

EFFECTS OF RICE FARMING IN VIETNAM

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Many people have so far thought that rice farming produces little or no effect on the socio-economic life, and as a result, land for rice farming has been used for growing other crops. This view, in fact, is right under the centrally-planned economy when farmers weren't owners of their farming land and worked as wage-earners in cooperatives. After the Resolution 10, land was allocated to farmers on a long-term basis. This made farmers real owners of land, therefore land is used and managed more effectively and better productivity is obtained.

According to a survey conducted in 1989 by the General Department of Statistics in Cần Thơ, Nam Định, Bình Định and Yên Bái, four typical provinces in main rice-producing zones in Vietnam, the production cost was from 15% to 30% lower than market prices of rice in different provinces and crops. Profit rate based on the formula $m/c+v$ earned by farmers in three crops every year in the four surveyed provinces was as follows:

If the land tax is taken into account, the profit rate will reduce to somewhere between 16% and 28% for the Mekong Delta and between 10% and 17% for other zones.

The difference between profit rates found in those zones, especially between the Mekong Delta and Central coastal areas is due mainly to the difference in overhead cost: in the Mekong Delta where most farmers work on their land, there is almost no indirect cost whereas agricultural cooperatives in the Hồng Delta and Central coastal provinces have to pay from 5.1% to 6.2% of production cost to the management of the cooperative. In addition, the rice yield in the North and Central Vietnam is low in comparison with the Mekong Delta. That is why the profit rate in the Mekong Delta

is higher.

Of different crops in a year, the profit rate realized in the winter-spring crop is higher than rates made in the winter and summer-autumn crops because in the winter-spring crop, there are more favorable weather conditions and less natural disasters. As for rice strains, new ones employed in the winter-spring crop can produce better yield because they are suitable to climatic conditions. The intensive farming techniques are applied better in the winter-spring crop and the market price of the winter-spring rice is also higher. These factors make the profit rate in the winter-spring crop higher than in others.

Thus, just after the introduction of the economic reform and new agricultural policies, the rice farming business in Vietnam started to produce profit, however, the profit rate was still low.

Table 1: Profit rate of rice farming in 1989 (%)

Crop	Hồng Delta	Northern mountainous areas	Central coastal areas	Mekong Delta
Winter-spring	32	30	15	26
Winter	21	17	-	-
Summer-autumn	-	-	13	34

In recent years when farmers were allowed to use farming land on a long-term basis, new technical advances, especially in biotechnology; and new rice strains were introduced, both direct and indirect costs were reduced, the profit rate started to rise after 1989.

According to a survey of production cost of rice farming conducted by the General Department of Statistics in 1996 in the Hồng and Mekong Deltas, Central coastal provinces and the Northern Central Vietnam, the profit rate made in the winter-spring crop reached 73.8% and after-tax profit rate was 63.5%, in the summer-autumn crop: 66.9%

and 59.2%, and in the winter crop: 51.7% and 42%. Of the production cost for a winter-spring crop, chemical fertilizer represented 36.8%, labor 36%, insecticide 11%, and seed 16.9%. In the summer-autumn and winter crops, direct and labor costs are usually higher because of effects caused by natural disasters or unfavorable climatic conditions with the result that the profit rate becomes lower. Of these surveyed zones, the Mekong Delta is the zone where the rice yield, profit rate and farmers' income are of the highest level.

(See table 2 next page)

Thus, surveys conducted in both 1989 and 1996 show that the productivity of rice farming under the economic reform is favorable regardless of changes in climatic conditions and in the rice prices on the international market. The highest productivity is found in the winter-spring crop and the lowest in the winter crop. The tendency to replace the winter crop with the winter-spring and summer-autumn crops is necessary and needs help from the Government.

Of these zones, the Mekong Delta is the most favorable for commercial farming (large rice growing area, experienced farmers, high fertility of soil, etc.). That is why rice farming is the most stable and profitable business in this Delta. In certain years, such as 1997, when climatic conditions were unfavorable and the rice price fell remarkably, the rice farming could

provide farmers with some profit. In the winter-spring crop of 1997, the production cost of rice in An Giang was approximately VND1,000 per kilo while the on-the-spot selling price was VND1,100 or 1,200, the profit rate varied from 15% to 18%. The selling price of rice in this Delta is never lower than the production cost. In 1998, the rice price in the Mekong Delta rose by 50%, and even by 80%, in comparison with 1997, and made farmers happy. Not only farmers but also the Government benefit from the rice farming in the Mekong Delta. In 1998, the Delta supplied 15.5 million tonnes of rice, four times higher

Table 2: Productivity of rice farming in the four surveyed zones (%)

Crop	Average	Surveyed zones			
		Hồng Delta	Northern Central Vietnam	Central coastal area	Mekong Delta
Winter-Spring					
1. Profit rate compared with					
(a) Production cost (tax exclusive)	73.8	27.2	21.5	27.8	113.4
(b) Production cost (tax inclusive)	63.5	18,5	14.3	21.5	100.9
2. Profit/cost ratio	195.6	202.1	177.3	137.1	200.6
Summer-autumn					
1. Profit rate compared with					
(a) Production cost (tax exclusive)	66.9		14.6	26.9	85.8
(b) Production cost (tax inclusive)	59.2		8.7	21.5	78.8
2. Profit/cost ratio	151.5		136.9	163.9	160.8
Winter					
1. Profit rate compared with					
(a) Production cost (tax exclusive)	51.7	16.9	4.5	6.7	90.8
(b) Production cost (tax inclusive)	42.0	9.8	6.5	4.8	76.3
2. Profit/cost ratio	212.2	189.4	164.1	117.4	237.2

than the output in the first years after the Liberation Day. This development ensured the national food security, helped overcome shortage of food in the Central Vietnam, increased the export earnings (3.8 million tonnes of rice were exported in 1998) and softened the effect of the Asian financial crisis on the Vietnamese economy.

At national level, the rice farming not only provides a population of over 70 million people with food and brings in export earnings of some US\$1 billion, but also supplies jobs to some 60 million rural residents, thereby limiting flows of migrants to big cities where the unemployment rate is still high. The rice farming also plays an important role in the anti-hunger and poverty program, reduces children malnutrition, and contributes a lot to various social, cultural, education, health care and security projects.

In short, the agriculture, or rice farming to be precise, helped Vietnam overcome bad effects caused by the Asian financial crisis in 1997-98. It is the greatest result that no other industries could produce. However, regarding its efficiency, the rice farming in Vietnam still gives rise to many worrying problems.

Firstly, its efficiency isn't stable because the rice market and price are affected greatly by natural conditions and prices of rice on the

world market.

Secondly, the manual labor still represents a high percentage of the production cost (from 36% to 40%) and there is no prospect of reducing it in the near future because rice monoculture and rice subsistence farming still persist in many rural areas.

Thirdly, after-harvest loss and waste are high because new techniques haven't been applied to processing and storing stages with the result that the quality of Vietnam's rice is low. In addition, the distribution of income among rice producers, traders and exporters isn't reasonable and farmers have never had their fair share of profit. This situation discourages them from making more investment in rice farming.

To encourage the commercial farming and rice export, the best way is to apply new techniques to all production stages with a view to linking rice production to rice export. To achieve this aim, the Government should take a more active role in introducing technological advances and expanding the market for Vietnamese rice. The following are our suggestions.

+ To identify zones for producing rice for export and make plans to increase investment in rice production based on plans for rice export at different development stages.

+ To build rice processing factories in areas producing rice for export and develop networks of

warehouses, roads and ports (especially Cần Thơ Port) needed for rice export business.

+ To develop a network of agencies (this network could be developed into cooperatives) working in cooperation with local governments in purchasing rice at prices set by the Government, and work out a mechanism for distributing profit from rice export business among the State, farmers and food trading companies.

In 1999, the decision on exemption of tax on exported rice was an active measure but it isn't effective enough to improve the competitiveness of Vietnamese rice on the international market. The Government should take diverse measures to improve the rice output and quality, expand the market share for Vietnamese rice, carry out market researches and marketing campaigns, etc.

Combination of rice production and rice export will be the main characteristic of the rice farming in Vietnam in the coming years. Increases in rice export will help stabilize the rice price on local markets, encourage farmers to do commercial farming and increase rice output, thereby improving their living standard. Thus, this combination becomes a precondition for improvements in productivity of the rice farming business in Vietnam.