

In HCMC, the Service of Trade and related municipal bodies have made a plan to develop exportation for the period from 1996 to 2000. In this plan, the structure of exports includes the following products (arranged in order of their priority):

- Clothing, garment, leather.
- Rice and other agricultural products (especially coffee, cashew nut, bean...)
- High-tech products assembled in Vietnam (electronic equipment, telecommunications equipment...)
- Handicrafts, metalwork...

In the above list, agricultural products came second. In my opinion, this list of priorities is appropriate to the development trend of an industrial city and to the changes in the structure of exports of HCMC in recent years.

Thus, to carry out the plan for exporting agricultural products means helping with realizing the export plan of HCMC.

In this article, we want to discuss main measures to find a source of agricultural products for export in HCMC.

1. Main measures to develop rice exportation

- As an industrial and commercial center, HCMC could secure a reliable source of supply of agricultural products by providing technical and scientific services to other provinces, especially ones in the Mekong Delta, with a view to forming areas specializing in producing agricultural products for export.

- To rearrange rice exporting companies in HCMC by dealing with the following matters:

- + Helping agricultural exporting companies solve their financial difficulties.

- + Making the best use of three existing rice mills: Saigon Satake, Cửu Long I and Cửu Long II of the HCMC Food Company.

They are modern rice mills of large scale: Saigon Satake was built in 1993, Cửu Long I and Cửu Long II were modernized in 1991. All of them can produce rice of high quality for export. Moreover, they are not far from the Saigon port, so they can play an important role in processing rice for export.

2. Measures to develop agricultural processing industry

HCMC is between two zones of agricultural production (the Mekong Delta and the Eastern South), so the

agricultural product processing industry in HCMC could be developed easily. Moreover, the development of this industry can encourage the market gardening to flourish and change the face of rural areas.

Agricultural production is seasonal, so in order to reduce waste during and after harvest, we should invest intensively in three businesses: milling grain, processing vegetables and canning fruit.

In this direction, the Government can allocate different tasks to HCMC and surrounding provinces. The following are our suggestions:

a. Southern provinces:

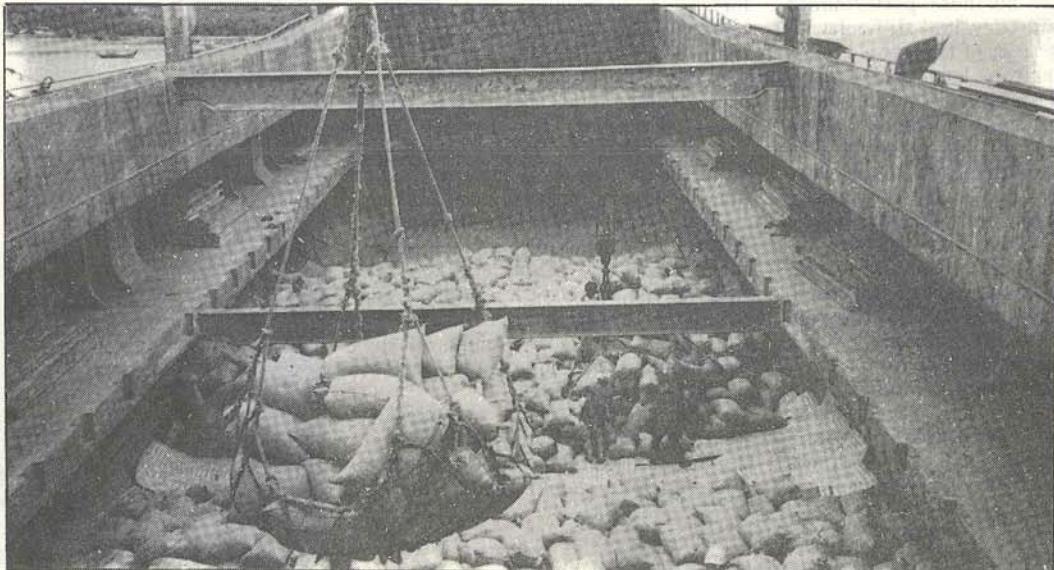
- Producing food and other agricultural products.

- Provinces in the delta have to establish factories to process agricultural products in the first stage before having them made into finished products in HCMC.

- Forming areas specializing in production of agricultural products for export (such as tea, coffee, cashew nut, black pepper, bean...) in Eastern South Vietnam and Central Highlands. Agricultural exporting companies in HCMC should invest in these areas with a view to securing reliable sources of supply.

ON MEASURES TO FIND A SOURCE OF AGRICULTURAL PRODUCTS FOR EXPORT IN HCMC

by NGUYỄN ĐÔNG PHONG



b. HCMC

- HCMC agro-industry could add value to products for export. They can undertake the task of making raw materials into finished products by taking the following measures:

- Modernizing concerns specializing in processing rice and vegetables in order to produce goods of high quality for export.

- Processing cashew nut, peanut, coffee bean... in order to produce confectionery, chocolate... for export.

- Canning vegetables and fruits (coconut, mango, longan, rambutan, mangosteen, durian, mushroom...)

3. Measures to create reliable sources of supply

- Forming close economic relation between HCMC and surrounding provinces.

- Forming close relation between exporters and producers: exporters could supply agricultural materials to producers in provinces and two parties exchange sale contract.

- Export companies, by their own capital or in cooperation with foreign partners, invest in producing agricultural products. This measure helps exporters secure a reliable source of supply and make market research beforehand.

- Upon the result of foreign market research, export companies can direct farmers in production. In carrying out this measure, export companies should study geographical and climatic conditions of provinces in order to ensure goods produced high quality and competitiveness.

4. Measures to support producers of agricultural products

As we know, prices in world markets have great effects on prices in domestic market. An decrease in prices in foreign markets could make prices in domestic market decrease dramatically, even lower than the production costs. This situation will force producers to change their crops or produce other goods of higher prices. Therefore, in order to ensure a reliable source of supply, there must be a plan to give price support to producers of agricultural products for export. The support payment could be paid to producers if market price fall

below the support price. A price supporting fund could be raised, not from the public treasury, but from profits of export companies.

In Vietnam, in order to support farmers, the decision No 151/TTg made by the Prime Minister on April 12, 1993 regulated the source of money allocated to the fund and mechanism for using the price stabilization fund. From then on, the fund had produced certain effects which helped export companies feel assured of their business. From this result, we suggest the following measures:

- To raise income for the price stabilization fund by forcing all export companies to pay a surtax (at a percentage of difference between cost of goods exported and selling price on

nies usually go short of capital, including two leading companies in HCMC: Imexco and HCMC Food Company.

This situation makes difficulties for exportation of agricultural products, and export business in HCMC in general. In fact, after receiving L/C from foreign buyers, Vietnam export companies should mortgage it to the bank in order to have money needed for purchasing goods from farmers. So these companies can't invest intensively in production of goods for export or secure a reliable source of supply. The following are our suggested measures to deal with this situation:

- To reorganize state export companies into a Saigon Trading Corporation:

The Government had better invest intensively in this corporation in order to help it develop business and play the leading role in exportation of agricultural products. With help from this corporation, agricultural companies could purchase and stock goods for export.

- To encourage banks, in their renovation process, to supply loans to purchaser of agricultural products for export.

At present, Vietcombank is ready to supply loans to companies purchasing goods for export. This bank didn't require an L/C as a security and it agrees to lend money to companies who have familiar foreign customers and marketable products for export.

- Banks are suggested to accept L/C with red clause in order to help companies purchase goods for export.

- Banks could supply soft loans to companies that have made plans to invest in areas specializing in production of goods for export.

- In the long run, equitization of state companies is also a measure to attract dead money from the people.

What mentioned above are main measures to form reliable sources of supply of goods for export. They can help export companies increase their turnover and competitiveness in world markets.

Reference materials

- Nguyễn Tiến Thỏa, *Chiến lược giá bảo hộ nông phẩm* (The Strategy for Giving Price Support to Farmers), 1992.

- Government Pricing Committee, *Quỹ bình ổn giá* (the Price Stabilization Fund)



the export contract).

- To impose a surtax on super-profit (earned by a sudden increase in prices in the world markets): This surtax should be fixed reasonably and stabilized during a year. So the Government Pricing Committee and related bodies should forecast changes in market prices in the world in order to fix this surtax.

- To use the price stabilization fund to finance export companies in purchasing and storing agricultural products for export when the world market prices fall below the production cost. In HCMC, it's well known that there is a plan to stock some 40,000 tonnes of rice for export and domestic consumption. The rice stabilization fund will pay the interest on the working capital used for stocking this amount of rice.

- When the income received by the fund is big enough, it could be used for supplying soft loans to farmers producing goods for export.

5. Measures to secure capital for agricultural export companies

Most agricultural export compa-