

Vietnam stockpiles rice to stabilize prices



Vietnamese rice businesses will increase their stockpiles by another 1 million tons in the first half of this year to support prices during a high-capacity winter-spring harvest.

The association announced last week a plan to buy 600,000 tons in March and 400,000 tons in April for the stockpile. The government recently asked the Ministry of Finance to spend VND450 billion, or US\$24 million, buying 50,000 tons of rice for the national reserve. It also ordered the ministry to reserve VND35.2 billion, or \$1.9 million, for maintenances and equipment at national rice warehouses.

Local businesses are currently keeping 1.4 million tons of rice in their warehouses, according to the association.

The country will also control rice exports to keep prices from reducing, said deputy chairman of Vietnam Food Association Pham Van Bay.

The association has set up a price floor for unhusked rice at VND4,000, or US\$0.21 per kilogram. Members that buy from farmers at prices above the floor would receive priority on government contracts.

Rice contracts between the Vietnamese government and its counterparts are allocated by the foreign association, of which the managing board decides volumes and prices, and also chooses which members would fulfill the contracts on behalf of the government.

‘The move also shows our social responsibility in supporting rice growers,’ said Bay.

The association, which gathers over 100 rice processors, traders and exporters, also told its members not to receive contracts at less than \$440 a ton for 5 percent broken rice and \$420 a ton for 25 percent broken rice , according to Bay.

Bay said importers had heavy demand for rice from Vietnam but offered low prices in a move to put pressure on local exporters in the high-yield season.

Foreign buyers from Africa where the demand most suits the quality of Vietnamese rice held a lot of potential for Vietnamese exporters, outside of the country’s traditional customers in countries like the Philippines and Iraq.

Vietnam exported low volumes of rice in the first two months as foreign buyers and Vietnamese exporters waited to match prices.

‘We just signed governmental contracts,’ said Bay, who added that the country had shipped 704,000 tons of rice in January and February, a 25.3 percent drop year on year.

The association said Vietnam rice exports would be less than 1.2 million tons in the first quarter, compared to 1.6 million tons in the same period last year.

The Ministry of Agriculture and Rural Development has estimated that the country's winter-spring (November-February) crop, now being harvested, would be a strong one.

The Mekong Delta region, which accounts for over 50 percent and 90 percent of national production and export respectively, will produce about 3 million tons of rice in the winter-spring harvest, the peak in a year with 3 seasons, according to the ministry.

Thai rice businesses, the world's top rice exporters, also boosted their stockpiles from 6 million tons to as much as 8 million, raising an allegation that the move related to the plan by their Vietnamese counterparts to price the market.

Bay denied the allegation that Vietnamese and Thai rice exporters were collaborating to keep international prices from falling.

He said rice associations in both countries had recent talks, which aimed to share information and experiences in exports.

"We are big rice exporters in different segments. Thailand is strong in high quality rice while Vietnam focuses on lower quality products, so we have different pricing policies," said Bay.

He said it was easier for Thai businesses to increase their stockpiles with support from their government while it was a difficult task for Vietnamese businesses without financial assistance from their government.

Bay said a fund should be established for the purpose.

Vietnam's Ministry of Finance had proposed to set up a VND1 trillion or \$53.49 million fund to stabilize rice prices and support growers and exporters.

The ministry has also proposed that local exporters contribute 30 percent of their before-tax profits to the fund.

However, the association opposed the measure, saying exporters' profits also came from businesses other than rice.

The association said a better idea was for local exporters to give the fund \$1 for every ton of rice they ship. Authorities are now receiving feedback from the public on these suggestions.

ASIA BIGGEST CONSUMER OF VIETNAMESE RICE

Asia will remain the biggest market for Vietnamese rice this year as demand is growing in the populous region, according to a report by local agriculture research and analysis firm Agromonitor.

The report issued late February quotes a forecast by the US Department of Agriculture or USDA as saying the market would need 14.8 million tons of rice in 2010 jumping 7 percent over the previous year.

The Philippines, the world's largest rice importer, is still Vietnam's largest customer with a 30 percent increase in its demand this year, the report says.

The USDA has forecast that huge demand in Asia would come from Iraq, Bangladesh, Saudi Arabia and Malaysia with respective increases of 10, 185, 2.2 and 2.41 percent this year, and that these markets present significant potential for Vietnamese rice.

The reports advised Vietnam rice exporters to diversify their markets instead of focusing on traditional ones in Asia and contracts offered by the government.

Vietnam exported 62 percent of rice to Asia last year compared to 50.8 percent in 2008, according to the report.

It noted the country's rice exports saw high growth in many Asian markets like Hong Kong 760 percent, Taiwan 490 percent and China 400 percent.

Vietnam's rice exporters had good deals last year as their selling prices were high ranging from US\$400 to \$541 a ton, it added.

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