

INFORMATION

102

~~CONFIDENTIAL~~

Thursday, November 16, 1967
1:10 p.m.

Pres file

Mr. President:

Herewith the response from Locke to your instruction to explore the substitution of wheat for rice in the Vietnamese diet.

As you will see (page 3) there are a number of actions which might be taken; although the increase in imports may not come about very rapidly.

We shall follow through.

W. W. Rostow

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Salgon 11200

WWRostow:rla

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E.O. 12356, c. 3, (b)
White House Guidelines, Feb. 24, 1983
By RG, NARA, Date 12-9-91

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102-9
Thursday, November 16, 1967

TEXT OF CABLE FROM SAIGON (11200)

SUBJECT: Substitution of Wheat for Rice in Vietnamese Diet

In light of the many problems caused by continuing high-level rice import requirements, the Mission has been considering the possibility of substituting imported wheat which we understand is more readily available. This message presents our initial judgments about this subject.

In the short run, efforts to cut rice consumption and stimulate wheat consumption in Vietnam are unlikely to be successful on a significant scale. Preferences for rice are so marked and intractable that most Vietnamese would regard a forced substitution brought about, for instance, by raising the price of rice and lowering that of wheat, as a lowering of their standard of living, even though caloric intake were unchanged. There are, in addition, physical and logistical problems in the way of such a policy. The Vietnamese culture is organized around rice consumption in many details as storage facilities and cooking utensils. Therefore, an abrupt shift must be ruled out.

On the other hand, Vietnamese wheat consumption is likely to grow, and this growth can be stimulated. Imports of wheat flour have grown fairly steadily over the last ten years, from around 40,000 tons per year in 1957-59 to about 100,000 tons in 1966. Imports in 1967 are at about 1966 level. Increases in wheat flour imports have continued in the past three years despite rising prices. One kilo of bread costs between 11.0 and 14.8 piasters in the period from 1957 to 1964; price (annual average) rose to 15.4 piasters in 1965, 35.9 piasters in 1966 (pushed up by devaluation) and about 47 piasters in 1967. Rise in bread prices since January 1, 1965 has been greater than the increase in rice prices. Yet, consumption has gone up fairly sharply; based on import statistics, 50 per cent more bread was consumed in 1966 than in 1964.

This sharp increase in consumption does start from a low base. The National Institute of Statistics, in weighing its revised Consumer Price Indices after 1963 Saigon Family Budget Survey, estimated that middle class urban families bread expenditures were 0.6 per cent of the total; bread purchased by the working class urban families accounted for 0.5 per cent of their total expenditures. To use another measurement, flour consumption is currently about 4 per cent of total consumption of milled rice plus flour. In 1964 it was about 2 to 3 per cent.

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E.O. 12356, Sec. 3.4

NJ 94-480

By CB, NARA, 21-1-17-95

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One can gather from the growing consumption of wheat flour despite rising prices that with growth in urban incomes, there is a tendency to purchase more bread. This is not too surprising, given the cultural connection of bread eating with the occident: bread eating is "sophisticated."

There is no reason to doubt that, if price of bread were reduced, consumption would increase. At present, there are schemes afoot to construct three flour mills with a total capacity of 125,000 tons annually (there are no flour mills in Vietnam at present). At present levels of consumption, this is over-capacity; but if consumption were to increase moderately, perhaps as the result of the application of subsidy to wheat imports, the capacity would exist to meet demand, without increasing flour imports, which are relatively difficult and costly to ship and store.

But these observations have reference to increasing wheat consumption upon existing base of bread consumption. Dramatic results cannot be expected from measures such as subsidized wheat prices. For one thing, subsidy applied to flour will have less effect on bread prices than rice subsidy has on rice prices. Even now, with flour unsubsidized, its landed cost in piasters is about 13,000 piasters per ton. Subsidized wholesale price of lowest quality of American rice is a little higher, 15,000 piasters. Yet, bread prices are much higher than rice prices; flour passes through more intermediaries and undergoes a transformation involving additional labor and capital costs before reaching the consumer. These additional costs would not be reduced by a subsidy on flour, and therefore, bread prices would not fall commensurately with the lowering of the cost of flour.

Wheat in forms other than wheat flour has not proven very acceptable in Vietnam -- not even when it is given away. The principal experience in this regard is refugee distribution of bulgur wheat. Refugees have tended to trade bulgur wheat for rice or other food or money. Bulgur is then fed to animals. It is an excellent but expensive feed.

Unfortunately, here as elsewhere, it is the lowest classes who are most conservative with regard to eating habits -- and who also usually lack physical means to turn new products, such as flour or other products, into edible form. And, unlike Indians or Chinese, up to now the Vietnamese have not been faced with famine conditions. Instead, they have, by what evidence is available, achieved extremely high levels of rice consumption -- about 40 per cent higher than in rice eating areas of India and Pakistan. (Furthermore, their protein and vegetable consumption is high by Asian standards.) Unless rice supplies are substantially reduced -- or rice prices rise to extremely high levels (to express the same problem differently) -- Vietnamese consumption of wheat does not seem likely to increase dramatically.

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Nevertheless, there are measures that could be taken which would increase wheat consumption somewhat:

A. Wheat flour (and when flour mills are established, wheat) imports could be subsidized. This is a measure that would tend to benefit the more prosperous elements of the population, rather than the poorer, but it certainly would stimulate wheat consumption, not only in the form of bread, but also in noodles. At present, on the basis of caloric value, bread costs more than rice: one kilogram of bread has 2,700 calories, and costs 50 piasters, or 1.85 piasters per 100 calories. One kilogram of rice, with a value of 3,300 calories costs (principal qualities) from 19 to 33 piasters, or from .58 to 1.00 piasters per 100 calories. Considerable subsidy would be required to lower bread prices to the rice level.

B. Increased amounts of bread could be inserted in the Republic of Vietnam Armed Forces garrison rations replacing rice. It should be noted that this is likely to be deleterious to morale.

C. Republic of Vietnam Armed Forces field ration consists of dehydrated rice plus canned meat or fish. Wheat products such as hard tack might be substituted for rice, again with morale risks.

D. The Department of Defense has \$42 million in US money for supplying food products at low prices to the Republic of Vietnam Armed Forces members and dependents through the Republic of Vietnam Armed Forces commissary system. Wheat flour is not one of the items supplied. If wheat flour were offered for sale at prices that are somewhat below market price, fairly substantial quantities might be sold.

We are prepared to explore the feasibility and impact of these measures and any others you suggest.