

West trip



## ONE MILLION TONS OF RICE FOR EXPORT IN 1964 - VIETNAM CAN DO IT

### Why Do It:

The rapid increase of rice production in Vietnam is the greatest economic counterinsurgency challenge and possibility in the country and Vietnamese and American technicians believe it can be achieved though no common plan or production goals have been developed yet!

Now, as the Strategic Hamlet Program moves from its security-oriented Construction Phase to its Social and Economic Development Phase and stimulating economic opportunities and quick increases in rural income are needed, rice production must be accelerated.

It should be easy to increase rice production in Vietnam on existing paddy lands where per hectare yields are only about half of what they are in countries such as Japan, Korea and Taiwan. High yields in those countries result from more scientific and intensive farming practices such as widespread use of improved seeds, fertilizers, insecticides, rodenticides, irrigation, etc.

Use of these improved materials and techniques can be increased quickly in Vietnam with the capital investment for fertilizers insecticides and rodenticides returned over from the increased first harvest twice

For instance, use of improved rice seeds for Vietnam's crops should increase yields by an average fifteen percent while each ton of Ammonium Sulphate, not necessarily the only or best fertilizer that might be used, should yield an extra ton of milled rice. But Vietnam now uses only about 100,000 M/T of fertilizer on its 5,000,000 M/T paddy rice crops each year. Korea uses 1,250,000 M/T of chemical fertilizer on its 2,500,000 M/T paddy production. Taiwan uses over one million tons of fertilizer on its 2,000,000 M/T of paddy. One ton of Japanese Ammonium Sulphate fertilizer in Saigon now costs US\$43.50 while one ton of Vietnam No. 1 45% Broken Rice sells for about US\$130.00 FOB Saigon.

In 1962 Vietnam was forced to import rice because of bad security and weather but in 1963 she will export about 300,000 M/T. This indicates current ability to harvest, collect and transport export rice Saigon warehouses.

Besides improving rural security the Strategic Hamlet Program has also improved local organization and administration at hamlet levels through election and formation of Hamlet Committees and Councils. These hamlet organizations have already demonstrated their ability to receive large amounts of imported chemical fertilizer and distribute it to most farming families in their area under USOII's 1962 Fertilizer Reward Program which covered more than 200,000 families in ten provinces in central Vietnam.

This organization can now be used for a much larger effort in 1964.

At the same time USOM and the GVN are pushing forward with improved rice seed and pesticide programs which, though perhaps requiring some augmentation, can support a major 1964 rice production effort. Improved irrigation will also be encouraged though this is a longer-range additive requiring larger capitalization and not necessary for 1964 success.

USOM Rural Affairs proposes that as a major counterinsurgency goal for 1964 USOM join with the GVN to help it take such actions as are required to increase rice production sufficiently to enable Vietnam to export a minimum of one million tons of rice from its 1964 crops. Attainment of such a goal will help raise incomes of farmers throughout the sensitive delta area of Vietnam where most of its population is centered. No other economic action there can benefit so many people as quickly.

By exporting one million tons of 1964 rice GVN can expect a net profit over present rice export earnings of about US\$35,000,000 which can be used for other counterinsurgency efforts and to offset possible inflationary tendencies arising from its insurgency.

How To Do It:

1. USOM and concerned GVN agencies, working with the Interministerial Committee on Strategic Hamlets, should study the problem and develop a priority action plan to solve it which will include:
  - A. Review and augmentation, as necessary, of present programs to distribute and plant improved rice seed (see attachment).
  - B. Review and augmentation, as necessary, of present rice insect, rodent and disease control programs.
  - C. Continue with present programs for providing irrigation for double-cropping (windmills, pumps, dams, dredging, etc.)
  - D. Study rice land soil requirements and insure that Vietnam import approximately 800,000 M/T of suitable chemical fertilizers to be applied to its 1964 rice crops.
    - 1) Fertilizers might be financed through trade agreements or credits between Vietnam and Japan and or Taiwan, or with GVN foreign exchange advances rather than thru US Aid since one dollar spent for fertilizer should return rice worth three dollars when exported.
      - a. Chemical fertilizers can be distributed to farmers

thru their Hamlet Committee, probably with NACO assistance, on a fertilizer-rice barter system with Hamlets delivering paddy to exporters after the harvest. Amount of fertilizer and rice for each hamlet will probably not exceed 30 M/T of each, so no additional rural storage facilities should be required.

1. Under this plan disturbance to normal trade channels will be minimized since present amounts of fertilizer applied to rice are small and normal channels will be utilized for collecting and exporting extra rice produced. This latter will be achieved by selling Hamlet Committee's Paddy IOU's to exporters.
- b. Chemical fertilizers might be distributed on sales basis to farmers if sufficient cash credit can be made available to enable broad coverage, however, barter system seems simpler method of insuring credit during growing and harvesting season and for controlling and insuring exports through normal trade channels.

Conclusion:

1. Vietnam can export one million tons of rice in 1964 if USOM helps GVN to plan for it now.
2. Improved rural security in Vietnam will facilitate this export.
3. Increasing rice production is best way to help improve livelihood of majority of population of Vietnam who live in the delta provinces.
4. Producing more rice and exporting it is best plan for economic counter-insurgency available.
5. Having hamlet committees handle Fertilizer-Rice Barter Program will give them worthwhile administrative activity and can provide source of income for local hamlet governments and services.
6. Increased rice exports will increase government revenues at time when deficit financing is contemplated and may be best way to avoid debilitating inflation.
7. Dramatic increase of rice exports is best way of increasing gross and net national products and permanently strengthening economic base of country and bringing it to point of genuine economic takeoff.



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SUGGESTED FERTILIZER-RICE BARTER PROGRAM

In order to demonstrate the feasibility of a Fertilizer-Rice Barter Program in Vietnam, it is suggested that the fertilizer to be imported under the US\$2,000,000 capitalization plan for NACO in FY 1964 be used in a pilot program for bartering for rice in 4 selected provinces; 2 in the Delta and 2 in Central Vietnam. This initial pilot program can be carried out in 1964 as follows:

1. NACO imports chemical fertilizer chosen as best suitable for the trial provinces.

2. NACO, through its local representatives and the provincial services, arranges with the Strategic Hamlet Committees to receive and distribute fertilizers to rice farmers against contracts with the Hamlet Committees which guarantee to return at the end of the planting season rice according to a barter ratio which will guarantee the farmers an adequate profit and sufficient incentive for using fertilizer. This ratio may be approximately 1 kg of ammonium sulphate fertilizer for .6 of one kg of Number 1 milled rice, 25% broken. Adequate controls may be developed by NACO and the Hamlet Committees to assure either the quality of the paddy returned by the farmers or the rice milled from it.

3. NACO will sell its Hamlet Committee Fertilizer-Rice Barter Contract to rice exporters who will have the responsibility of going to the hamlets, picking up the rice and subsequently exporting it.

The above plan should work smoothly if more secure provinces are selected for its pilot operation. This suggested plan is offered as a basis for discussion and refinement in order that NACO, USOM, and other interested parties can develop a fertilizer-rice barter system in Vietnam which will enable a rapid increase in the utilization and extension of fertilizers together with a concurrent increase in rice exports. This plan is completely economic and envisions no subsidies while providing opportunities for extension of short term, interest-free credit, in-kind to farmers giving them the opportunity for increased production and income.