



# VIETNAM AND THE GLOBAL RICE MARKET

Randolph Barker

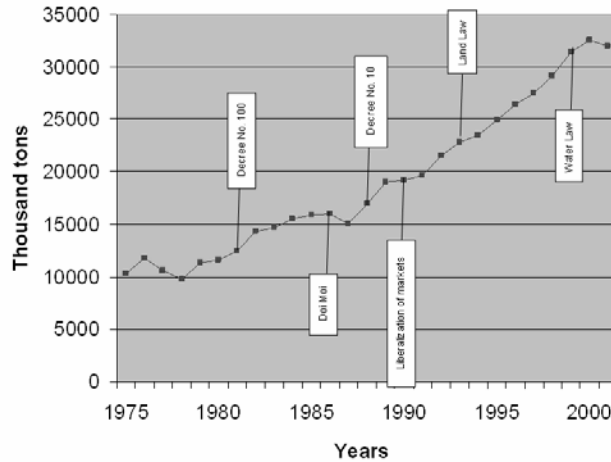


## VIETNAM and THE GLOBAL RICE MARKET

- Growth in rice production - 1975-2000
- Growth in rice production and exports -1990 to present
- Vietnam and the global export market
- Why are world prices rising?
- What is happening with domestic/farm prices?
- Supply response to higher prices and policy implications - globally and for Vietnam

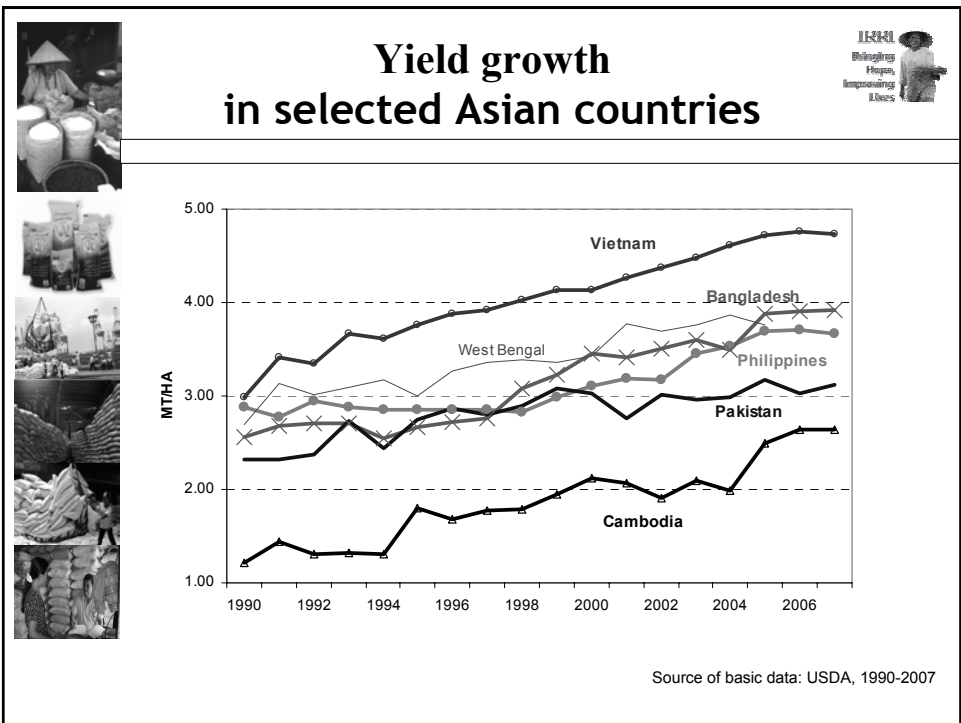
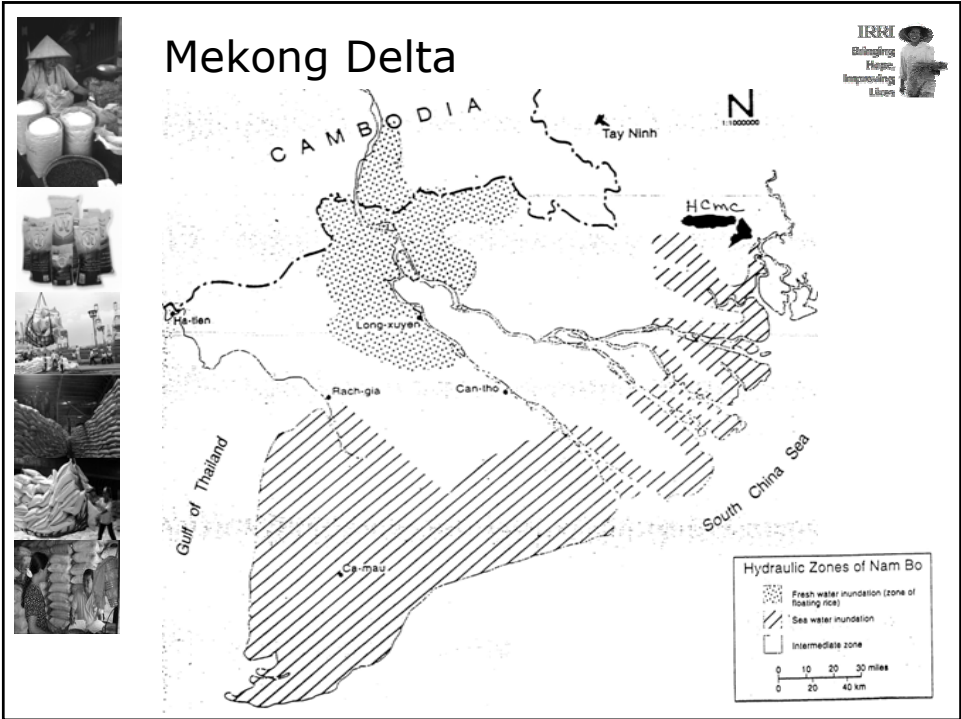


## Growth in paddy rice production 1975-2002



## GROWTH IN RICE PRODUCTION AND EXPORTS







# Green Revolution Technology



- Modern varieties  
(grain/straw ration 20/80 to 50/50)



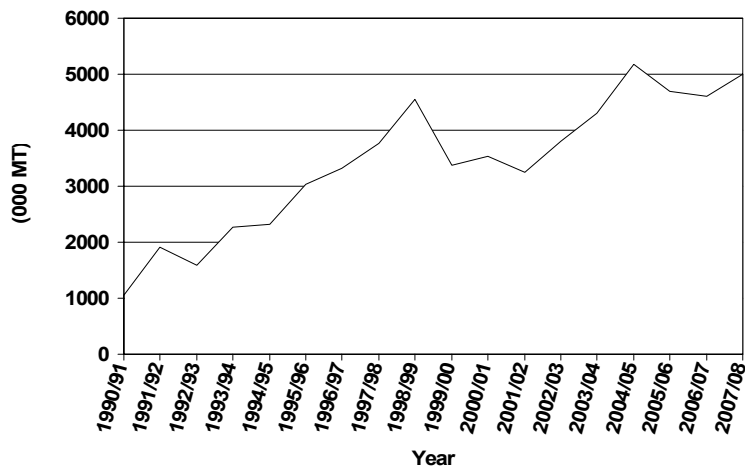
- Fertilizer



- Irrigation



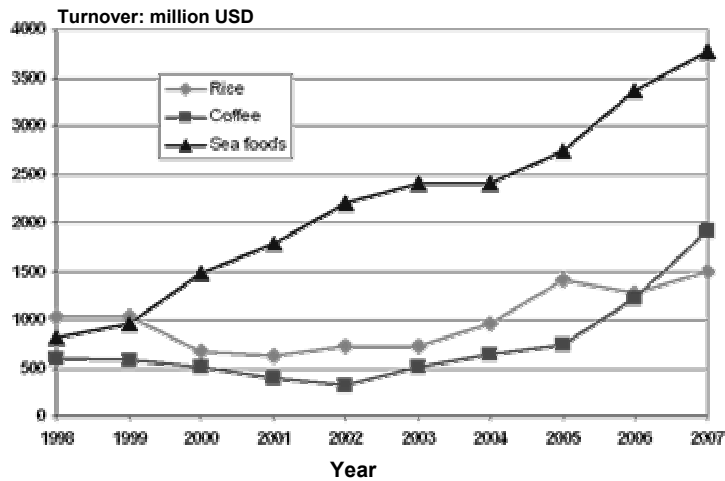
## Vietnamese rice exports 1990 to 2007



Source: ERS, USDA, 2008.



## Value of exports in Vietnam, 1998 - 2007



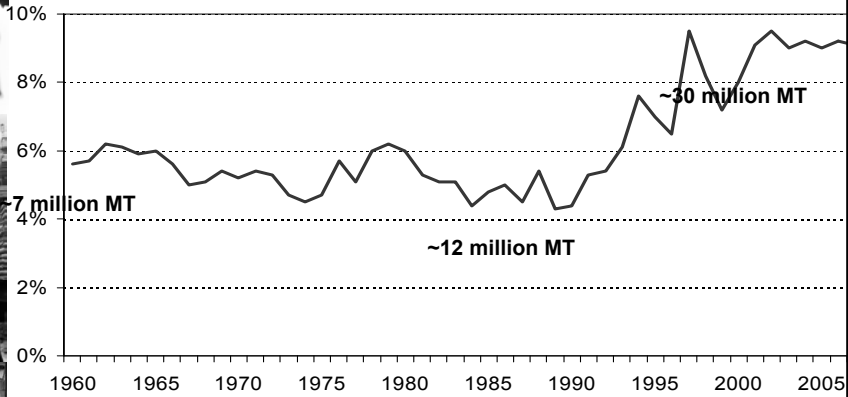
Source: Ministry of Industry and Trade, Vietnam



## THE GLOBAL EXPORT MARKET



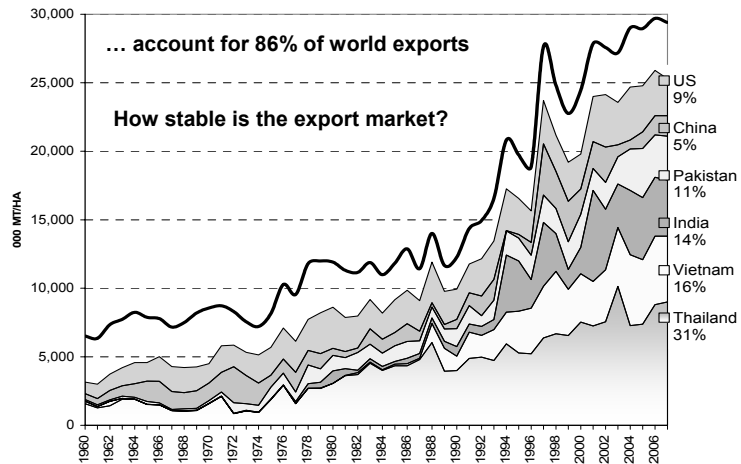
## Rice trade has been growing as a share of world production



Source of basic data: USDA, 1960-2007  
% traded = (milled X + milledM) / rough prodn



## Rice exports are concentrated in a handful of countries



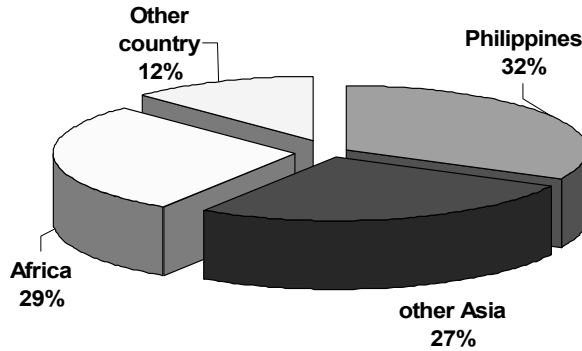
Source of basic data: USDA, 1960-2007 (TY Exports)



## Vietnam Exports by destination, 2006



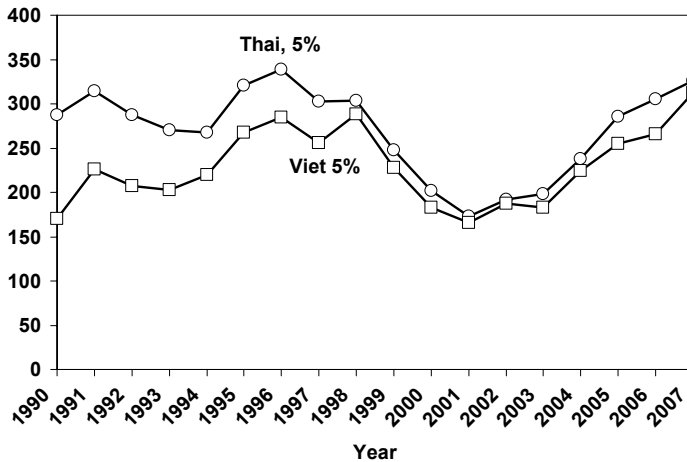
Total listed: 4,704,866



Sources of basic data: USDA  
Grain and Feed Annual



## Trend in Thai and Vietnam 5% broken (1990-2007)



Source: FAO, Rice Market Monitor various issues



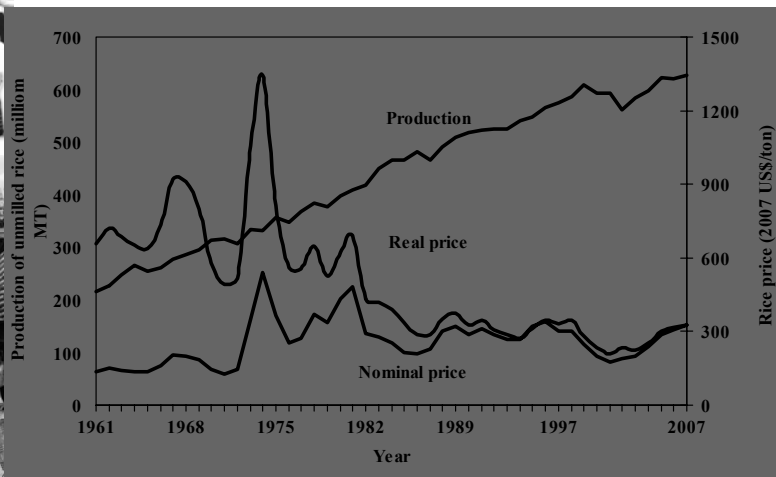
# WHY ARE THE WORLD RICE PRICES RISING?



- Supply factors
- Demand factors
- Behavior of players-speculation



## Trends in world rice production and price 1961-2007

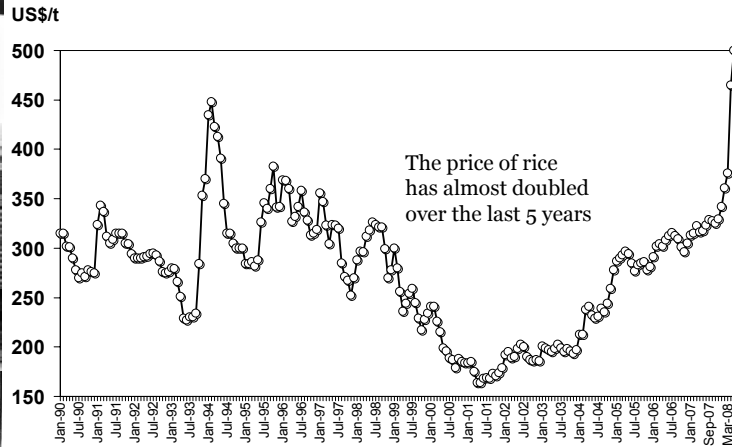


Source: Production: FAOSTAT © FAO Statistics Division 2007| 02 August 2007 update.  
Rice Price: Relate to Thai rice 5%-broken deflated by G-5 MUV Index deflator (adjusted based on February 27, 2008data update)  
Source: www.WorldBank.org





## Monthly export price (US\$/t free on board) of Thai rice 5% broken, 1990-2008 (January 1990 to March 2008)



Source of raw data: The Pinksheet, World Bank



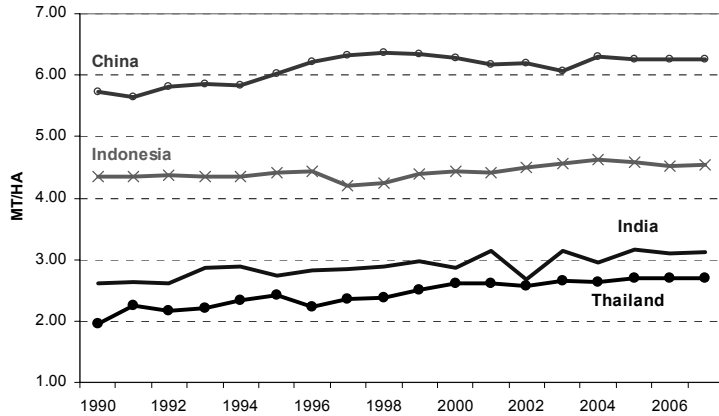
## Supply factors



- ▶ Plateau of yields in key countries
- ▶ Rise in energy prices - cost-price squeeze
- ▶ Pressure on resources - land, labor, water, diversification, agricultural transformation
- ▶ Climate - short term, global warming



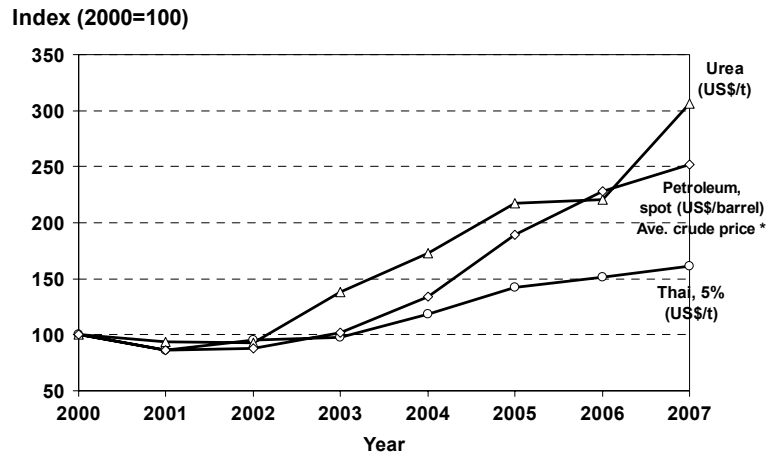
## Rice yields have plateaued particularly in India, China, and Indonesia



Source of basic data: USDA, 1990-2007



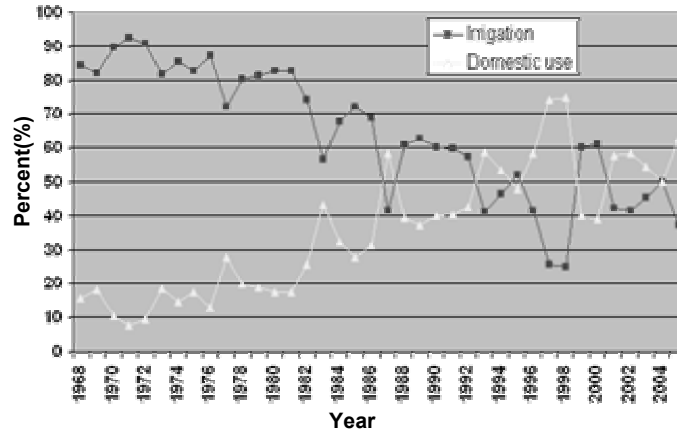
## Rising world prices of rice, urea and diesel fuel (2000-2007)



Source: PinkSheet, The World Bank, various issues



## Water allocation Angat Dam, Philippines



Source: National Irrigation Authority, Angat Office



## Demand factors

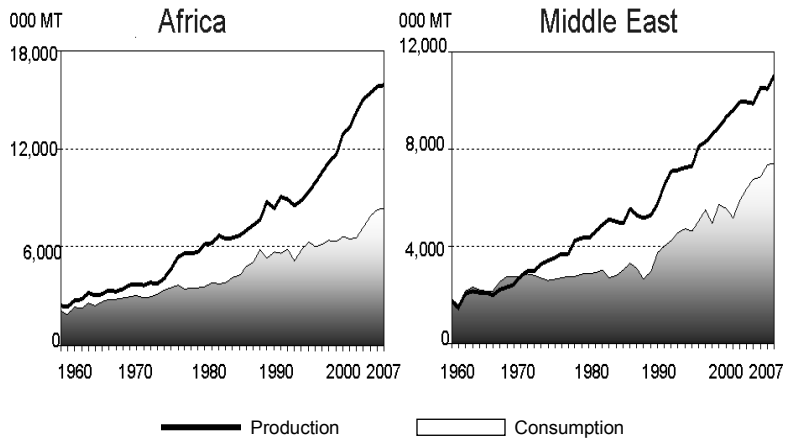


- Regional growth in consumption compared to production - Africa and the Middle East
- Price of other food crops - wheat, maize
- Projected demand to 2015



## Consumption > Production

Growth in consumption outpaces growth in production in Africa and the Middle East

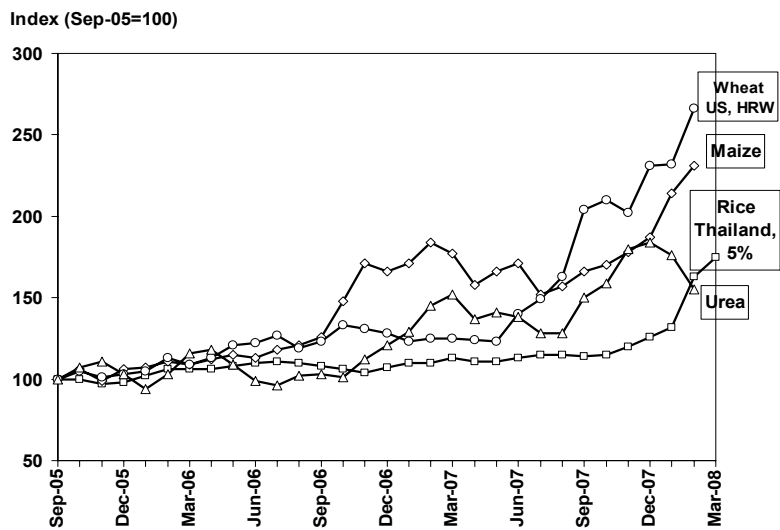


Source of basic data: USDA, 1960-2007c



## Monthly world price of commodities

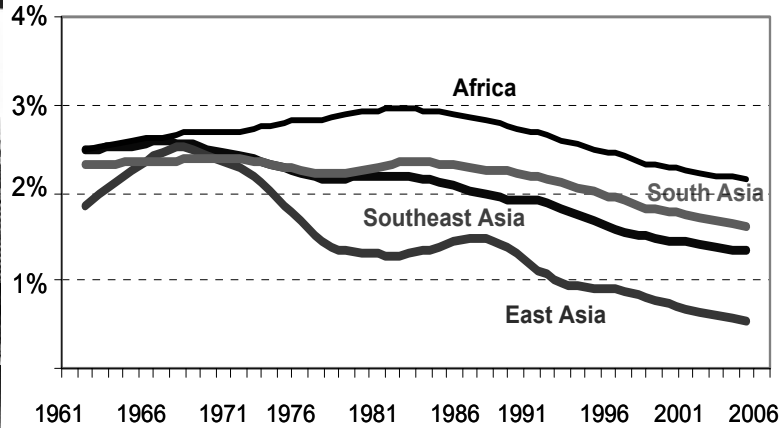
September 2005 to March 2008



Source of raw data: The Pinksheet, World Bank



## Declining population growth rate



Source of basic data: FAO, 1961-2006



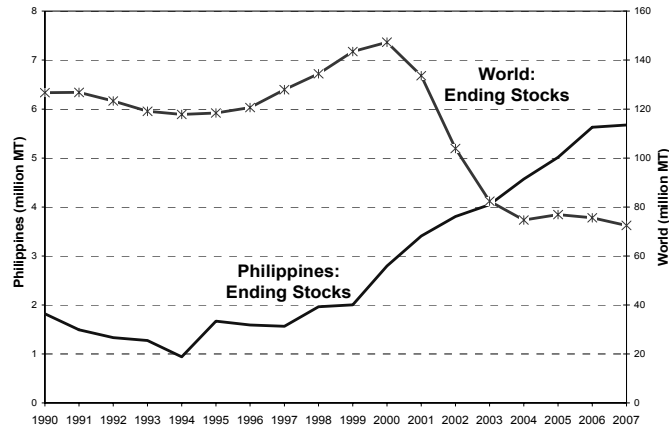
## Behavior of importers, exporters, traders, farmers - speculation



- Uncertainty in the global market - building stocks to maintain domestic food security
- Case of India
- Case of Philippines/ Vietnam



## Increase in domestic rice stocks Philippines, 1990-2007



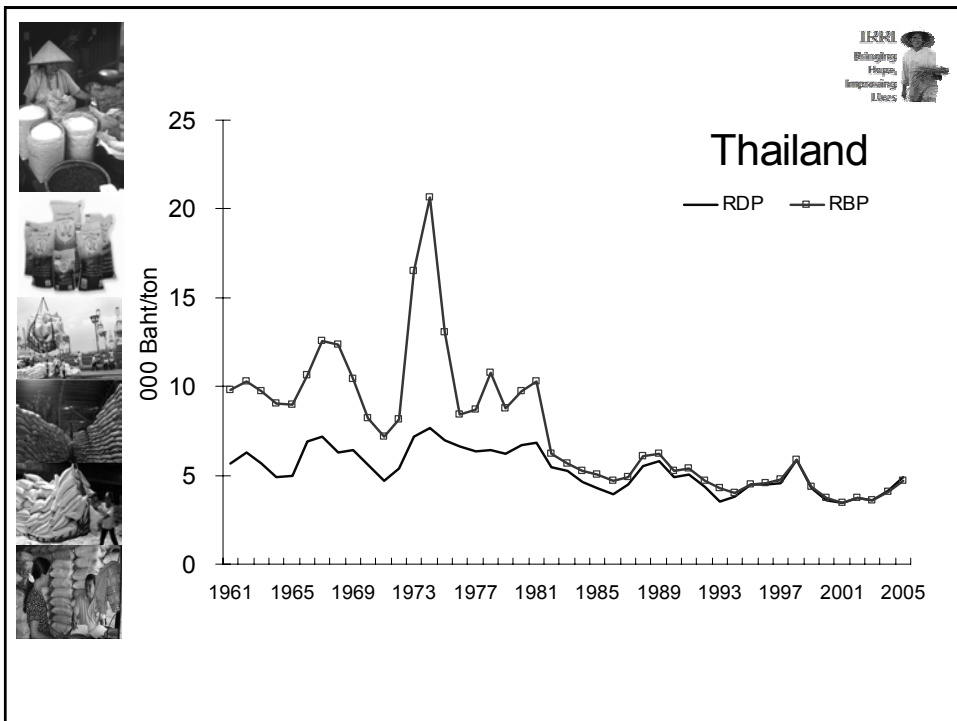
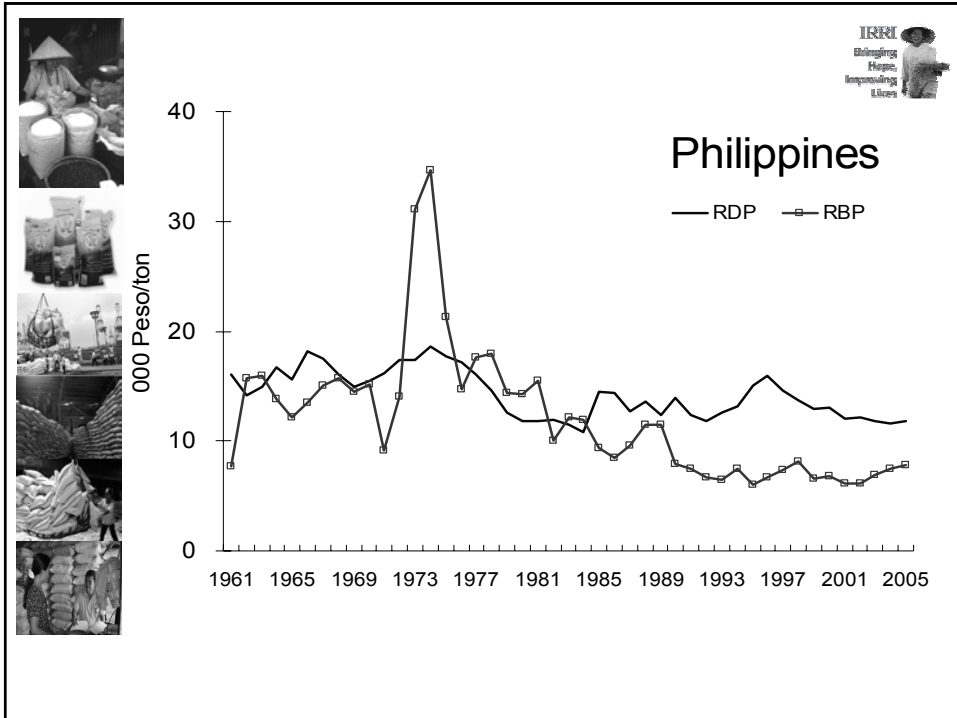
Source of basic data: USDA, 1990-2007



## What is happening to domestic, farm prices?



- Historical objective of price stability
- Rise is world vs. wholesale prices of rice and urea price in Philippines and Vietnam
- Trend in nitrogen/paddy price ratio on Philippines and Bangladesh
- Have prices in Vietnam been rising at farm and consumer level? Compared to international price?



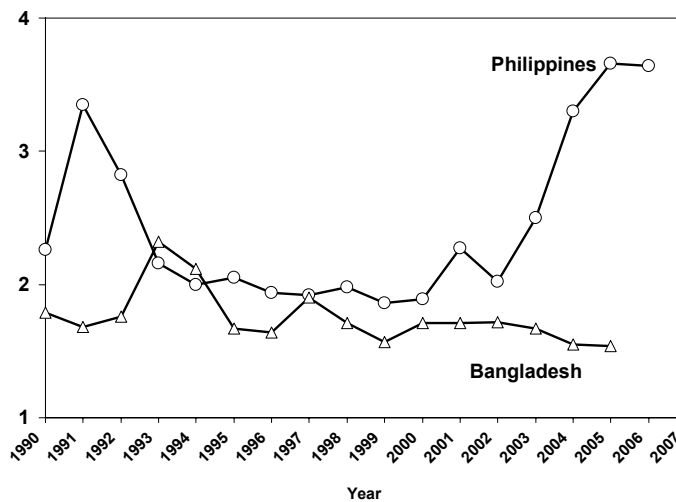


## Rice price, world Vs domestic

Country	World price (US\$/ton)	Domestic price	
		Wholesale price (Local currency/ton)	Urea price (US\$/ton)
<b>Vietnam</b>			
2000	202	2650	2173
2006	305	4250	4524
% change	51%	60%	108%
<b>Philippines</b>			
2000	202	17770	7331
2007	326	20940	19092
% change	62%	18%	160%



## Trend in nitrogen to paddy price ratio







## Supply response to higher prices and policy implications - globally and for Vietnam



- Importance of food security
- What are the prospects for increase in rice productivity
- What will be the government response, investments etc.
- What will be the farmer response?
- Was the rise in rice price inevitable?
- Will the prices remain high?
- Implications for diversification and agricultural transformation



## World versus domestic price

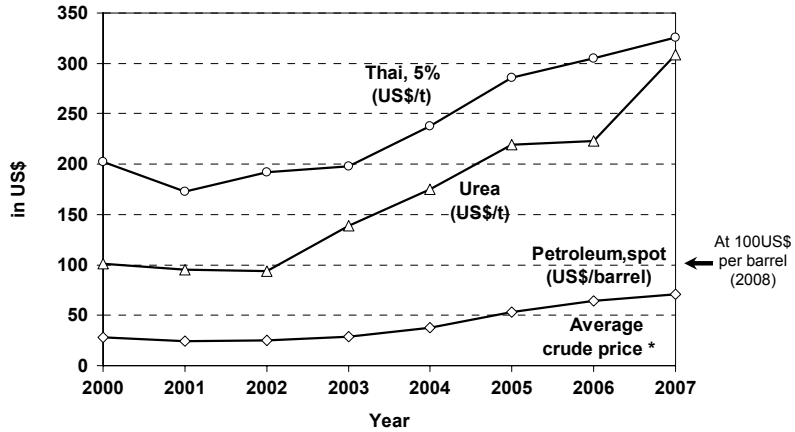


Nominal price	Wholesale PhP/KG	World \$/MT
<b>Jan-05</b>	<b>PHP 19.48</b>	<b>\$0.288</b>
<b>Jan-08</b>	<b>PHP 21.62</b>	<b>\$0.393</b>
% change	11%	36%

Source of basic data: BAS, IMF



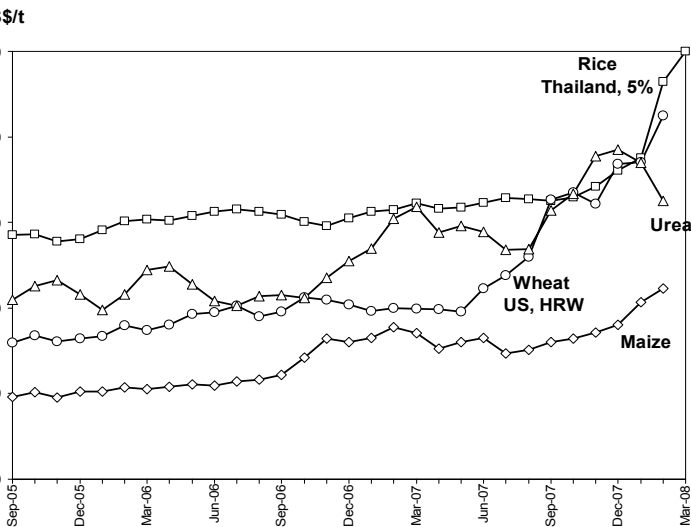
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Source: PinkSheet, The World Bank, various issues

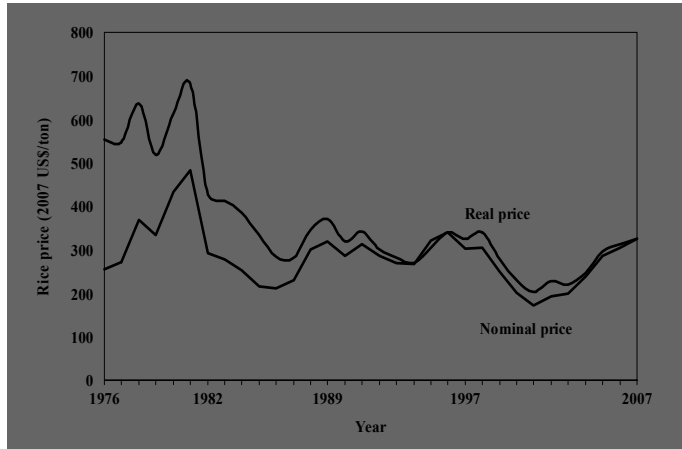


## Monthly world price of commodities September 2005 to March 2008



Source of raw data: The Pinksheet, World Bank

# Trends in world rice production and price, 1976-2007



Source: Production: FAOSTAT © FAO Statistics Division 2007| 02 August 2007 update.  
Rice Price: Relate to Thai rice 5%-broken deflated by G-5 MUV Index deflator (adjusted based on 1 March 2007 data update) compiled from [www.worldbank.org](http://www.worldbank.org)