

Measures to Promote the Rice Processing Industry in Hậu Giang

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Hậu Giang is a purely agricultural province that was separated from Cần Thơ Province in early 2004. In 2005, its rice farming area is 87,510 hectares producing some 1.1 million tons.

Rice processing plays an important role in the agricultural production in Hậu Giang. At present, the installed capacity of this industry is some 4,500 tons per day, or 1,642,500 tons a year. This capacity is high enough to meet the local demand. In the industry, there are 410 private mills and 12 private companies of small and medium size (from 5 to 20 tons a day). These mills and factories distribute over vast areas to serve individual peasants or private rice traders. Some of

investments if Hậu Giang wants to be a leading supplier of rice for export.

Hậu Giang also lacks a network of warehouses and silos. The average storing capacity of a mill varies from 500 to 1,000 tons. This situation forces them to sell their produce even at lower prices, especially when they meet surplus after harvest times.

To secure capital needed for modernization, they can only rely on state-owned banks and meet with great difficulties because all banks demand security or mortgage (that is usually real estate, such as houses, factory building or warehouses).

To develop the rice processing industry in Hậu Giang in the coming years, I suggest the following measures.

Table 1: Capacity to process rice by district in Hậu Giang

District	Concern	Capacity (ton/day)
Vị Thanh Town	28	385
Phụng Hiệp	102	926
Long Mỹ	121	1,250
Vị Thủy	75	875
Châu Thành A	65	720
Châu Thành	31	344
Total	422	4,500

them also process rice for export.

Most of these mills are old and obsolete and need new investment. They usually use locally-made machines that have the same technical specifications as imported ones but their price equals some 60% or 70% of the one of foreign machines, so these mill can make rice for export. However, modernization is a must that requires big in-

vestments if Hậu Giang wants to be a leading supplier of rice for export.

(1) Banks should adopt new policies to supply more loans to rice mills on a more flexible basis. Besides requiring real estates as mortgage, banks could take machines as security, or help them enter hire-purchase plans. This is an effective way to provide the rice mills with long- and medium-term loans.

(2) The mills could enter contracts to by new machines with deferred payments. To achieve this aim, they should work out feasible business plans in order to prove their ability to repay debts. Sources for their repayment are from retained profit and amortization.

(3) Provincial government could establish a fund for small and medium

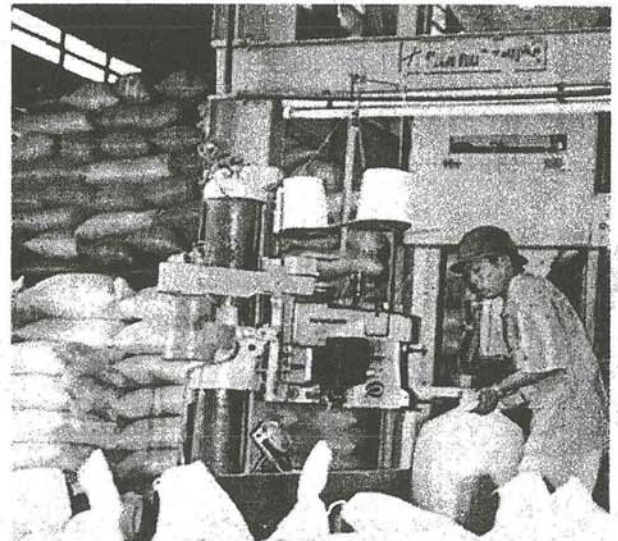


Photo by Huỳnh Thơ

enterprises to provide them with low-interest loans. At present, many companies are badly in need of support from programs to supply long- and medium-term loans.

(4) Facing the shortage of funds, the mill owners had better buy local machines and equipment because not all foreign machines are suitable for local conditions. For example, production lines given by the Danish Government to the Vị Thanh Rice Processing Factory couldn't work properly and require regular adjustment or repair. Moreover, imported machines cost a lot of money, which leads to poorer business performance.

(5) Local authorities could give incentives to new investments, such as offering low land rental

and low tax rates to rice processing companies operating in industrial parks built by the provincial government.

(6) Cooperating or forming joint ventures with foreign partners in order to get new machines and technology transferred.

(7) The provincial government should zone areas for rice growing with a view to securing supplies of high-quality rice. These specialized areas allow mill owners to buy rice in large quantities and of the same quality.

(8) Relevant authorities should make plan to give technical and management courses to workers and managers while rice processing companies should try to improve the income for laborers in order to make them more attached to the business. ■