

CIVIL OPERATIONS AND
REVOLUTIONARY DEVELOPMENT SUPPORT
Headquarters I Field Force Vietnam
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AVFA-CORDS-ADEP

29 November 1968

MEMORANDUM FOR: CHIEF OF STAFF, I FIELD FORCE VIETNAM

SUBJECT: Cost of Living in Kontum

1. The subject of the high cost of living in Kontum was raised recently by General Peers. This evidently was prompted by a briefing General Abrams received on 4 September from Colonel Lien, CO of the 24th STZ. We had been alerted by Colonel Whalen, PSA Kontum that Colonel Lien had stated to General Abrams that the cost of living in Kontum had become prohibitive to his soldiers.

2. Each province may feel that it has its own unique set of circumstances and that a special solution can be found. These problems are not isolated in Kontum but are evident throughout the country and they generally cannot be solved by looking at one province on an isolated basis.

3. There aren't any fully satisfying solutions that appear possible within the next several months but there are some things that could be done now to bring at least a small measure of improvement.

a) The ARVN commissary system has a sales outlet in Kontum. It could expand its overall operation to assure an adequate variety and amount of food available for purchase. A share of the coming pork imports could be designated for shipment and sale in Kontum. This might lead to some resentment by the local civilian population and to black market activities by the soldiers but it would bring some relief to the local market. To be effective the supply would have to be on a repetitive basis to assure more than momentary relief of the shortage.

b) Substitution of other items of food with the most logical being fish. Such things as beans are a good protein substitute and although not as satisfying as a piece of pork, certainly satisfactory from a nutritional standpoint. As long as some key items of food are in short

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supply and expensive, the consumer will have to select substitute items. This is most likely being done as a matter of necessity by most of the families but perhaps it would be easier to accept if they knew the reasons and this then could be a task for the ARVN version of the U.S. Army Troop Information Program.

c) Adjust the allowances of the soldier to make up for the differences in the cost of living between locations. This would not improve the market supply situation but would put the soldier in a better financial position to get a share of the available supply.

4. A high cost of living is not a pleasant thing to cope with and especially for a soldier on a fixed salary but inflation and rising prices have been and will continue to be something that will have to be lived with and adjusted to. The area of economic stability is a complex one and certainly a key morale factor and an important element influencing the peoples confidence in the GVN. Inflation, shortage of supplies and rising prices are problems for which there are no easy solutions. When considering all the factors involved, the rise in the cost of living has been quite moderate and the economy remarkably stable. Of course, to the individual any time his income does not keep pace with the rise in prices then it becomes a serious personal matter and he has little interest in the big picture.

5. Several factors combine to complicate the situation for Kontum. The location of the province involves a measure of isolation with longer distances from supply points with the extra transportation risks and costs. The nature of the province and its people heighten the problem. It is a relatively undeveloped area with a population majority of Montagnards most of whom are not able or inclined to aggressively seek development or to produce beyond their own basic subsistence. The influx of U.S. Forces has put more money into the economy creating more demand for higher quality foods.

6. The basic problem is supply. There simply aren't enough pigs and chickens to satisfy the demand. There is a general shortage of pork and chicken throughout most of the country except the Delta but now indications are that the Saigon market has drawn the surplus from the Delta to include pigs marketed ahead of normal market size and even breeding stock so the whole country may soon feel the shortage. Expansion of the pig and chicken supply faces several limiting factors. Breeding stock is not available in sufficient numbers and the cost is very high. Growers with enough capital to expand are few in number while credit with acceptable terms is difficult or impossible to arrange for the vast majority of the farmers who under different circumstances would like to raise pigs or chickens. There is a shortage of animal feed and then the ever present

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threat of disease that can quickly decimate a herd or flock. So the prospect of any significant expansion of the supply from local effort is very slim.

7. Under normal circumstances a large demand and short supply in one area would attract a flow of goods from areas with a surplus. Unfortunately there isn't any source the merchants can turn to for more so the supply remains inadequate and prices rise. Some 2000 tons of pork are to be imported into Vietnam during the next two months and very likely more will be imported before Tet. This will be frozen pork so the distribution and sale will be determined by the capacity to properly keep it from spoiling. This pork is a commercial import for sale on the regular civilian markets and is basically destined for the Saigon area. Forty to eighty thousand chicks are to be imported each week and distributed throughout the country but it will be some time before any one are feels the result.

8. Looking at the problem on a longer range basis, the most obvious answer is to expand production of the products and in those areas where expansion can be accomplished under the existing security conditions. An area of intended priority for 1968 for GVN agricultural efforts with U.S. assistance was the expansion of protein production, however the Tet offensive dealt a damaging blow to the animal side of this program. Most of the pork and chicken growers that operated on a scale of significant commercial proportion were concentrated near the provincial capitals. Losses at Phan Thiet, Dalat, BanmeThuot, Pleiku and Kontum were heavy and recovery has been slow. One example was the provincial animal husbandry service in Darlac. Prior to Tet they had an important breeding and distribution program for pigs. Their stock was a total loss and has not been replaced so they have been out of business since. Serious thought will be given to making a thorough review of the whole area of agriculture production to see what can be done that is within our capability to do now and then to plan for the increase in production that must be achieved.

9. In addition to agriculture and animal production, fresh water fish ponds are a great potential supplier of protein. This is a program that has never even closely approached its real potential and yet is within the capability of the people and GVN to achieve and support. This is the type activity that fits in nicely as a civic action or self help project.

10. One positive area is that of ocean fishing. There has been an increase in amounts caught as the curfew has been relaxed and as additional areas along the coast have been reopened for fishing after being closed for a long period of time. Motorization of more fishing boats and wider distribution of better nets continues to improve the ability of the fishermen to get out farther and catch more fish but it is a slow process

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and the shortage of credit fro the average fishermen is a major hindrance to a more rapid improvement in the fishing industry. The demand for fish has been high especially with pork and chicken prices rising. Phan Thiet, which is a major fishing port, frequently experiences a shortage of fish on the local market, not because of a small catch but because the Saigon and highland markets draw most of the Phan Thiet catch.

11. It would appear that Col Lien, Commander of the 24th STZ, had either been misinformed about a steady rise in prices or had reached a point where he had heard so much for such a long time from so many that he chose to make a point of it without first seeking accurate data. The true facts could easily become masked by the emotions involved in discussing something as sensitive in nature as the cost of living. The August survey shows a substantial decline in prices for beef, fish, chicken and milk. While other items held at levels where they had been for several months. I am not contending that the overall cost of living isn't high but what limited data that is available doesn't bear out that Kontum has any more problems than many other places. Quang Duc and Phu Bon have higher prices followed closely by Pleiku. The surprising thing is that prices have not risen much higher. When considering the factors involved, a much greater rise in prices could have happened and still have been within acceptable bounds.

12. There are certainly no magic or easy answers and of all the possible solutions, none can be done immediately and all will involve time, energy, resources, planning, cooperation and coordination. In the meantime, the populace should be prepared to face a continuation of price and supply problems.

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*Prepared by
Intelligence
For Reg 11*