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Grain and Feed

Vietnam Agricultural Exports to Iraq

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Report Highlights: Vietnam could lose \$500 million, or more, due to a drop in agricultural trade with Iraq. Over the last several years, Vietnam has exported large amounts of rice and milk powder, along with smaller amounts of tea and other ag products to Iraq under the UN oil-for-food program.

Includes PSD changes: No
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Vietnam's Exports of Agricultural Products to Iraq - Stopped by War

Iraq has been an important market for many of Vietnam's agricultural products. In 2002, Vietnam's export turnover to Iraq was estimated at \$750-\$800 million, mainly from exports of agricultural products. During the last 3-5 years, rice, tea and milk powder were shipped to Iraq under the United Nation (UN) Food for Oil program.

Vietnam's rice exports to Iraq have already been seriously constrained by the war. According to Vietnam's Food Association (Vinafood), the war could cause a reduction in Vietnam's 2003 rice exports to Iraq by 300-400 thousand metric tons (300,000-400,000 mt).

Currently, traders estimate Vietnam's outstanding rice export contracts with Iraq at 400 thousand metric tons (tmt), including the carry-over outstanding sales from 2002. Vietnam's rice shipments to Iraq have been suspended since November 2002 because of a seasonal shortage of high-quality rice, and because exporters were reluctant to ship to Iraq due to fears of the war.

Iraq imports only high-quality (5 and 10 percent broken) rice from Vietnam. Most of that rice is supplied from the Winter-Spring rice crop of the Mekong River Delta. The harvest season of the W-S rice crop, in the Mekong River Delta, is from February to early May. Hence, the main shipping period for Vietnamese rice exported to Iraq would be right now (except for the war).

Despite the U.S.-Iraqi war, Vietnamese government officials and rice traders hope to maintain their share of the Iraqi market.

During the war, Vietnamese rice traders had to suspend all shipments because the freight companies cannot find vessel insurance. Immediately following the war, the Government of Vietnam (GOV) plans to help exporters resume shipments to Iraq. Some traders expect that Vietnamese exporters (mostly state-owned enterprises) will face higher freight and insurance costs during the immediate post-war recovery period. If so, the GOV might offer financial assistance to make sure the outstanding Vietnamese rice contracts can be fulfilled.

In addition to the outstanding rice contracts (roughly 400,000 mt), Vietnam hopes to supply additional amounts (if possible matching their recent-record 2002 exports of 871,000 mt to Iraq).

Vietnam is looking for new rice markets to offset the immediate market disruption caused by the Iraqi war. Iran is one of the destinations that Vietnam wants to exploit (although freight concerns might also be a problem in the short run). The GOV has assigned Vinafood-1 (Northern Food Company) to discuss new rice contracts with Iranian rice importers.

In 2002, Vietnam exported 871 tmt of rice to Iraq, which accounted for more than 27% of the total Vietnam rice export.

In addition to rice, Vietnam has exported various other agricultural commodities to Iraq. In 2002, Vietnam exported 15,000 mt of tea to Iraq at export prices of \$2,000/mt. The Iraqi share was significant -- 15 tmt out of Vietnam's total tea exports of 75 tmt.

Iraq has also been a very important market for Vietnam's exports of milk powder. However, Vietnam was functioning primarily as a transshipment point. Milk powder from New Zealand (and other countries) was imported into Vietnam, minimally processed (re-bagged) and then re-exported to Iraq. The amounts are very hard to quantify, but trade sources estimate the vast majority of Vietnam's milk powder exports were to Iraq and annual exports (in 2000 and 2001) may have reached 50,000 to 75,000 metric tons with an export value of \$60 -100 million.