

PRODUCTION AND EXPORT OF RICE

Situation and Some Forecasts

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1. Situation in 2001-05

Rice production is the main source of income for some 10 million peasant families all over the country. In two decades of economic reform, this business increased in terms of area, output and productivity. In 1986, the rice area was 5,688,600 hectares with a average yield of 2.8 tonne per hectare in a crop and the total output was 16,874,800 tonnes. In 2005 these figures rose to 7,329,200 hectares; 4.89 tonne per hectare and 35,832,900 tonnes. Taking 20 years together the total output rose by more than two times adding some one million tonnes a year to the output. This progress shows itself clearly in the years 2001-05.

On June 15, 2000 the Decree 09/2000 - CP on "some lines and the policy on changes in the structure of industry and consumption of farm

products" was issued. It decided to maintain four million hectares of rice with good irrigation system and use part of the rice area with low yield for growing other crops or for sea farming (semi-arid land could be used for growing vegetables, hollow and coastal land for sea farming and land around cities for fruits, vegetables or flowers, etc.). The objective set for the period up to 2010 is 40 million tones of cereals including 33 million tones of rice and five or six million tonnes of corn.

a. Rice production:

As directed by this policy, 174,000 hectares of coastal or semi-arid land in the Mekong Delta that produced low yields of rice were turned into fish farms. Provinces experienced fast sea changes in this direction in 2001 were Cà Mau (117,000 hectares); Bạc Liêu (39,000), Sóc Trăng (22,000); and Long An (12,000). In other provinces the

low-yield land was used for growing fruits or industrial crops. Leading in this trend were provinces in the Hong Delta, such as Thái Bình, Nam Định, Hưng Yên, Hải Dương, Hà Tây, Hà Nội and Vinh Phúc. This trend lasted for many years at different speeds and scale. Rice growing peasants tended to stop planting the third crop of rice that usually produces low yield and use new strains to produce rice of higher quality. And as a result, the productivity was improved and the output rose slowly as compared with previous periods. In 2005, the rice yield reached 4.89 tonnes a crop per hectare increasing by 13.9% and the output was 35.83 million tones.

The quality of rice was improved remarkably these years so Vietnam could export rice in large quantities. At present, peasants usually pay full attention to summer and spring crops and reduce investment in the winter crop. In the years 2001-05, the winter crop area reduced by some 200,000 hectares while the area of summer crop increased by 138,000 hectares, and the area of spring crop changed slightly over time. The average yield of the summer crop rose fast, from 3.8 tonnes per hectare in 2001 to 4.45 tonnes in 2005. In this period the areas of the spring crop stayed at the million hectares and its crop also rose remarkably, from 5.1 tonnes per hectare in 2001 to 5.9 tonnes in 2005.

Peasants pay more and more attention to the quality of rice with a view to selling it to exporters. Provincial governments in the Mekong Delta have taken measures to encourage peasants to produce high-quality rice for export. Up to the spring crop in 2005, many Mekong provinces had high proportion of farming land produce high-quality rice, such as An Giang (90%); Tiền Giang (over 70%) and Đồng Tháp (60%). Nam Định, Thái Bình, Hưng Yên and Hải Dương in the North also specialized by degrees in producing

high-quality rice.

These changes lead to higher selling prices of rice for peasants, reduction in surplus in the domestic market and more contracts for exporters. The rice output in 2001-05 rose by 1.9% a year, lower than the increase of 5.4% a year in 1996-2000. Although the population increases by one million a year on average, the food security is well maintained and the price of rice remains stable even in provinces suffering natural disasters. The per capita food output rose from 401.9 kg per year in 1996-2000 to 464.6 kg in 2001-05.

b. Rice export:

The rice export was improved in terms of both quantity and price in the past five years. The volume of exported rice rose from 3.7 million tonnes in 2001 to 3.8 million in 2003 and 4.1 million in 2004. In 2005, Vietnam exported a record volume of rice of 5.3 million tonnes at the average price of US\$267 a tonne and earned US\$1.34 billion. These are the highest marks Vietnam has achieved since the day it entered the world market for rice. Compared with 2004, the volume of rice export in 2005 rose by 25% (1.2 million tonnes), export value by 45% (US\$400 million) and the price 15% (US\$48 per tonne), which allow Vietnam maintain its second position among rice exporters.

The better quality of rice for export also helped Vietnam enter more markets. In 2005, the Vietnamese rice was saleable in such demanding markets as Japan, the EU and the USA. For example, Vietnam sold some 90,000 tonnes of rice to Japan after meeting 579 standards, instead of 250 one in the past, posed by the Japanese laws, at the price of US\$275 per tonne instead of US\$232 in 2004.

In comparison with 1989, the year Vietnam started exporting rice, the volume of rice exported in 2005 rose by 357%, its price rose from US\$204 to 267 per tonne and the export value rose

by 700% (US\$1,340 million compared with 189 million). According to the FAO, there were three potential rivals to Vietnam in Asia, not including Thailand as the biggest exporter of rice. They are India, Pakistan and China. But in the past few years the output from these countries was not stable while the rice production increased steadily and fast. The export of rice brings about a higher income for peasants. The index of food price in December 2005 rose by 7.8% in comparison with December 2004.

Mekong Delta and some 500 hectares of Nàng Thơm Chợ Đào rice in Long An. So the output of fragrant rice isn't large enough to meet the domestic market demand. Moreover, the good smell of the fragrant rice can't be kept for long because lack of suitable techniques. The summer crop in the Mekong Delta is harvested during the rainy season with the result that only 31% of the output in 2005 was dried properly and losses during and after the harvest amounted to somewhere between 10% and 13%.



c. Shortcomings:

- The biggest shortcoming is the lack of connection between rice producers and processing industry and market.

- The development of rice production is not even over provinces. While the Mekong and Hồng Delta succeeded in improving its output and quality, other regions failed to do so. The rice output in some provinces even decreased. Many provinces couldn't produce commercial rice.

- The quality of rice is not stable and hasn't met customers' demand.

- The area of high-quality and fragrant rice is not as large as expected. For example, there are only 100,000 hectares of jasmine rice in the

Main reasons for these shortcomings are as follows:

+ The population increases fast, one million people a year on average, which makes the demand for farming land and food rise high. The stock of land tends to reduce because urbanization and industrialization take place everywhere and at high speed. The rice production is still at a small scale, especially in the North and Central Vietnam.

+ Prices of fertilizers, fuel and plant protection chemicals tend to rise steadily, which make the Vietnamese rice less competitive on the world market.

+ After-harvest techniques and rice processing technology are obsolete

leading to the poor quality of rice.

+ Although Vietnam has exported rice for 17 years and become the world's second largest exporter of rice, Vietnam has no master plan to produce rice for export. Certain provinces in the two deltas have zoned areas for growing high-quality rice for export but their plans are only at a small scale and couldn't cause great changes for the rice production.

+ Purchase, transport and processing of rice are conducted mainly by private companies and traders, and state-owned companies haven't played an active role in this business.

+ Natural disasters and crop diseases every year threaten the food security and reduce the volume of commercial rice.

2. Some forecasts

a. Bases for the forecasts

- The five-year plan for 2006-2010 sets the following targets to achieve by the end of 2010: an output of 40 million tones (and most of it is high-quality rice); an average yield of 5.4 tonnes a crop per hectare; a volume of rice for export of 4.5 million tones a year and a per capital output of 465kg a year. It also encourages peasants to use more effectively any piece of land that couldn't produce high yield of rice by growing other plants or raising aquatic products.

- Favorable conditions: The area for rice in the next five year may remain at some four million hectares and the rice growing area (two crops) reaches some 7.3 million hectares, but it has a tendency to reduce slowly. Some 60% of the rice growing area has good irrigation systems. Local supply of fertilizer in on the increase because the Phú Mỹ Plant has come into operation and the Ca Mau Plant will be completed in the near future.

More and more new techniques have been introduced to peasants, especially the use of new strains

needed for intensive farming and improvements in the yield.

Vietnamese rice has become familiar and acceptable to many countries. The demand for rice in the next five year is expected to rise, especially in Japanese, Philippine and Indonesian markets. In recent years, Thai and Vietnamese Associations of Rice Exporters have cooperated with

earning US\$906 million at an average price of US\$271.2 per tonne. Compared with the corresponding period last year, the output rose by 1.5%, the exported rice equaled 95.3%; export value 94.6% and selling price 99.5%.

Data from the past and the above analyses allow us to make some forecasts of the rice production and export in the next five years.

Table 1: Forecasts of the rice production and export in 2006- 2010

Indicator	Unit	2006	2007	2008	2009	2010
Rice area	1,000 ha	7,320	7,315	7,313	7,307	7,304
Average yield per crop	Tonne per ha	4.9	4.96	5.1	5.27	5.49
Annual output	Million tonnes	35.9	36.32	37.41	38.55	40.1
Rice for export	Million tonnes	5.0	5.1	5.2	5.4	5.5

each other in improving the quality of, and selling rice on the world market.

- Unfavorable conditions: The customs duties will be cut to the bone in near future and Vietnam has to open its market to foreign rice. Rice of high quality and low price from Thailand, the USA, China and Pakistan will flood the domestic market with very low customs duties. Thus the Vietnamese rice will face keen compete in the domestic market while its rice processing and production is slow to innovate.

The population rises fast and the rice growing area tends to reduce. The average yield in many provinces has reached its peak and sees no chance to improve. The best part of peasants know almost nothing about future threats to their business when they keep following the subsistence farming of small scale and fail to apply new techniques and scientific advances.

The rice production and export in the first seven months of 2006 shows that the above-mentioned conditions are true. The output from the spring crop was 17.6 million tones increasing by 266,000 tonnes in comparison with the last spring crop. The volume of exported rice was 3.34 million tones,

In the Mekong Delta, the rice area stays at 1.95 million hectares equaling some 50% of the national rice area. It's estimated that the rice growing area (more than one crop) will reach 3.8 million hectares a year. The average yield could reach 5.5 tonnes per hectare by 2010 and its output could reach 21.25 million tonnes and some 60% of its is rice of high quality.

In the Hồng Delta, the rice growing area will reduce over year to some one million hectares by 2010. The yield in this region could reach 5.9 or 6.0 tonnes per hectare making the output rise to 6.65 million tonnes by 2010.

To reach these targets, however, both peasants, rice trading companies and the Government have a lot of things to do, such as zoning the land for high-quality rice, developing the commercial farming, introducing new techniques and scientific advances to the rice production and processing, developing the infrastructure needed for rice production and struggle against natural disasters, reducing the proportion of peasants to the population in order to accumulate the land, and beefing up the rice processing industry ■