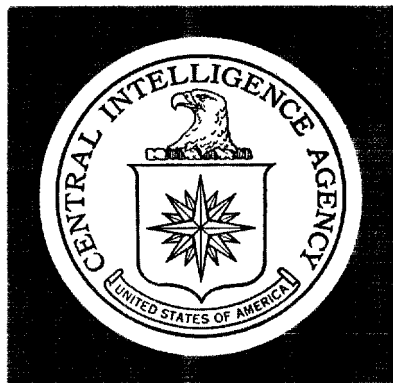


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DIRECTORATE OF  
INTELLIGENCE

# Intelligence Report

## *The Economic Situation in South Vietnam* (Biweekly)

On File US Agricultural Dept. Release Instructions Apply.

State Dept. review completed

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence

The Economic Situation in South Vietnam

Summary

Rice production in South Vietnam during the crop year ending 31 May 1970 may increase 15 to 20 percent, largely because of increased cultivation of IR 8 and IR 5 (miracle) rice. An increase of this magnitude would make the 1970 crop the largest since 1965 and permit a substantial reduction in imports.

Despite this forecast, there have been renewed increases in the price of rice in Saigon during the first two weeks of October. The reasons for these increases are unclear, but there have been reports of considerable hoarding by rice merchants and retailers. Free market currency and gold prices were mixed during the week ending 7 October with the price of dollars regaining its all-time high of 228 piasters per dollar.

ANNEX: Monthly and Weekly Currency and Gold  
Prices (Graph)

South Vietnam Economic Indicators (charts)

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Prospects for 1970 Rice Crop

1. Early indications are that South Vietnam's rice output for the crop year ending 31 May 1970 will be the largest since 1965. Vietnamese and US officials estimate that the 1970 rice crop will be 15 to 20 percent larger than the 4.4 million metric tons of paddy harvested in 1969, mainly because of the increased hectarage planted to the high-yield IR 8 and IR 5 (miracle) rice. If the estimate proves to be correct, South Vietnam's requirements for imports of rice will be substantially reduced.

2. Before the end of 1969 South Vietnamese farmers will have planted 175,000 hectares of IR 8/5, or four times the area planted to the new seed during 1968. Because the average yield per hectare from IR 8/5 in South Vietnam is about five metric tons, compared with two tons per hectare from domestic varieties of rice, the output from IR 8/5 could total about 875,000 metric tons of paddy. This amount, which would be grown on only seven percent of the total rice cultivated area, would be equal to 20 percent of the entire 1969 crop. In addition to the gain attributable to IR 8/5, officials believe increased production will result from an expansion of the total rice cultivated area, a development reflecting improved security in the countryside. Finally, they anticipate higher yields from domestic varieties of rice due to greater use of fertilizer, pesticides, and other inputs and to better weather. The current floods in the Mekong delta are expected to cause less crop damage than the drought of last fall. Flooding may cause some crop losses in Chau Doc, Kien Phong, An Giang, and Sa Dec provinces, but these provinces produce mostly a low-yield variety of floating or red rice, which is used mainly for animal feed. Some crop damage has been reported in the northern provinces of I Corps as the result of the heavy rains and winds accompanying typhoon Doris, but local officials believe the loss is minor. IR 8/5 rice planted in these areas reportedly withstood the storms very well, prompting several farmers who had earlier refused to plant the new variety to announce that they would switch to IR 8/5.

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3. There has been some concern that consumer acceptance of IR 8/5 rice, said by many to be less palatable because of its high starch content, will become a problem as its production increases. Consumer acceptance is a critical issue since increased production of IR 8/5 is one of the key factors in the program to make South Vietnam self-sufficient in rice again by late 1971. US agricultural technicians in South Vietnam report that consumer response so far has been favorable, especially when the new rice has been mixed with local varieties. Most of the IR 8/5 rice produced thus far in South Vietnam, however, has been used for seed rather than sold on the market. The coming year will be a trial period for its marketability.

4. South Vietnam's imports of milled rice, which probably will total about 330,000 metric tons in 1969, may be cut in half in 1970 if the harvest now under way fulfills expectations. South Vietnam was a net exporter of rice until 1965 when output began to decline as the war accelerated and thousands of farmers abandoned their land. During 1965-69 rice production declined 18 percent and imports became a significant part of total supply. In 1967 imports reached a peak of 750,000 metric tons, an amount equal to about 30 percent of domestic output of milled rice in the 1966-67 crop year.

#### Prices

5. After a short period of decline, retail prices in Saigon began to increase again during the week ending 6 October and reportedly continued to rise the following week. Although complete data are not available, it appears that increases in rice prices again are a major factor. Prices of rice and sugar rose sharply during August as the result of speculation that stocks of these goods were depleted. Prices stabilized during September, however, as the government released larger than normal supplies of these foodstuffs to the market. Nevertheless, during the first two weeks of October the prices of the two most widely consumed domestic varieties of rice reportedly rose eight percent,

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reaching new highs. The reasons for this latest increase are not clear. Vietnamese rice merchants have told embassy officials that considerable hoarding has been occurring. The fact that deliveries of rice from the delta to Saigon and issuances of rice from government stocks have both been at unusually high levels tends to confirm the reports of hoarding.

6. Unlike the general retail price index, during the week ending 7 October the price index for imported commodities declined slightly for the fourth consecutive week.

USAID Retail Price Indexes for Saigon  
(1 January 1965 = 100)

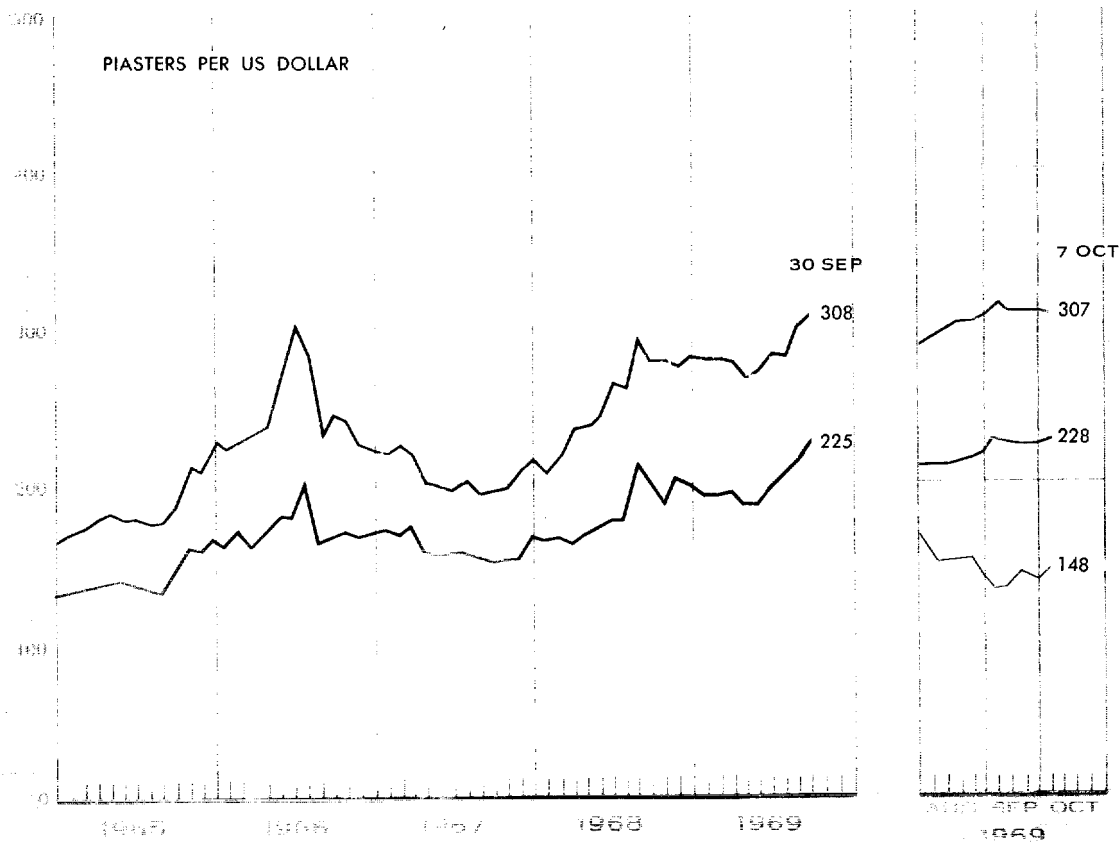
	<u>All Items</u>	<u>Food Items</u>	<u>Nonfood Items</u>
2 Jan 1968	308	344	241
6 Jan 1969	400	443	319
22 Sep 1969	462	535	326
29 Sep 1969	463	535	327
6 Oct 1969	470	547	329

Currency and Gold

7. Free market dollar and MPC (scrip) prices in Saigon increased during the week ending 7 October, while the price of a dollar's worth of gold leaf declined one piaster to 307 piasters. The price of dollars rose three piasters to 228 piasters per dollar, regaining the all-time high first reached on 9 September. The rate for MPC jumped nine piasters to 148 piasters per dollar, compared with the official rate of 118 to 1. (A graph on monthly and weekly currency and gold prices as well as charts on the cost of living, money supply, and foreign exchange reserves are included in the Annex.)

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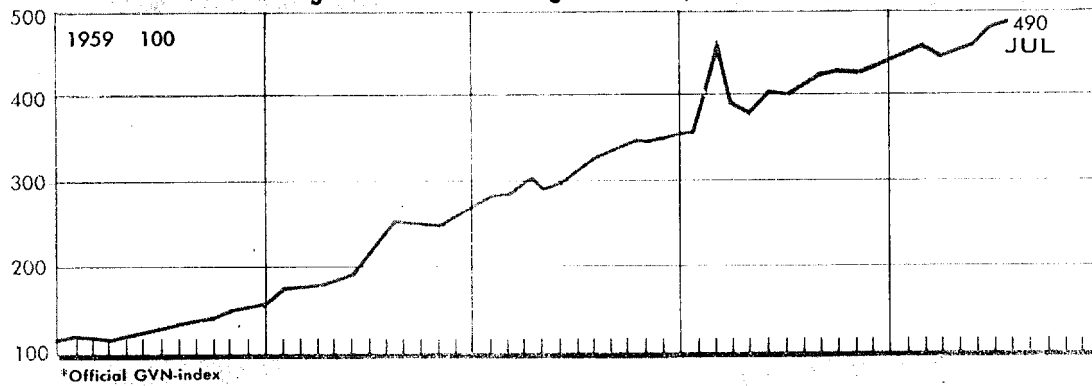
### Saigon Free Market Gold and Currency Prices



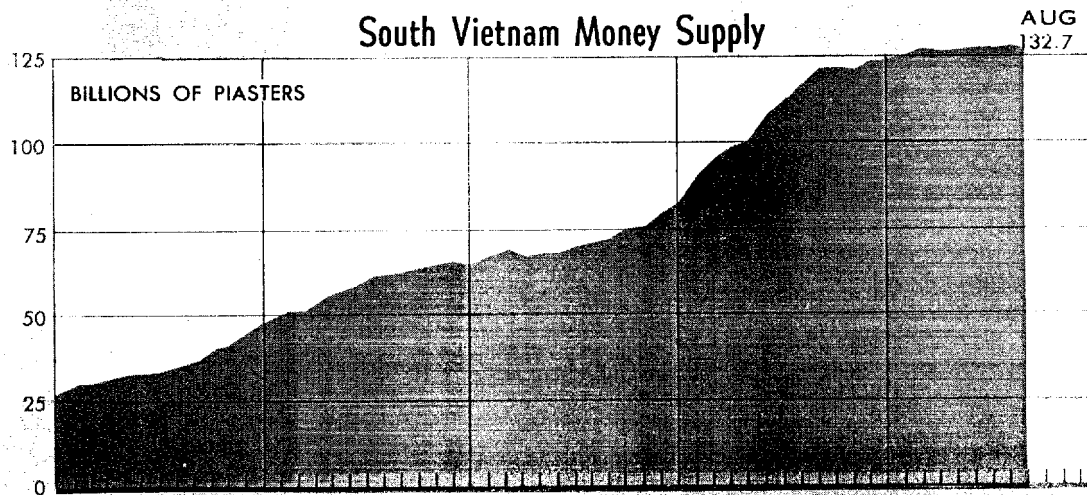
— GOLD Basis gold leaf worth \$35 per troy ounce  
 — US \$10 GREEN  
 — US \$10 MPC Military Payment Certificates (scrip)

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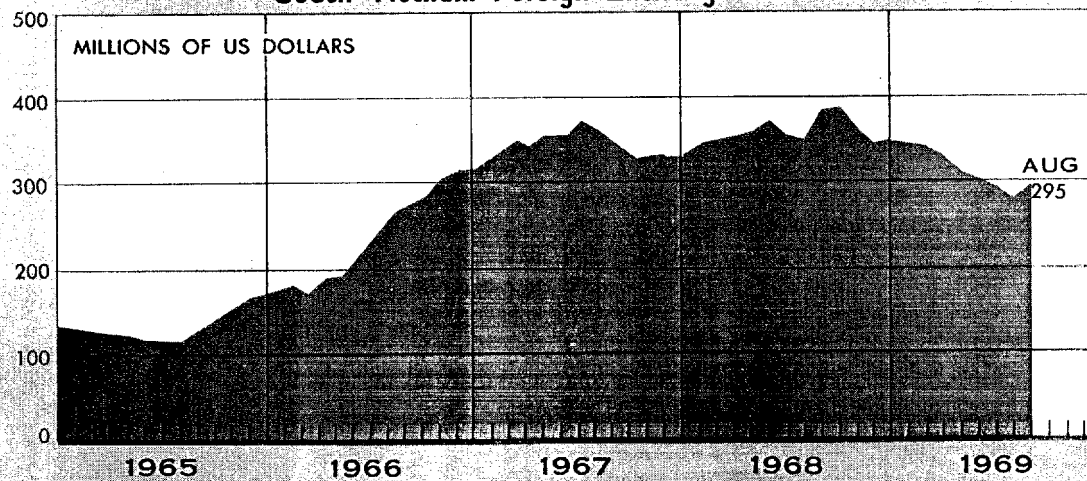
Saigon Cost of Living Index\* (For Working Class Family)



South Vietnam Money Supply



South Vietnam Foreign Exchange Reserves



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