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Vietnam

Cotton and Products Annual

2010

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Report Highlights:

Cotton demand in Vietnam remains strong as the textile industry continues to expand. Vietnam's MY 2009/2010 cotton production increased slightly over last year, due mainly to an increase in planted area, but it still only meets approximately 1.4 percent of the total cotton demand from the textile industry. Vietnam's 2009/2010 cotton imports are expected to reach record levels of 310,000 tons in response to higher demand from the garment and textile sector. The United States, for the second consecutive year, remains the largest supplier of cotton to Vietnam, with a market share of nearly 50 percent. *Bacillus Thuringiensis* ("Bt") cotton is one of three Bt crops that were approved for field trials in November 2009. However, no commercial applications for field trials of Bt cotton have been received to date.

Executive Summary:

Vietnam is now ranked among the world's top ten garment and textile-exporting countries. Despite the global economic downturn, Vietnam's 2009 garment and textile exports reached a value of \$9.01 billion, a slight decrease from the record level of exports in 2008. This can be viewed as a success for Vietnam, as its textile industry was the only sector in the country that maintained its overall growth and export earnings compared to the previous year. This resulted mainly from the sector maintaining its traditional export markets (USA, EU, Japan), and expanding to new export markets (Korea, Taiwan, the Middle East, Singapore), as well as to the domestic market. Vietnam has set ambitious targets for its textile industry, with exports projected by Vietnam Textile and Apparel Association (VITAS) to reach \$10.5 billion in 2010, and \$20 billion by the 2020.

Sales to the United States, the largest market for Vietnam's garment and textile exports, accounted for 55 percent of total subject exports in 2009. However, this represented a year- to-year decrease of two percent.

Vietnam's cotton lint production has increased, due to more cotton planted area that, in turn, was due to higher purchase prices of cottonseeds and better returns to cotton farmers. Vietnam's 2008/09 cotton fiber production was 3,650 tons and the 2009/2010 crop production is estimated at 4,280 tons, meeting about 1.4 percent of cotton demand from the textile industry.

Given Vietnam's land constraints and competition from other agricultural crops, Vietnam relies heavily on imports to fulfill its cotton needs. Cotton imports for the MY 2008/2009 were about 269,000 tons, a year-to-year increase of 7.6 percent. With 202,800 tons already imported during the first seven months of MY 2009/2010 (August-February), Post revised its estimate for Vietnam's cotton imports for MY 2009/2010 to 310,000 tons.

In 2009, U.S. cotton lint exports to Vietnam reached a new record of 147,500 tons, an increase of 18 percent over 2008; this accounted for nearly 50 percent of Vietnam's total cotton imports, making the United States the leading cotton supplier to Vietnam for the second year in a row.

Commodities:

Cotton

Production:

According to statistical data from the Ministry of Agricultural and Rural Development (MARD), Vietnam's cotton production in 2009/2010 is estimated at 10,000 tons of cotton seed (equivalent to 3,650 tons of cotton lint at a ginning rate of 36.5 percent), an increase of 42 percent compared to the 2008/2009 cotton crop; this is mainly due to expanding cotton growing areas.

Vietnam's 2009/2010 cotton area was estimated at 8,000 hectares, which is about 53 percent bigger than the 2008/2009 crop's, thanks to higher cotton prices that led to better economic returns from cotton farming. The increase in cotton acreage occurred in the primary growing regions (the Northwest, the South Central Coast, the Tay Nguyen Central Highlands, and the South East); especially in the Tay Nguyen Central Highlands (see table 1), where major ginning mills are located. Currently, local ginners purchase domestically produced cotton seed at about VND 10,500/kg (equivalent to \$0.54/kg at an exchange rate of \$1= VND 19,100); this is 17 percent higher than the price (VND 9,000/kg) quoted last year. Post revised Vietnam's cotton production area in 2009/2010 to 8,000 hectares from 6,000 hectares (Table 2 and Table 9).

The average yield for the 2009/2010 cotton crop is estimated at 1.25 ton per hectare, a drop of seven percent from the previous crop; this is mainly due to floods and heavy rains in key cotton growing regions, including the Tay Nguyen Central Highlands.

Cotton production in Vietnam is highly susceptible to weather conditions. More than 90 percent of the cotton production area in Vietnam is rain-fed, with planting initiated in the rainy season (June – August), with harvesting taking place from November - January. In areas where irrigation is possible, cotton may be planted in the dry season (November/December), thereby allowing for harvesting from April through June.

Table 1: Vietnam's cotton production by region, 2008 – 2010

Growing regions	2008			2009*			2010*		
	Areas 1000 ha	Yield mt/ha	Production tmt	Areas 1000 ha	Yield mt/ha	Production tmt	Areas 1000 ha	Yield mt/ha	Production tmt
Red River Delta	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
North East	0.26	1.20	0.32	0.30	1.20	0.36	0.30	N/A	N/A
North West	2.20	1.13	2.49	2.20	1.15	2.53	2.20	N/A	N/A
North Central Coasts	0.05	0.42	0.02	0.10	0.50	0.05	0.10	N/A	N/A
South Central Coast	0.90	2.29	2.06	1.00	1.60	1.60	1.00	N/A	N/A
Central Highland	0.78	1.28	1.00	2.50	1.21	3.03	3.20	N/A	N/A
South East	1.01	1.13	1.14	1.90	1.28	2.43	2.20	N/A	N/A
Mekong River Delta	0.01	0.06	0.00	0.01	0.60	0.01	0.01	N/A	N/A
Total Vietnam	5.21	1.35	7.02	8.01	1.25	10.00	9.01	1.30	11.71

Source: Ministry of Agricultural and Rural Development (MARD), GSO, and Other Trade Sources.

(*): Estimates

Vietnam's 2010/2011 Cotton Production

Vietnam's cotton area in 2010/2011 is estimated at 9,000 hectares, a slight increase compared with the cotton area of the 2009/10 crop. Corn is considered the biggest competitor crop to cotton, in terms of area, due to strong demand for corn from the animal feed industry. Corn production is expanding as earnings from corn farming bring higher revenue. In addition, the Vietnamese government has not yet approved the commercialization of transgenic cotton plants, thereby impeding the development of domestic cottonseed.

With average yield expected at 1.30 tons/hectare, Post estimates the cotton lint production in the 2010/2011 crop at 4,280 tons, or 19,640 bales (see Table 2).

Table 2: Vietnam's cotton production (from 2007/2008 to 2010/2011)

	2007/08	2008/09	2009/10 (Estimated)	2010/2011* (projected)
Crop area (THA)	12.4	5.21	8.01	9.01
Crop yield (MT/HA)	1.3	1.35	1.25	1.30
Seed cotton production (TMT)	16.12	7.033	10.00	11.71
GOR (%)	36.5	36.5	36.50	36.50
Cotton fiber production (TMT)	5.88	2.57	3.65	4.28
Quantity (1,000 bales)	27.01	11.80	16.76	19.64

Source: MARD, GSO, Other Trade Sources, and (*) Post Projection

Consumption:

Vietnam's domestic cotton consumption continues to increase in order to meet strong demand from its expanding textile industry. Demand for textiles is strong for both the export and domestic markets. Vietnam is currently home to 145 spinning mills with 3.8 million spindles and a total production capacity of 350,000 tons of fiber. Domestic cotton consumption has been increasing at an average rate of 9-10 percent, per year, for the last five years. Post estimates domestic cotton consumption for 2008/2009 at 261,000 tons (or 1.2 million bales), for 2009/2010 at 300,000 tons (or 1.38 million bales), and for 2010/2011 at 320,000 tons (or 1.47 million bales) (see PS&D Table 9).

Trade:

PRICES exchange rate \$1 = VND19,100 as of March 30, 2010

Domestic prices

The Vietnam Cotton Company (VCC) is buying seed cotton at an average price of VND 10,500/kg, which is equivalent to \$0.55/kg and \$0.25/lb, an increase of 17 percent (for Vietnamese dong) and 7.8 percent (for USD equivalent) over the previous crop. VCC is currently selling cotton to mills at \$1.55 - \$1.58/kg.

Import prices

According to data from General Statistics Office (GSO) and Vietnam's Customs Department, the average import price of cotton fiber for the first two months of 2010 was \$1.588/kg, which is equivalent to \$0.72/lb, a year- to-year increase of 16.3 percent (see Table 3).

Table 3: Vietnam's average cotton import prices

Cotton fiber Prices	Jan-June 2006	Jan-June 2007	Jan-Feb 2008	Jan-Feb 2009	Jan-Feb 2010
\$/kg	1.180	1.210	1.457	1.365	1.588
\$/lb	0.535	0.549	0.661	0.619	0.720

Source: GSO, Vietnam Customs Department, and Other Trade Sources

Current indicative offer prices (US\$/lb - CIF Ho Chi Minh City Port) for cotton (quality equivalent to Strict Middling 1.1/8") from various sources are as follows:

from West Africa - 0.86; from USA - 0.90; from CIS countries -0.92; and from India - 0.85.

TRADE

In MY 2008/09, Vietnam imported 269,000 tons (or 1.236 million bales) of cotton fiber, valued at almost \$382 million, which suggests a rate of \$1.420/kg or \$0.64/lb. Cotton imports for the first 7 months (August–February) of MY 2009/2010 were about 202,800 tons or 931,000 bales (see Table 4).

Due to stronger demand from an expanding textile industry, Post estimates Vietnam's 2009/2010 cotton imports will reach 310,000 tons (1.424 million bales), an increase of 15 percent over the previous year.

Table 4: Vietnam's cotton imports, MY2007/08 and 2008/09:

	2008/09			2009/2010		
	8/1/2008			8/1/2009		
	Quantity (mt)	Value (US\$1,000)	Price (US\$/mt)	Quantity (mt)	Value (US\$1,000)	Price (US\$/mt)
August	25,000	41,000	1,640	36,200	46,000	1,271
September	25,000	41,000	1,640	32,300	43,062	1,333
October	24,500	40,835	1,667	29,700	38,601	1,300
November	20,200	33,128	1,640	24,500	34,300	1,400
December	25,000	40,000	1,600	30,000	45,000	1,500
January	13,200	18,276	1,385	32,600	50,384	1,546
February	8,913	11,903	1,335	17,500	29,170	1,667
March	11,140	14,000	1,257			
April	24,800	32,080	1,294			
May	24,800	29,540	1,191			
June	27,000	32,250	1,194			
July	39,450	47,840	1,213			
Total (Aug-Feb)	141,813	226,142	1,595	202,800	286,517	1,413
TOTAL	269,003	381,852	1,420	310,000 *		

Source: GSO, other trade sources and (*) Post estimates

Vietnam's Primary Cotton Suppliers

Table 5 provides estimates of Vietnam's cotton imports for calendar years 2005 to 2009. In CY 2009, Vietnam imported about 301,000 tons of cotton, a year-on-year increase of 3.4 percent. The United States remains the major cotton supplier to Vietnam, with a nearly 50 percent share of Vietnam's total cotton imports. African countries ranked second, accounting for about 56,000 tons of the market. India was the third largest supplier, with a total of 32,000 tons and a market share of 10.6 percent.

Table 5: Sources for Vietnam's Cotton Imports, 2005-2009

Countries	2005	2006	2007	2008	2009
African	66,000	62,500	54,454	47,670	56,000
USA	39,000	37,771	66,713	123,970	147,500
Taiwan	n/a	n/a	15,278	7,000	749
India	8,500	34,720	26,790	51,780	32,000
Mexico	6,000	8,500	2,751	1,060	1,736
Indonesia	n/a	n/a	2,037	5,030	670
CIS	6,000	6,500	5,509	2,000	1,697
Brazil	n/a	n/a	5,202	17,400	15,083
Australia	2,500	2,800	1,962	900	1,904
South Korea	n/a	n/a	1,828	1,500	
Pakistan	n/a	2,200	1,595	3,530	9,104
Iran	n/a	1,800	1,396	250	
China	1,432	500	3,109	510	48
Turkey	n/a	n/a	983	112	49
Argentina					520
Unknown	22,000	32,709	21,002	28,606	34,052
TOTAL	150,000	190,000	211,111	291,350	301,112

Source: Vietnam Customs Department, Other Trade Sources, Bico, U.S. Department of Commerce, US Census Bureau

Table 6: U.S. Cotton Exports to Vietnam

	2005	2006	2007	2008	2009
Quantity (mt)	37,967	36,701	66,713	125,013	147,498
Value (\$1,000)	46,647	45,864	88,216	192,603	171,453

Source: BICO, US Department of Commerce, U.S. Census Bureau, and Foreign Trade Statistics

Policy:**Tariff on Cotton**

Vietnam has a zero import tariff on cotton, but a five percent value added tax is assessed.

Vietnam Cotton Development Plan for 2015-2020

On January 8, 2010, the Prime Minister signed the Prime Minister's Decision No. 29/QD-TTg, approving the Vietnam Cotton Development Master Plan for 2015-2020. Table 7 below shows the main goals of this plan.

Table 7: Vietnam Cotton Development Plan 2015-2020

	2015	2020
Total crop area (THA)	30.00	76.00
Irrigated cotton area (THA)	9.00	40.00
Averaged crop yield (MT/HA)	1.50	2.00
Yield of irrigated cotton (MT/HA)	2.00	2.50
Cotton fiber production (TMT)	20.00	60.00
Quantity (1,000 bales)	91.86	275.57

Under the program, the Government of Vietnam (GOV) will encourage larger-scale cotton farms and intensive cotton farming in order to increase cotton output and cotton quality. The planned key areas for cotton cultivation include Dak Lak, Dak Nong, and Gia Lai provinces in the Central Highlands; Ninh Thuan, Binh Thuan, Binh Phuoc, Dong Nai, and Ba Ria-Vung Tau in the south-east and central coastal regions; and Dien Bien, Son La, and Bac Giang in the northern region.

The GOV plans to establish a fund to help farmers with extension work and with cotton price stabilization. Low-interest loans will be made available to cotton farmers. The GOV also plans to invest in building infrastructural facilities and irrigation works in concentrated cotton growing areas.

Post comment:

Post believes that this is an ambitious plan. Previous efforts to promote cotton development have been unsuccessful, due to limited land resources and competition from other crops.

The Ministry of Trade and Industry (MOIT) has approved plans for garment & textile development for 2015 and plan for 2020

Table 8: Vietnam’s Projections for the garment and textile industry to 2020

Description	Unit	2010	2015	2020
1. Export value	\$ million	12,000	18,000	25,000
2. Number of employees	Thousand persons	2,500	2,750	3,000
3. Key products				
- cotton lint	1000 mt	20	40	60
- Fiber, polyester yarn	1000 mt	120	210	300
- all kind of yarn	1000 mt	350	500	650
- all kind of fabrics	million m ²	1.000	1.500	2.000
- Garment products	million pieces	1.800	2.850	4.000
4. for domestic market	%	50	60	70

Vietnam allows field trial for Bt crops

On October 27, 2009, MARD issued Circular No.69/2009/TT-BNNPTNT, on “Regulation on Risk Assessment of Trials of Genetically Modified Crops to Bio-Diversity and Environment.” Please contact Post for an un-official translation of the Circular.

The Circular consists of four chapters and five appendices:

Chapter 1: General Provision

Chapter 2: Field Trial

Chapter 3: Risk Management of Field Trial

Chapter 4: Implementation

Appendix 1: Registration form for field trial implementation

Appendix 2: Illustration of capacity of field trial implementing agency

Appendix 3: Registration form for field trial

Appendix 4: Risk Assessment of Bt crop to bio-diversity and environment

Appendix 5: Forms to record field trial results

There are unconfirmed reports that MARD has granted field trial permission for two foreign companies for Bt corn varieties; these trials are expected to commence in May 2010. MARD will allow the approved companies to import Bt corn seed for the field trials. Although Bt cotton is one of three Bt crops allowed for field trial, as regulated in MARD’s Circular 72/2009/TT-BNNPTNT (dated November 17, 2009), MARD has yet to receive any commercial applications for field trials of Bt cotton.

However, sources indicate that Bt cotton is already being cultivated in Vietnam. Vietnam does not currently allow importation of Bt seed for commercialization, because of the GOV’s pending Bio-Safety Decree. This decree is expected to be approved in May 2010.

Marketing:**Purchasing US cotton using the USDA Export Credit Guarantee Program-GSM 102:**

Three Vietnamese banks are currently eligible under the GSM 102 program. These banks are:

- Bank for Investment and Development of Vietnam (BIDV), Vietnam
- Saigon Thuong Tin Commercial Joint Stock Bank (Sacombank), Vietnam
- Vietnam Bank for Industry & Trade (VietinBank), Vietnam

Some GSM-102 transactions for cotton have already occurred.

For more information about the GSM 102, please check the below link: <http://www.fas.usda.gov/excredits/exp-cred-guar-new.asp>

Production, Supply and Demand Data Statistics:**STATISTICAL TABLES****Table 9: Vietnam's Cotton Production, Supply and Demand**

Cotton Vietnam		2008			2009			2010		
		2008/2009			2009/2010			2010/2011		
		Market Year Begin: Aug 2008			Market Year Begin: Aug 2009			Market Year Begin: Aug 2010		
		USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
		Data			Data			Data		
Area Planted	0	5	5	0	6	8		9		
Area Harvested	5	5	5	6	6	8		9		
Beginning Stocks	250	289	250	237	278	298		359		
Production	11	11	12	13	13	17		20		
Imports	1,226	1,012	1,236	1,500	1,050	1,424		1,498		
MY Imports from U.S.	0	0		0	0	0				
Total Supply	1,487	1,312	1,498	1,750	1,341	1,739		1,876		
Exports	0	0	0	0	0	0				
Use	1,250	1,034	1,200	1,450	1,056	1,380		1,470		
Loss	0	0		0	0	0				
Total Dom. Cons.	1,250	1,034	1,200	1,450	1,056	1,380		1,470		
Ending Stocks	237	278	298	300	285	359		406		
Total Distribution	1,487	1,312	1,498	1,750	1,341	1,739		1,876		
Stock to Use %	19	27	25	21	27	26		28		
Yield	479.	479.	514.	472.	472.	456.		475.		
TS=TD			0			0		0		

Source: FAS, Official USDA Estimates, Post Estimates

Table 10: Import Trade Matrix

Import Trade Matrix			
Country	Vietnam		
Commodity	Cotton		
Time Period	Jan-Dec	Units:	Metric Tons
Imports for:	2008		2009
U.S.	123970	U.S.	147500
Others		Others	
India	51780	Africa	56000
Africa	47670	India	32000
Brazil	17400	Brazil	15083
Taiwan	7000	Pakistan	9104
Indonesia	5030	UAE	2878
Pakistan	3530	Australia	1904
CIS	2000	Mexico	1736
Korea	1500	CIS	1697
Mexico	1060	Indonesia	670
Australia	900	Taiwan	750
Total for Others	137870		121912
Others not Listed	29510		31790
Grand Total	291350		301112

Source: Vietnam Customs Department, Other Trade Sources & Post Estimates

Table 11: Cotton Import Price Table

Prices Table			
Country	Vietnam		
Commodity	Cotton		
Prices in	\$US	per MT	
Year	2008	2009	% Change
Jan	1,429	1,385	-3.1%
Feb	1,493	1,335	-10.6%
Mar	1,502	1,257	-16.3%
Apr	1,566	1,294	-17.4%
May	1,567	1,191	-24.0%
Jun	1,532	1,194	-22.1%
Jul	1,600	1,213	-24.2%
Aug	1,640	1,271	-22.5%
Sep	1,640	1,333	-18.7%
Oct	1,667	1,300	-22.0%
Nov	1,640	1,400	-14.6%
Dec	1,600	1,500	-6.3%
Average Price	1,571	1,301	-17.2%
Exchange Rate	19,100		
Date of Quote	30/3/2010		

Source: Vietnam's General Statistic Office (GSO) and Vietnam Customs Department

