low carryover stocks from MY 2012/2013, and an expected slightly lower export volume. The ending stocks will be very low if Vietnam continues its high volume of rice exports.

TRADE / COMPETITION

Domestic Prices

Domestic prices fluctuate depending on several factors, such as the availability of paddy harvested from different crops during the year, the export demand, and the overall carry-over stock/ending stock. Paddy prices usually drop to their lowest point two times in the year: once at the peak harvest of the Spring crop (during March-April); and once at peak harvest of the main Autumn crop (during June-July). Paddy prices also depend on the available stocks, especially carry-over stocks at the end of the year, against the off-harvest time in that period. The harvest of the Spring crop paddy is usually started by end of January in the Mekong River Delta.

In MY 2012/2013, paddy prices went down only did not fluctuate significantly throughout the year. However, paddy prices went up to the highest level during the last three months of MY 2012/2013, compared to the other months. The difference between those two levels shows that local paddy price went very high due to the low rice paddy stock. The Vietnamese Food Association (VFA) told the local media that Vietnam's ending stocks for MY 2012/2013 were very low, not because of the high official rice export volume, but because of large volumes of rice going through the unofficial border trade.

The Vietnam Food Association (VFA) is a public-private organization of food production, processing and trading enterprises. One of the VFA's functions is to boost the country's rice production, under direction of the Prime Minister. It often creates programs and instructs its members to purchase milled rice for stockpiling one or two times per year, usually in March and/or June, just when the peak Spring and Autumn harvests occur. This prevents the local prices from dropping significantly, thereby helping farmers to maintain higher profit margins for their paddy rice production. The purchase program often goes together with the minimum purchase price (MPP), or guaranteed purchase price, for paddy.

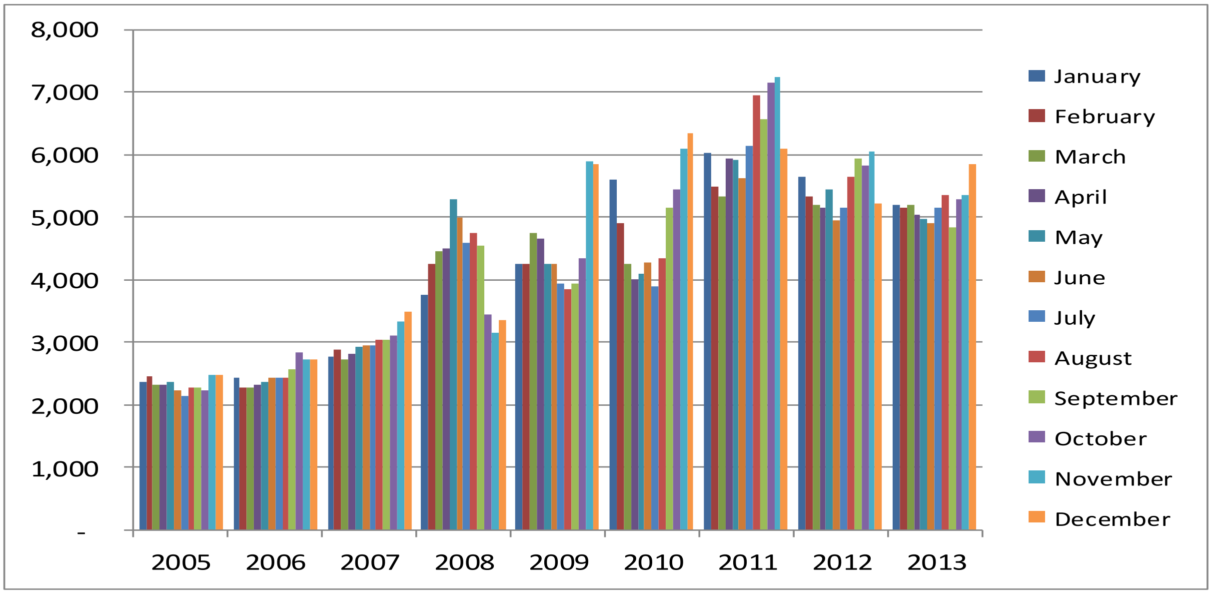
The MPP established by VFA is based on the calculation of estimated production cost, provided by the Vietnam Ministry of Finance, of a specific seasonal crop plus 30 percent to serve as a profit margin. The MPP for paddy rice was VND5,000 per kilogram in MY 2012/2013, MY 2011/2012, and MY 2010/2011. The MPP set for the MY 2009/2010 Spring crop was VND4,000 per kilogram, while MY 2008 was set at VND3,500 per kilogram.

According to the Decision 373a/QD-TTg, dated March 15, 2014, the Prime Minister approved the government's rice purchase program for MY 2013/2014. The purchase program for the MY 2013/2014 Spring crop started on March 20, 2014 and will finish on April 30, 2014. The purchase volume will total one million tons of milled rice basis. The paddy to milled rice ratio is 2:1. There is no minimum price for this year's program. The Vietnam State Bank is paying the interest, for 4 months (March 20 – July 20), to the commercial banks that give loans to VFA members who participate in the program. The interest rate is 7 percent per annum. The VFA is responsible for assigning the targeted purchase volumes to selected rice traders, based on their registered warehouse size, and those selected traders can decide their purchase price at the market price levels at their own risk.

The graph below indicates that local prices tend to increase in the last 3-4 months of the year. For this reason, the government encourages farmers to expand their third crop, or late Autumn crop/Autumn Winter crop, to bolster their income.

Vietnamese Monthly Paddy Price calendar year 2005-2012

Unit: VND/kg



Source: Vietnam Food Association, Combined data

Exports

Vietnam's MY 2013/2014 total rice export is expected to be revised to 6.5 million tons due to expected strong competition from Thailand, India, Pakistan and other new exporters such as Cambodia and Myanmar. MY 2014/2015 rice export is initially forecast at 6.7 million tons, due to expected low carryover stocks from MY 2013/2014.

In early MY 2012/2013, VFA set an export target for 7.5 million tons of milled rice. The target was adjusted down to 7.2 million tons by the middle of the year, and again reduced to 7.0 million tons in October 2013, due to strong competition from top rice exporting countries like India, Thailand, and Pakistan. In addition, other new rice exporters such as Myanmar and Cambodia also tried to boost their export volume in MY 2012/2013. According to VFA, Vietnam's CY 2013 export volume was reported at 6.68 million tons, out of 27.52 million tons of milled rice production in MY 2012/2013. The export value totaled USD 2.89 billion on Free-on-Board (FOB) basis. This is about 13.5 percent less in volume, and 16.2 percent less in value, compared to MY 2011/2012.

The VFA maintains rice export registration requirements and the Minimum Export Price (MEP) based on the government regulations on rice exports (Ordinance 109/2010/ND-CP) in order to regulate the flow and prices for rice exports.

Asia remained the biggest market for Vietnamese rice with 6 million tons out of total 6.7 million tons in the MY 2012/2013. However, there were dramatic drops in rice exports to Vietnam's traditional markets: Indonesia, the Philippines, and Malaysia, due to lower import demands. Rice exports to those countries, however, is expected to be back up in MY 2013/2014, despite having strong competition from other rice export countries like Thailand, India, Myanmar, and Cambodia. Rice exports to Singapore went up 48 percent compared with MY 2011/2012. Singapore, however, is just a transit point to other destinations -- it is very difficult to track down where exactly those are.

China remained, for the second year in-a-row, the leading Vietnamese rice importer with 2.2 million tons of milled rice, up 200,000 tons from the 2.0 million tons imported in MY 2011/2012. Although Vietnamese rice exports to the Chinese market remained strong in the MY 2012/2013, Vietnam faced stronger competition in the Chinese market from Thailand, India, Pakistan and Myanmar.

Vietnam has advantages over India and Pakistan in the African market for its 5 percent broken rice, but may face strong competition from Thailand since Thai exporters may lower their prices to compete. India and Pakistan, according to the VFA, are strong competitors on low quality rice (25 percent broken).

By volume, Vietnam is able to ship 1.2 – 1.5 million tons each year, on average, to Africa. According to Post's combined data, Vietnam shipped more than 1.8 million tons of milled rice to Africa in MY 2012/2013, despite strong competition from India, Thailand, and Pakistan. This was an increase of 300,000 tons compared to MY 2011/2012. By destination, rice shipped to Ghana increased from 264,000 tons to 374,000 tons; to Ivory Coast decreased from 319,000 to 263,000 tons; and to Cameroon decreased from 37,000 tons to 88,000 tons.

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 stop at several ports of different African countries. The exact volume of Vietnamese rice that each African country imports is not clearly recorded by Vietnam's statistical authority.

In the Americas, in the first quarter of MY 2012/2013, Vietnam announced a government contract with Haiti for shipping about 300,000 tons of Vietnamese rice for the whole year of 2013. The first shipment of 15,000 tons under the government contract arrived in Haiti in March 2013. However, the trade data showed that Vietnam shipped only 87,000 tons to Haiti in MY 2012/2013. Traders indicate that Vietnam rice is different from that typically consumed in Haiti -- which is mainly imported from the U.S. During an official delegation to Haiti led by the Prime Minister of Vietnam on March 28-29, 2014, Haiti and Vietnam signed another agreement allowing for Haiti to purchase about 200,000 tons each year from CY 2014.

Vietnam Rice Export By Grade and Destination in MY 2012/2013

	5%	10%	15%	25%	100%	Glutinous	Jasmine	Unknown	Total
ASIA	1,400,668	129,177	749,469	705,473	170,412	414,649	491,903	29,684	**4,091,435**
AFRICA	827,818	975	121,145	455,061	73,639	30	297,474	55,174	**1,831,316**
EUROPE and CIS	42,509	30,985	18,634	3,484	13,949	1,924	49,643	45,620	**206,748**
AMERICAS	137,399	133	282,265	12,187	59	1,139	46,721	130	**480,033**
AUSTRALIA	3,633	419	1,275	-	-	38	14,861	550	**20,776**
UNKNOWN									
TOTAL	**2,412,027**	**161,689**	**1,172,788**	**1,176,205**	**258,059**	**417,780**	**900,602**	**131,158**	**6,630,308**

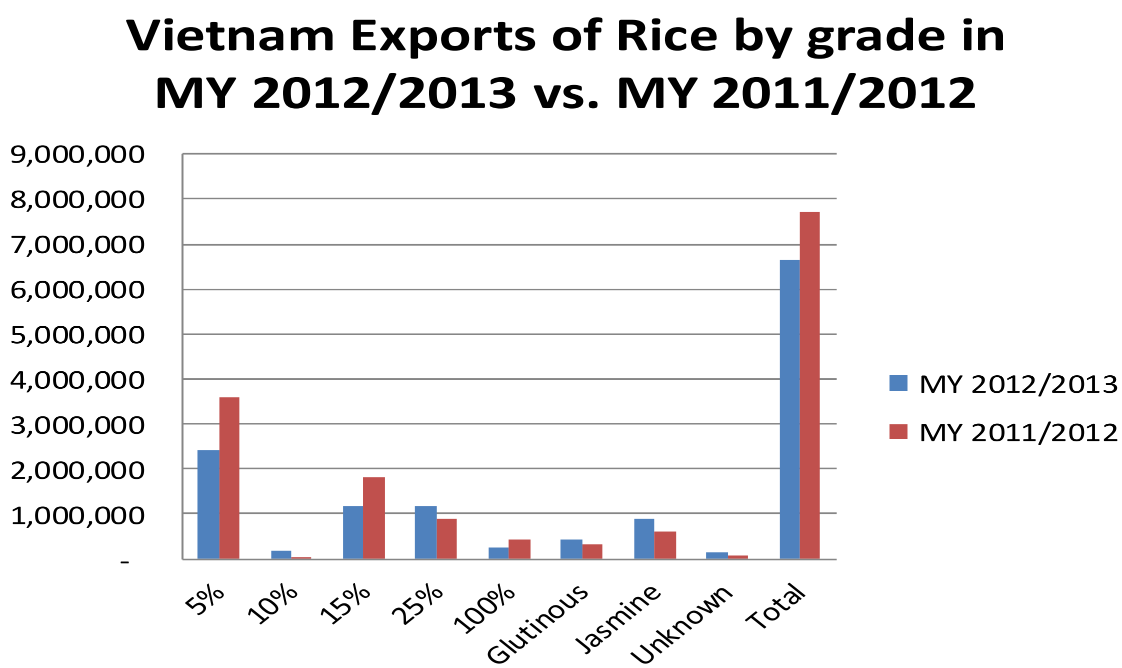
Source: Trade/Custom Office/VFA

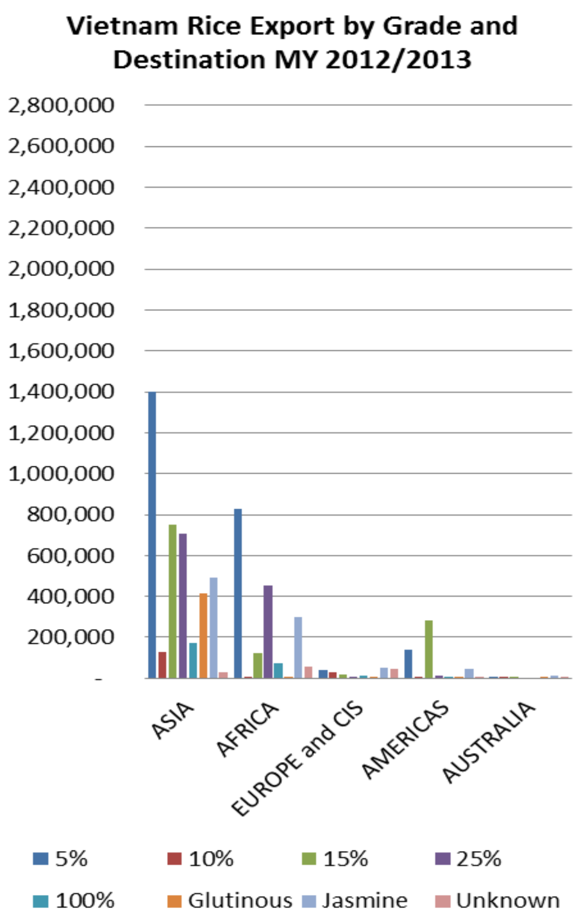
Vietnam Rice Export By Grade and Destination in MY 2011/2012

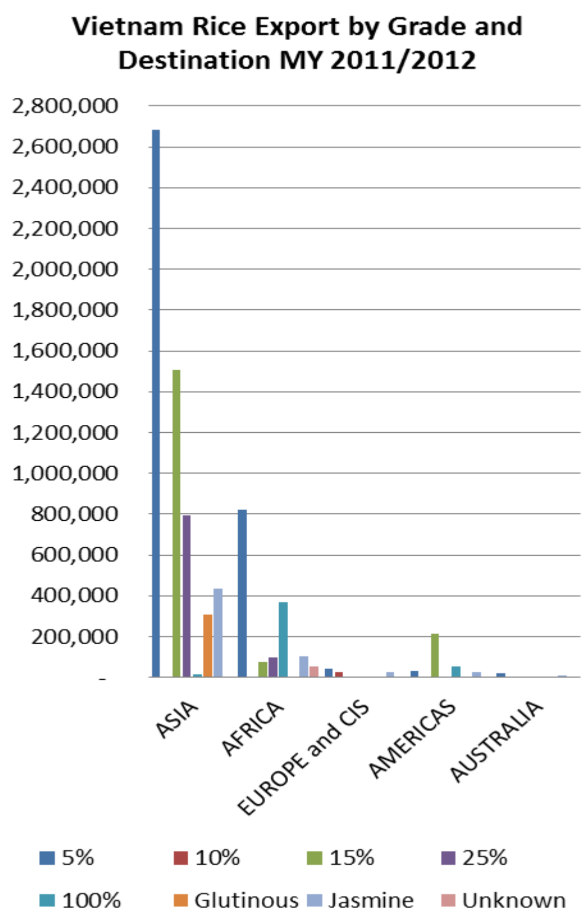
	5%	10%	15%	25%	100%	Glutinous	Jasmine	Unknown	Total
ASIA	2,684,815	-	1,505,767	793,317	15,925	309,434	433,707	5,832	**5,748,797**
AFRICA	821,826	-	75,947	98,407	365,610	-	104,162	52,356	**1,518,308**
EUROPE and CIS	39,828	24,699	756	-	-	-	24,564	-	**89,847**
AMERICAS	32,014	-	213,090	2,901	55,883	-	25,445	-	**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

By quality (grade), Vietnam shipped less in high quality white rice (5 percent, 15 percent), but more in low quality (25 percent), glutinous, and Jasmine (aromatic) rice in MY 2012/2013. Specifically, jasmine rice volume had a record of more than 900,000 tons compared to nearly 600,000 in MY 2011/2012. MARD has indicated that Vietnam should focus more on producing higher value rice for export.


Vietnam Exports of Rice by grade in
MY 2012/2013 vs. MY 2011/2012
9,000,000
8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
5%
10%
15%
25%
100%
Glutinous
Jasmine
Unknown
Total
MY 2012/2013
MY 2011/2012


Vietnam Rice Export by Grade and
Destination MY 2012/2013
2,800,000
2,600,000
2,400,000
2,200,000
2,000,000
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
ASIA
AFRICA
EUROPE and CIS
AMERICAS
AUSTRALIA
5%
10%
15%
25%
100%
Glutinous
Jasmine
Unknown


Vietnam Rice Export by Grade and
Destination MY 2011/2012
2,800,000
2,600,000
2,400,000
2,200,000
2,000,000
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
ASIA
AFRICA
EUROPE and CIS
AMERICAS
AUSTRALIA
5%
10%
15%
25%
100%
Glutinous
Jasmine
Unknown

Vietnam has worked to access new rice markets in the face of current strong competition from other top rice exporting countries in the region. In MY 2011/2012, Vietnam exported rice to Chile and a small volume to Haiti. According to MARD, Vietnam continues its marketing effort on new markets like Japan and Mexico. The trade number showed that about 8,000 tons of milled rice was already shipped to Mexico and a small volume (300 tons) was shipped to Japan in MY 2012/2013, five years after Vietnamese rice exported to Japan was found contain chemical residue contamination (in 2008).

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 its 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. 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 2013/2014 rice imports from Cambodia increased from 100,000 tons to 200,000 tons, due to the very thin carry-over stocks from MY 2012/2013. Rice imports from Cambodia are forecast to increase from 200,000 to 300,000 tons in MY 2014/2015.

POLICY

The Ministry of Agriculture and Rural Development has submitted, to the Prime Minister, a proposed program for shifting acreage from rice to other cash crops, with a focus specifically on corn and soybean. From now to 2015, MARD would like around 100,000-110,000 hectares of current rice cultivation to shift to corn and soybeans. The rice crops affected most directly by the proposed program are Winter and early Autumn crops, in which the harvest results in very low yield because of lack of water and/or the crop is easily attacked by pests and diseases. MARD currently proposes a support amount of VND 2,000,000 per hectare (for supporting the seed cost, fertilizers, pesticides) and about VND 700,000 for land preparation cost, for those who shift from rice crop to corn and/or soybean.