

# EXPORT OF RICE FROM VIETNAM

by LÊ NGỌC UYÊN

Since 1989 Vietnam has engaged in rice trading in the world market and the rice export from Vietnam has increased steadily from then on.

because of good harvests in many countries. In spite of its rank as the world's second largest exporter of rice, the better part of rice exported by Vietnam is of low quality. In a ship-

passed the planned target (32 million tonnes) reaching 33.87 million tonnes. This increase was due to right policies adopted by the Government and effort made by rice trading companies (improvements in methods of purchasing rice from peasants, processing rice for export, marketing their services and goods, signing new contracts, cooperating with one another in expanding export markets, etc.). In this year, the rice export rose to 4.5 million tonnes as compared with 3.8 million tonnes in 1998. Earnings from rice export, however, only reached some US\$1,080 million (lower than in 1998) because the lower world market demand made the price to fall drastically. In 1999, Vietnam could have exported rice in the first months of the year because the winter-spring crop of 1999 was harvested one month earlier and the rice reserve in 1998 was large, but Decision 250/1998 issued on Dec. 24, 1998 set an 1-million-tonne limit on rice export by each province and company in the first quarter of the year. This limit wasn't removed until March 18, 1999 when Official Letter No. 275/CP - KHTH was issued by the PM Office. And as a result, the volume of rice export in the first two months of 1999 only reached 423,000 tonnes, equaling 54.16% of the rice export in the same period of 1998. In this year, Vietnam couldn't export more rice when the price was high and ironically, the rice export was promoted when the price fell. This means that export authorities had no ability to analyze business opportunities and trends of the market demand and supply in order to make right and wise decisions.

The most remarkable fact in the rice export business in 1999 was a change in the mechanism for controlling the rice export: quotas were distributed at the beginning of the year, more companies were allowed to export rice, soft loans were supplied to rice trading companies, all companies were encouraged to find new buyers and markets, export duty on rice was removed, etc. Although the price of exported rice fell from US\$270 per tonne in 1998 to 220 in 1999, the buying price offered to

Table 1: Vietnam's Rice Export in 1989-2000

Year	Rice export (million tonnes)	Earnings (US\$1,000)	Average price (US\$/tonne)
1989	1.420	310,249	204
1990	1.624	275,390	187.5
1991	1.033	229,875	220.9
1992	1.950	405,132	214.6
1993	1.946	335,651	210
1994	1.983	420,861	214
1995	1.988	538,838	257
1996	3.003	868,417	205
1997	3.553	891,342	242
1998	3.793	1,016,000	268
1999	4.550	1,012,000	217.6
2000	3.55	659,824	

Source: Statistical Yearbooks from 1990 to 1999

From 1996 on, Vietnam has become the world's second largest exporter of rice but the earnings from rice export hasn't increased accordingly because the price of rice from Vietnam was low as compared with rice exported from neighboring countries. The average price of Vietnamese rice varies from US\$210 to 220 per tonne, from US\$15 to 20 lower than Thailand's, from US\$10 to 12 lower than Pakistan's and India's, equaling 61-63% of the price of American rice and 21-23% of the price of Japanese rice. Main reasons of this low price are the poor product quality (poor strains of rice, obsolete post-harvest techniques), lack of a strategy to export rice in large quantities and failure to export directly to end users (65% of rice export are sold to intermediaries).

In 1996, Vietnam enjoyed good harvest in spite of serious natural disasters and exported 3.2 million tonnes of rice, a record quantity then, but the world price of rice fell

ment of rice, there are usually various kinds of rice. In 1997, its rice export rose by 18% but the earnings made no increase. In 1998, Vietnam exported some 3.8 million tonnes of rice and earned US\$1.1 billion at an average price of US\$268 per tonne.

In the 10-year period, from 1989 to 1998, Vietnam supplied some 22 million tonnes of rice to the world market, or 2.23 tonnes a year, and earned US\$5.4 billion, or US\$540 million a year. The product quality has been improved by degrees. In the first years of exporting rice, from 80% to 90% of the Vietnam rice contained some 25% of broken grain. This is why its price was low and unstable, varying from US\$204 per tonne in 1989 to 187 in 1990, 214 in 1992, 210 in 1993 and 218 in 1994. In the years 1995-98, difference in prices between Vietnamese and Thai rice fell from some US\$55 per tonne to US\$20-25.

In 1999, Vietnam suffered two historical floods, but its food output

peasants was kept at VND1,600 – 1,650 per kilo to save them from losses. The Government also spent VND80 billion helping rice trading companies buy in 1.5 million tonnes of rice and cut interest payments for 400,000 tonnes of rice for export for four months. In 1999, rice exporting companies found new buyers from Austria, Israel, Spain and UAE. These markets were small but promising.

In 2000, the Vietnam Food Association reported that the volume of rice export was 3,393,800 tonnes, reducing by 22% in term of quantity and 65.2% in term of earnings as compared with 1999 because the average price fell US\$40 per tonne and most rice-producing countries enjoyed good harvests. Of the volume of

out in Đồng Tháp Mười, Cà Mau and Sóc Trăng to increase the rice producing areas and output of rice for export. The supply-demand relation in the world market worked to Vietnam's advantage when India suffered natural disasters and exported less rice than in 1999 while the demand for rice by African, Middle East and South American countries rose because of drought and social unrest.

Besides these advantages, there are some obstacles to the export of rice by Vietnam in 2000. The demand for rice by such Asian countries as the Philippines, Bangladesh and Indonesia fell 1.7 – 2.8 million tonnes as compared with the last year while Thailand and China promoted their rice export. The prices of rice and foodstuff on the world market

of in such rice-producing provinces as An Giang, Đồng Tháp and Sóc Trăng.

The social problem of the greatest importance arising from this situation is the low income for rice-planting peasants because of the presence of too many intermediaries between them and foreign buyers. To promote the export of rice and raise the income for peasants, we suggest here the following solutions:

- The Government should take a more active role in supplying credit, expanding the markets, and distribute the quotas to competent companies. Financial, banking, agricultural and trading authorities should cooperate with one another in purchasing rice for reserve when the price falls; negotiating with foreign govern-



Vietnam's exported rice, 98.5% was white rice (from 5% to 25% of broken grain) and only 0.5% was wholegrain rice while only 19.3% of rice volume exported by Thailand was white rice. Export markets for Vietnam's rice, including Asian, African and Middle East countries, weren't stable. The Government supplied interest-free credits to rice trading companies with a view to helping them purchase one million tonne of rice and stabilize the market price.

Besides taking new measures to promote the rice export, the Government paid more attention to improvements in rice quality and processing techniques. Some 300,000 hectares in the Hồng Delta and one million hectares in the Mekong Delta were zoned for producing high-quality strains of rice for export. New techniques and machines were introduced. Irrigation works were carried

made no increase. According to the Ministry of Trade, the average price of Vietnam's exported rice fell from US\$224.7 per tonne in January 2000 to 174 per tonne in December 2000 (FOB price, 5%- broken- grain rice) and US\$153 per tonne (FOB, 25%- broken-grain rice). The purchase of rice was controlled by private traders with the result that the buying price offered to peasant was low while state-owned commercial banks couldn't supply more credits to rice trading companies.

Rice imported illegally through northern and southwestern borders was on the increase and illegal export of rice affected badly the supply-demand relation and the rice export. In addition facilities for storing and processing rice for export are still lacking and concentrated mainly in HCMC, Mỹ Tho and Cần Thơ instead

ments about repayment of debts in kind (rice and other farm products); and encouraging companies to open agencies in foreign countries and apply various practices of selling rice (delivery on deferred payment terms, bartering rice for other goods, etc.)

- Biotechnological advances should be applied with a view to providing new strains of rice of high quality and yield, and eco-friendly insecticides and fertilizers.

- More attention should be paid to the introduction of post-harvest techniques to peasants, purchase of rice from remote districts and marketing campaigns in foreign countries.

- Rice trading companies could enter long-term buying contracts with peasants in order to make them feel sure of their investment in the production of rice for export. ■