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**THE STATUS OF VIETNAMESE FERTILIZER SUPPLY
AND PRODUCTION**

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“The Status of Vietnamese Fertilizer Supply and Production”

Speech of Mr. Nguyen Xuan Thuy
Vice-Minister of Industry

Ladies and Gentlemen,

First of all, on behalf of the Ministry of Industry of Viet Nam, I warmly welcome all of delegates participating in the **IFA Regional For Asia and the Pacific**, in Ha Noi, Viet Nam.

I would like to express my deep gratitude to Mr. Luc Maene, Director General of IFA, and the organizers of the Conference for inviting me to participate and to deliver my speech at this conference.

Recently, agriculture in Viet Nam has achieved a great success. Viet Nam has changed from a country starving on food to a self-supporting country and has become a world-class rice exporter.

The objective of the agricultural sector in the next ten years is to maintain a stable annual growth rate at 4.0 - 4.5 percent for the whole sector. As regards to the cultivation sub-sector, the target is focused on achieving an increase in cereals production to 37 million tonnes (Mt) in the year 2005 and up to 40 Mt in the year 2010, and also to strengthen the development of highly competitive industrial crops and valuable tropical fruits and vegetables.

In the current context of Viet Nam, industrialization has been evolving simultaneously with the sustainable development of agriculture, so the realization of the above-mentioned target requires a change of agriculture production methods toward more advanced systems, including the intensification of fertilizer utilization as one of the most important factors.

1. Fertilizer demand

According to the statistics of the Ministry of Agriculture and Rural Development (MARD), present demand of fertilizer of Viet Nam is about 7 Mt products, out of which about 2.2 Mt is urea fertilizer; 1.3 Mt are processed phosphate fertilizers (single superphosphate and fused magnesium phosphate - FMP); 1.5 Mt is NPK fertilizers; 600 Kt of DAP fertilizers, 400 Kt of AS fertilizers; and, 500 Kt of potassium fertilizers.

It is expected that the annual growth rate of fertilizer demand in the next five years is to range at about 8 to 10 percent. Thus, by the year of 2005 the fertilizer demand of various kinds in Viet Nam will be around 8 to 10 Mt products, of which demand for urea will be 2.5 Mt, NPK - 2.2 Mt, phosphate fertilizers - 1.7 Mt, DAP - 800 Kt, 700 Kt and potassium fertilizer - 900 Kt.

2. State of domestic fertilizer production

At present, there are four SSP and FMP fertilizer production plants in Viet Nam. The production capacity of these SSP and FMP fertilizer production plants reached 1.13 Mt/y in the year 2000.

There are about 30 NPK fertilizer production plants in Viet Nam with total production capacity at 2.7 Mt/year. Among them, 18 plants are under VINACHEM control, the rest belongs to local government and foreign investors (FDI).

The main FDI players in the NPK fertilizer production in Viet Nam are La Société Commerciale des Potasses d'Alsace – France (J.V. Baconco), Nissho Iwai, Central Glass Co. Ltd. – Japan (Vietnam-Japan Fertilizer J.V), Norsk Hydro Asia Ltd. – Singapore (J.V. Hydro Agri Vietnam), Afrocan Inc. Hong Kong (J.V. Huong Nam). In 2000, the NPK fertilizer production capacity reached 1.4 Mt/y.

There is one urea plant in Viet Nam, namely Ha Bac Nitrogen Fertilizer and Chemical Company, which is under VINACHEM control.

Thus, domestic production only meets the demand for phosphorous fertilizers and only a negligible share (about 4 percent) of the demand for urea. The demand for other fertilizers such as DAP, AS, potassium fully relies on importing sources. As a result, it is necessary for Viet Nam to intensify investment in fertilizer production to ensure the stable development of its agricultural production.

3. Investment orientation

Based on local demand and balance of availability of different resources (feedstock sources, finance etc.), the Vietnamese government has a policy on investment for the production of fertilizers for the period of 2001-2005 as follows:

a. Phosphorous fertilizers

- Constructing a DAP fertilizer plant with capacity of 330 Kt/y, and a SSP fertilizer plant with capacity 110 Kt/y.

- Continuing sustained investment, expansion and capacity increase of existing plants such as Lam Thao Super Phosphate Plant, Long Thanh Super Phosphate plant and the other FMP fertilizer plants.

Thus, total production capacity of phosphorous fertilizers will reach to 2.6 Mt/y of SSP equivalent by 2005.

b. Mixed and compound fertilizers

- Continue technology and equipment renovation; enhance production quality, diversifying NPK fertilizers to apply on different crops and soil conditions in different ecological areas. As a result, total production capacity of NPK fertilizers will reach to 1.6 Mt/y by 2005.

- Strengthen production of rich-nutrient bio-organic fertilizers.

c. Urea fertilizers

- Completing the rehabilitation of the urea Ha Bac Nitrogen Fertilizer plant for increasing capacity up to 150 Kt/y.

- Particularly, three new urea plants will be set up, including two gas-based ones in the North of Viet Nam (Phu My Urea Plant and Ca Mau Urea Plant, capacity of each plant is about 800 Kt/y) and one coal-based urea plant in the Northern part of Viet Nam with capacity of 600 Kt/y.

- As per today:

+ The Phu My Urea Plant has been in construction since 12 March 2001 and is projected to be put into commercial operation in June 2004;

+ Feasibility Study Report of Ca Mau Urea Plant was approved by Government in September 2001. At present, the preparation work for this project has been pushed up in order to meet project's target for commercial operation by the end of 2005;

+ Feasibility Study Report of coal-based urea plant in the Northern part of Viet Nam is now under Government's consideration.

Thus, after 2005 total capacity of fertilizer production in Viet Nam will reach 7 Mt/y products as a result of the above-mentioned investment plan. In comparison with the expected demand in 2005, this volume will be still insufficient, especially for urea. Therefore, the Ca Mau Urea Plant will be expanded to a capacity of 1.6 Mt/y.

For the success of the investment plan, the Vietnamese Government has given preferential treatments to the planned projects in term of capital, feedstock price, as well it has assigned relevant governmental bodies and local authorities to support project owners in the smooth implementation of the investment plan.

Ladies and Gentlemen,

The IFA Regional Conference for Asia and the Pacific being held in Viet Nam is a favorable opportunity not only for all of the fertilizer producers, investors, suppliers of the world, region and Viet Nam to exchange and share their opinions and experiences. It also offers an opportunity to provide you with an update on the current fertilizer production and consumption as well as on the environment and investment climate for investing in fertilizer production in Viet Nam.

In conclusion, we would like to emphasize that the Ministry of Industry gives its high appreciation to the active participation that had been made so far by contractors, suppliers, and consultants, and is calling for your continuous support and active participation in fertilizer projects development in Viet Nam.

Once again, I wish the Conference success.

Thank you for your attention.