

In 2005, Vietnam exported 5.2 million tonnes of rice earning US\$1,274 million, making an increase of 35.8% in terms of quantity and 58.6% in terms of value as compared with 2004. The reserve of rice still amounted to 285,000 tonnes. This was an important achievement by the Vietnamese Association of Food and a sign of progress in the rice export business. In the long term, however, this business will face many challenges in terms of sources of supply, rice processing and product quality.

1. Better quality for rice for export

In 2004, Vietnam produced 36 million tonnes of paddy (unmilled rice) and exported 4,059 million tones of milled rice. Particularly, it was the first time Vietnam exported 100,000 tonnes of scented rice. This could be considered as a success for the rice export business but many experts were of the opinion that the rice from Vietnam would meet with difficulties in entering into such demanding markets as the EU, South Korea and Japan. The situation would be worse when Vietnam has to carry out AFTA requirements as from 2006.

In 2005, the Mekong Delta supplied the best part of rice for export. An Giang was the biggest supplier there (its rice output reaches some three million tonnes a year) and the volume it exports increases over years: from some 300,000 tonnes in 2002 to 655,000 tonnes in 2005. An Giang authorities are building the brand name for its Phú Tân rice by growing this rice strain on 35,000 hectares.

This improvement came from efforts made by the local government to introduce and perfect new farming techniques, encourage peasants to grow cash crops, supply new strains of better quality and improve the productivity.

Many producers, with support

Brand Building As an Important Factor to Export of Rice

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from local authorities, have developed a close connection of all stages of their production process, from ensuring the supply of rice to packing for export. The most typical is the Sông Hậu State Farm in Ô Môn District (Hậu Giang Province). Established in 1979 on an area of 7,000 hectares, this state farm has built irrigation system, electric grid and rice processing factories. To improve its rice output and quality, the farm has built cooperation with peasant families, agricultural cooperatives, universities and research centers to ensure good strains and technical assistance for peasants. The rice output from peasants in the farm constitutes a reliable supply of rice for processing factories and export department. The farm authorities has grown 5,000 hectares of good rice strains, such as IR 64, VND 95-20, OM 1490, and most recently, Jasmine 85. Its rice under

the brand name of SOHAFARM has won trust from many foreign importers. Generally, its success is based on a firm foundation: Its peasants only use certified strains of rice (supplied by the farm); the IPM measures are applied strictly; rice is dried by 40 rice drying factories in the farm thereby reducing damage after harvest. These practices ensure high and consistent quality for its rice for export. However, only a few rice trading companies in the Mekong Delta adopt the model developed by this farm.

According to the An Giang Service of Agriculture and Rural Development, the rice export business in Vietnam still contains many shortcomings:

- Many peasants are not aware of importance of new and high-quality strains to their business.

- Peasants are ready to sell their

output to any trader while small traders ready to buy rice regardless of strain or consistency; and both of them pay no attention to brand names.

- The shortage of warehouse and the lack of a policy to purchase rice from individual peasants are widespread.

- Local authorities are not interested in information about markets for scented, specialty and sticky rice – three rice strains of strategic importance.

2. Modernization of agricultural production

The fast urbanization and improvements in living standard have taken place in Vietnam in recent years, which made people consume less and less rice and more other processed food. Supermarkets supply more and more food of various kinds and the amount of rice and other foods sold at small marketplaces reduce remarkably, which makes habit of producing rice from small areas of individual peasants obsolete.

Most rice trading companies are ready to buy rice from any peasants who agree to sell their produce at low prices and most peasants sell rice to small traders instead of trading companies. In short, there is no mutual trust and cooperating relation between peasants and rice trading companies while the market demands rice of high quality and most competitive prices.

Facing such a situation, the government had better adopt new policies to help peasants to make intensive cash rice crop at a large scale and a long-term basis. If rice is well processed and stored, its selling price can increase by US\$30 per tonne; and the export business can earn US\$200 million more when exporting some five million tones as they did in 2005. With this extra income, exporters can install some 3,000 drying works with a total capacity of 300,000 tonnes a day,

which can dry the whole output of rice from the Mekong Delta all year round. Lacking such a rice drying business, the Vietnamese rice will be less competitive on foreign markets than the Thai one.

Provincial governments had better cooperate with rice exporters to develop concentrated areas of high-quality rice as the first step to the building of brand names for exported rice.

3. Brand names for exported rice

Brand names make customers feel sure about the quality of products they buy even the first time they decide to use that product. That is why the building of brand names for rice from the Mekong Delta is important to the task of attracting investments to this region. To build brand names when rice is produced privately at a small scale requires a legal infrastructure and specific contents of high feasibility. This task also requires cooperation between peasants, business circles, scientists and local authorities in which authorities should play an active role in encouraging the rice production at larger scales.

In addition, the building of brand names should be linked with improvements in production lines in processing factories as an effort to enhance the product quality, otherwise the brand name would never come into existence. In fact, many kinds of scented rice from Vietnam are sold on foreign markets under brand names built by foreign companies. Since the 1990s, the rice from Cần Thơ has been exported by foreign –invested companies under the brand name of ARI at a price of some US\$300 per tonne, while local companies could only export rice of the same quality at US\$200 per tonne at most, or even couldn't export it at all.

Rice with good brand name always has some advantages on the

market. Until recently, about one million tones of rice from the Sông Hậu State Farm with the brand name of SOHAFARM and the slogan "a sticky grain for your happiness" has been exported to many countries. Although it is only two or three dollars per tonne dearer than rice with no brand name, no customer has ever complained about its quality – a problem familiar to many rice exporters. Other problems with the rice quality are the uneven size of grain of the same strain of rice, and difference in quality between rice of the same strain but grown in the spring or autumn crops. In fact, the Vietnamese rice on the international market is usually sold at prices that are from US\$60 to 65 lower than the one paid to Thai rice because of its poorer quality. The brand name can make great difference to the business performance. The HCMC-based Minh Cát Company decided to build the brand name of Kim Kê for its processed rice in 2004 and aim at the local market. At present, it supplies some 150 tonnes of rice under this brand name to the market and its customer base includes some 15,000 families. In Tiền Giang, a company has registered a brand name for its safe and high-quality rice (eco-friendly and free from surplus of chemicals).

Thus, in building the brand names for specialty rice, such as An Giang, Hải Hậu and Tám Xoan scented rice, the Government should facilitate procedures for registering and protecting brand names (at present, there are only three brand names: Kim Kê, Me Kong Garden and Sohafarm). To improve the competitiveness of the local rice, the agricultural authorities should carry out three measures: introducing new strains with good scent and high protein content; developing the production of new strains and perfecting post-harvest techniques ■