

FOR A BETTER EFFICIENCY IN RICE PRODUCTION, PROCESSING AND DISTRIBUTION IN THE MEKONG DELTA

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1. Situation

Up till now, agriculture still plays an important role in the economy and serves as a basis for industrialization and modernization in Vietnam. The Southeast Asian country has become one of leading exporters of rice and at the same time ensuring the national food safety. In rice production, the Mekong Delta plays the most important role. Of the natural area of 3.96 million hectares, the farming area in the Delta is 3.21 million hectares and the rice area is some 1.85 million hectares. Annual rice output from the Delta is over 20 million tonnes accounting for 52% of the national rice output and some 90% of rice export.

To integrate more fully into the world market, Vietnam's farm products, and rice in particular, should reach international standard in order to become more competitive. To achieve this aim, producers must improve the economic efficiency in production, processing and distribution, in order to compete against regional exporters and enter into demanding markets where standards of prod-

uct quality are higher.

At present, however, the rice production, processing and distribution in the Delta suffer a lot of difficulties and shortcomings. The following are some of them.

a. In rice production: Because of its small scale, the production cost is high while productivity and quality are low. Some causes of this situation are as follows:

- Lack of high-yield, high- quality, disease- resistant and well-adjusted strains of rice.
- Risks caused by bad weather and diseases.
- Peasants, because of their low educational level and shortage of capital, can't do the rice farming at a large scale and in an organized way based on mechanization in order to produce rice of high quality and large quantity at the right time and competitive price as required by the market.
- Public investment in the Delta is low and ineffective although the Delta is essential to the national rice output and food safety.

Table 1: Rice production in the Mekong Delta in 2004 - 2008

Indicator	Unit	2004	2005	2006	2007	2008
Rice area - Year-on-year growth rate	1,000 ha %	3,809.4	3,825.3 0.42	3,772.9 -1.38	3,678.3 -2.5	4,100.4 11.47
Average rice yield - Year-on-year growth rate	Tonne/ha %	4.9	5.0 2.04	4.8 -4.00	5.1 6.25	5.0 -1.96
Rice output - Year-on-year growth rate	1,000 tonne %	18,517	19,289 4.17	18,199 -5.65	18,735 2.94	20,502 9.43

Source: Mekong Delta Rice Institute

The Table 1 shows that the rice in those five years varies from 4.8 to 5.1 tonnes per hectare. The rice yield didn't increase or only increased slightly, and in 2006 and 2008, it even fell in comparison with the previous year. This means that peasants lacked high-yield, high-quality, disease-resistant strains of rice, and application of technical advances to the rice production was much limited.

The rice output in 2008 increased by 9.43% (1.77 million tones) over 2007 because of increases in the farming area. The main reason is the fact that the price of rice on the world market in early 2008 rose very high – up to US\$1,100 a ton at some point – which encouraged peasants to grow three crops a year instead of two.

b. Rice processing and preservation: At present, most rice mills in the Delta are small and employ old machines, and particularly, they lack well-ventilated warehouses and facilities for drying the rice.

In 2008, the rice output reached its record level – over 38.6 million tonnes – and 20.5 million tonnes of which were from the Mekong Delta. Rice silos in this Delta, however, can store only 800,000 tonnes. And as a result, the rice, after harvest, went moldy because of rain, and lack of drying yards or kilns. Many peasants couldn't sell their produce or had to sell it at lower prices. Rice wholesalers suffered the same fate. The lack of warehouses also forced them to sell off their stock to pay bank interest.

c. Rice distribution: In the common distribution network in the Mekong Delta, peasants sell the better part of their output after retaining some part as food and seeds for the next crop. They sell their rice to small traders and rice processing companies, but the best part is sold to small traders because these traders go buying rice door-to-door and require no contract or invoice. In return for their service, peasants have to sell the rice at a lower price.

Rice processing companies also open purchasing points and offer door-to-door service, but their personnel can't compete against small traders in this respect. Thus, these traders play an important role in the rice distribution in the Mekong Delta. They buy directly from peasants and sell it to rice processing companies and rice mills. From these concerns, the rice comes into the domestic

market through wholesalers and retailers and into foreign markets through exporters.

2. Measures to enhance the efficiency in rice production, processing and distribution in the Mekong Delta

a. Rice production:

- More public investment should be put in institutes and research centers specializing in rice strain development to produce high-yield, high-quality, disease-resistant strains that suit various ecosystems.

- New policies must be adopted to encourage private researches on rice strains. For the time being, institutes and research centers should cooperate with provincial departments of agriculture and rural development and seeds suppliers to multiply new strains, and produce and supply pre-basic; basic; and certified seeds to specialized zones developed by rice exporting companies.

- Provincial agricultural authorities should multiply model of cooperatives producing certified seeds and give incentives to such cooperatives by, for example, supplying basic seeds, giving courses in technical advances, and providing low-interest loans, etc.

- Developing zones specializing in producing commercial rice at large scale, thereby ensuring the rice of high and identical quality in large quantities for processing companies and improvement in quality of processed rice.

- Capacity of the system of transferring technologies must be beefed up. Roles of agricultural extension agencies at district level must be enhanced to disseminate technical advances among peasants. Programs to enhance skills for officials of district agricultural extension agencies must be carried out regularly.

- Researches with peasants' participation: All researches must grow out the market demand. Encouraging the peasants, by giving incentives for example, to take part in research and technology transfer projects is the most effective way to disseminate technical advances in rural areas. Peasants can help scientists find right directions for their researches because the peasants know what they need most. That is why connection between peasants and researchers is much needed. Companies can also take part in the technology transfer and act as a bridge between peasants and

scientists.

b. Rice processing and storing:

Systems of standardized silos and warehouses can increase the market value of the rice, allow the processing companies to sell their output at higher prices and take a proactive approach to rice distribution and export. High profit of rice processing companies, in its turn, can encourage peasants to invest more money and labor in the rice production.

Most rice mills in the Mekong Delta today are small and employ obsolete machines and technologies. Shortage of capital prevents them from modernizing their production lines. Thus, the provincial authorities must make plan to provide them with long-term and low-interest loans, and encourage both local and foreign companies to build modern rice mills with a view to enhancing the rice quality.

At present, silos in the Delta can store some 800,000 tonnes and warehouses run by local companies can store no more than two million tonnes while the demand is some four million tonnes. The rice quality is decisive factor of the pricing. According to Prof. Võ Tòng Xuân, the world's leading exporters of rice persuade their customers by ensuring the highest quality; applying safe farming techniques; managing strictly the harvest, transport and storing; ensuring food safety standards when processing and packaging the rice; and even printing nutrients on the package. Thus, the building of silos and warehouses of international standard is a matter of urgency now because it helps enhance the price and value of the rice.

In 2008 the rice price on the world market at some point rose to US\$1,200 a ton (because of bad harvest in some rice producing countries) and fell to US\$400 (due to good harvests), that is, the difference may be very wide. If Vietnamese exporters have no silo, they are forced to sell the rice right after processing whether the price is high or not, otherwise the rice quality falls. To build such silos, support from the government is much needed. Public investment can be given to state-owned food corporations to help them build a system of silos in the Delta with a total capacity of some one million tonnes. Moreover, provincial governments can encourage companies to build such silos by offering low-interest loans for example.

c. Rice distribution:

To help the Mekong Delta compete successfully against Thailand as leading exporters of rice in Southeast Asia, the rice quality must be enhanced by paying more attention to the quality control in all stages from production to processing and storing, along with the building of brand name for Mekong Delta rice. The Thai rice can be sold at higher prices because of its high and even quality (in terms of color, feel, dryness, etc.). To produce such rice, Vietnam should have good strains of rice, kilns to make it dry, warehouse to store it for months and modern factories to process it properly.

Realities show that the biggest difficulty in building the brand name is the small-scale production that leads to the rice output of uneven quality. To build the brand name for the Mekong Delta rice, the first thing to do is to organize the rice production at a large scale in order to produce rice of high, stable and consistent quality because the brand name must be associated with the quality. According to Prof., Dr. Bùi Chí Bửu, small traders acting as intermediaries between peasants and companies usually buy rice without dividing it according to its strains with the result that the rice exported under the brand "gạo trắng Việt Nam" (Vietnamese white rice). Compared with the Thai rice, the Vietnamese one is from US\$20 to 40 lower for a ton. To deal with this shortcoming, the processing companies should buy the rice directly from peasants through contracts to sell, cutting the intermediaries, in order to ensure the same strain for their raw materials. Prof. Bùi also says that Vietnam should enhance the product quality remarkably and build brand names for its rice.

To develop large rice-producing zones, cooperation between provinces in the Delta and between four participants (government, scientist, businessperson and peasant) is very necessary. Roles of these participants are as follows:

- Government: The Government had better zone areas for rice production in the whole Delta and each province, and adopt policies to link the rice production with the national food safety and higher income for peasants. More public investment must be put in the infrastructure (especially irrigation system), supply of market information, development of new rice strains, and supply of low-interest loans to peasants and rice trading

companies.

- Scientists: They should try their best to develop high-yield, high- quality, disease- resistant strains that suit various ecosystems; and work out measures to cut production cost, improve rice yield and quality, and transfer technical advances to peasants.

- Businesspersons: This group comprises suppliers of raw materials and processing and trading companies. they can cooperate with local governments and scientists to help peasants to produce rice of right quality and quantity and sign contracts to sell with peasants. This effort can ensure the supply of high-quality rice as raw materials for their concerns, thereby achieving a sustainable development, reducing risks and facilitating the building of brand names.

- Peasants: They should apply new techniques, produce the rice as required by the market and businesspersons, and cooperate with businesspersons by entering into contracts to sell.

with the export volume in the past three years varied from 4.50 to 4.75 million tonnes.

Thus, improvements in the efficiency of rice production, processing and distribution in the Mekong Delta are very important to the effort to raise peasants' living standard, ensure the national food safety and accelerate the modernization and industrialization. Achieving these aim means carrying out successfully the Resolution 7 of the VCP Central Committee of the 10th term on agriculture, rural areas and peasants■

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Table 2: Quantity and value of rice export in 2004 – 2008

Indicator	Unit	2004	2005	2006	2007	2008
Quantity	1,000 tonnes					
- Year-on-year growth rate	%	4.055	5,202 28.28	4,749 -8.71	4,500 -5.24	4,742 5.37
Export value	US\$ million					
- Year-on-year growth rate	%	941	1,399 48.67	1,306 -6.65	1,454 11.33	2,894 99.04

Source: General Statistics Office

The Table 2 shows that the earnings from rice export in 2008 was very high - US\$2,894 million, almost twice as much as the 2007 value (increasing by 99.04%). This increase was due to higher export prices (the average price in 2008 was US\$610 per tonne compared with 323 in 2007)

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