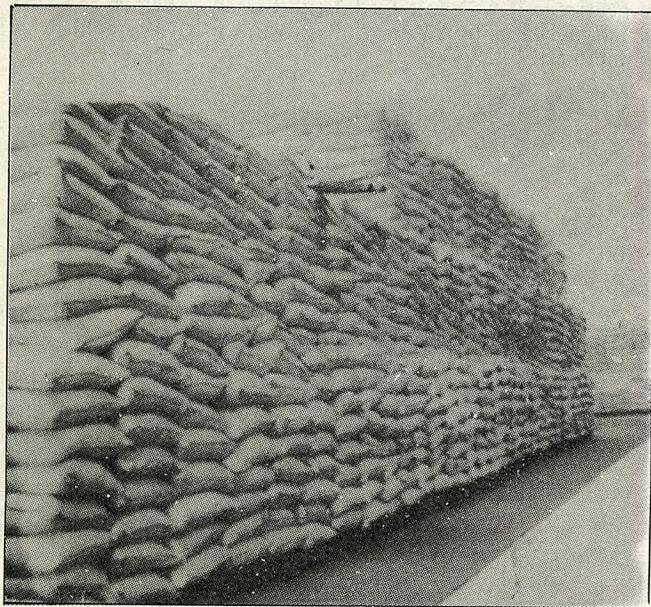


VIETNAM'S EXPORTATION OF RICE REALITY AND PERSPECTIVE

by BÙI THÁI LANG



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e can say that, at present and immediate future, rice is second only to oil as the biggest exported product of Vietnam. It has brought us in a large amount of foreign currency, consumed most of surplus amount of rice and had good effects on living standard and economic development in rural areas.

Up to now, although Vietnam is the third biggest exporter of the world, but this business isn't well organized, therefore its export turnover is low, and the peasants' income can't bear comparison with their counterparts in neighboring countries.

Therefore, studying the reality and perspective of Vietnam rice exportation, thereby developing this business is a necessary work in order to improve peasant's living standard, defeat poverty and danger of falling behind in our country.

I. VIETNAM'S RICE EXPORTATION IN THE PAST 6 YEARS

1. Quantity

Year	Quantity (tonne)			Export turnover
	World	Việt Nam	market share (%)	
1989	14,000,000	1,372,439	9.80	310,139,000 USD
1990	13,700,000	1,428,077	10.42	274,521,000 USD
1991	12,699,000	1,010,000	7.95	230,479,000 USD
1992	13,100,000	1,950,000	14.90	405,131,000 USD
1993	13,800,000	1,661,549	12.04	335,051,407 USD
1994	14,500,000	2,000,000 (estimated)	13.80	410,000,000 USD
Total	81.799.000	9.422.065	11.50	1.965.321.407 USD

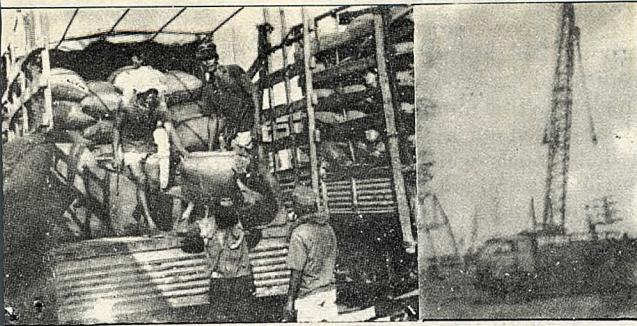
Thus, in the past 6 years, Vietnam exported 9.42 million tonnes of rice, occupied 11.5% of the world market, gained nearly US\$ 2 billion, not to mention around 100,000 tonnes sold over Kampuchean and Chinese borderlines every year.

The amount of exported rice in 1991 was lower than two previous years because of natural disasters. In 1992, in spite of flood in the South and typhoon in the North and Central Vietnam, our exportation is estimated at 2 million tonnes.

2. Quality

The quality of Vietnam rice for export is raised year after year and it is coming closer to the international standards required. This could be seen through the percentage of various kinds of rice exported by Vietnam recently:

Category	1989	1990	1991	1992	1993	1994 (estimated)
5- 15% broken grain	0.30	22.20	39.00	52.30	67.00	74.00
20-25%	7.30	22.20	34.40	16.60	21.40	15.00
30-35%	87.20	50.60	19.60	25.40	7.60	7.00
45% and over	5.20	5.00	7.00	5.70	4.00	4.00
	100.00	100.00	100.00	100.00	100.00	100.00



cy. Therefore, although the quantity of our rice exportation is bigger and bigger, but the turnover becomes smaller and smaller:

	1991	1992	1993	1994
Percentage of first class rice (broken grain: 5%-15%) in total rice exports	39%	52,30%	67%	(estimated) 68%
Average price (US\$ / tonne)	229,30	207,80	201,65	205,00

The quality of rice was enhanced because a lot of attention have been paid to improvement in selecting seed, planting, threshing, processing, sorting, polishing... by farmers, enterprises and local authorities at various levels.

In many localities, lots of farming land have been planned to plant rice for export, seeds suitable to foreign market demand have been selected, and many programs to produce and process high-quality rice are being carried out.

However, there are many weaknesses in the quality of Vietnam rice for export:

- It's not uniform in whiteness.
- The percentage of paddy is high (around 30 or 35 grains per kg) along with other substances.
- Summer-Autumn rice has got high humidity (from 14.5 to 15.5)
- The percentage of unripe grain is high and different between lots.
- The percentage of rotten or discolored grain is usually high in rainy season.
- The percentage of breakage is uniform.

And there are many problems with packaging, loading and unloading, and maintenance:

- The quality of jute bag isn't uniform: it's not closely-woven, its threads can snap easily, its stitches are loose. In loading and unloading, hooks of dockworkers usually tear the bags.

- The dockworkers didn't know how to load rice bags onto a ship in order to keep them well ventilated and free from dirt.

3. Market and businessperson

The biggest markets for rice in the past 6 years are African and Asian countries (consuming between 70% and 90% of our exported rice). The Middle East countries consumed 7.2%. They are also the markets for rice from Thailand. Up to now, we can say that wherever Thailand rice goes, Vietnam rice can also finds its way there, directly or indirectly.

Makets for Vietnam rice

Market	1990	1991	1992	1993	1994
Asia	37.00	37.00	25.00	29.00	29.00
Western hemisphere	9.60	30.00	19.00	23.20	23.20
Africa	34.00	27.00	42.20	26.60	26.60
Middle East	10.50	2.00	6.40	13.70	13.70
Europe	8.90	4.00	7.40	7.50	7.50
	100.00	100.00	100.00	100.00	100.00

4. Price

The rice price in the world markets fluctuated continuously in the past 6 years. It showed a downward tendency.

The difference in price between Vietnam and Thailand exported rice has become smaller and smaller. Thailand price is US\$ 100 / tonne, higher than Vietnam one in 1989. This difference is only between US\$ 50 and 60 per tonne for the first class rice now and between US\$ 20 and 30 for ordinary rice (according to a source of information from Thailand and the USA).

The decrease of difference between Vietnam and Thailand rice price resulted from a lot of improvements done in Vietnam:

- The quality and species of Vietnam rice have been made more suitable to foreign market demand and customer's taste.
- The equipment of threshing and processing factories was improved.
- Loading capacity is higher.
- Machinery of marketing and management became better.

However, the difference in price between Vietnam and Thailand exported rice is still big, and we need more improvements.

5. Settlement

In 1989, we exported rice to barter for other goods or to pay debts, only 19.34% of our rice exports was paid by L/C and brought us in US\$ 60 million. From then on, the way of settlement has changed a lot:

Way of settlement	1990	1991	1992	1993	1994 (estimated)
L/C	57.40%	73.50%	76.30%	80.00%	80.00%
TTR	9.10%	4.50%	1.50%	1.50%	1.50%
Barter	17.00%	18.00%	13.70%	6.00%	6.00%
Paying debt	16.50%	4.00%	8.50%	12.50%	12.50%
	100.00%	100.00%	100.00%	100.00%	100.00%

Thus, after 1990, L/C has become the main way of settlement. However bartering is still occupying a big percentage, because there are many problems with our markets, customers and prices. In many cases, rice exporters had to accept this way of settlement in order to find a niche in the world market.

II. PERSPECTIVE OF VIETNAM RICE EXPORTATION

Vietnam rice exportation depends on domestic production and consumption.

1. Rice production

According to statistics on productivity, farming area and rice output in Vietnam from 1989 till now, and basing on rate of investment and application of new techniques to agriculture, we can hope that from 1995 to 2000, rice output

will increase by 3.1% per year (the percentage we achieved now is 2.9% with total rice production in 1994 of 25.70 million tonnes according to experts' estimate).

2. Demand for rice in domestic market

+ **Food:** It is estimated that, from 1995 to 2000, if the program of family planning is carried out well, the birth rate will be 1.8% (instead of 2.04% at present), and the amount of foodstuff per capita will be 250 kg per year. Thus, Vietnam population in 2000 will be around 80 million and this population will consume 20.15 million tonnes of rice.

+ **Waste:** According to calculation of Vietnam Food Company, National Institute of Agriculture and a FAO survey, the waste of rice during and after harvest was around 15%.

But not all waste is lost, a large part of it becomes food for domestic animals. Thus, the waste of rice in transporting, threshing and maintaining is around 5%.

+ **Food for domestic animals:** rice as food for animals occupies around 12% of gross rice production (5.5% is by-product obtained from food processing, other 6.5% is food of various kinds).

+ **Rice as raw materials for food processing business:** This business (distillery, confectionery...) consumes around 2.15%.

+ **Seed for next crop:** 2.2%

3. Estimating demand for rice in the world markets

According to a FAO's report, from now till 2000, rice trading will increase by 3% per year. It's due to good results of Uruguay Round with its agreement signed on Dec 15, 1993. According to this agreement, Japan and South Korea will lift their bans on the import of rice. FAO's specialists estimated that the demand of Japan market would increase and push up the rice price in the world markets.

The report said that rice was used as the main food in 39 countries. The world's rice production could increase by 2% per year and reach 409 million tonnes in 2000, while the demand for rice could also rise by 2% and reach around 408 million tonnes in 2000. Rice trading in the world could increase by 3% per year and from now till 2000, 17.10 million tonnes of rice would be traded.

At present and the near future, Thailand will stay the biggest rice exporter, the second is Vietnam, the next is the USA. In the near future, Bangladesh can become a rice exporter.

4. Vietnam potential for exporting rice in the near future

Basing on above-mentioned analyses, we can estimate the potential for exporting rice from now till 2000:

Our potential could be higher because of the following factors:

- Our yield of rice is still low. The yield per ha in 1992 was 3.334 tonnes, in 1993: 3.429 tonnes. This yield ranks ninth in 20 countries in Pacific Asian region. This yield could be improved if we invest more money in seed selecting, irrigation, fertilizer, insecticide and taking measures to

encourage the agriculture.

- Rice consumption per capita in Vietnam is rather high (around 250 kg per year), whereas in nations who are traditional exporters of rice such as the USA, Myanmar, Thailand... this number varies from 125 to 150 kg per capita a year. When our living standard is improved, the structure of daily meals will change: more protein, fat and other nutrients and less rice. The rice consumption will reduce to 180 or 220 kg at most per capita per year.

In short, exportation of rice is the outstanding feature of our economic development in the past 6 years. In this business, we have reaped a lot of experience of management and trading in rice. However, there are many weaknesses and problems that we have to solve in order to develop this business. The main problems are as follows:

- Looking for markets in foreign countries.

- Investing in producing, processing, purchasing, transporting, loading... in order to fulfil requirements of foreign customers.

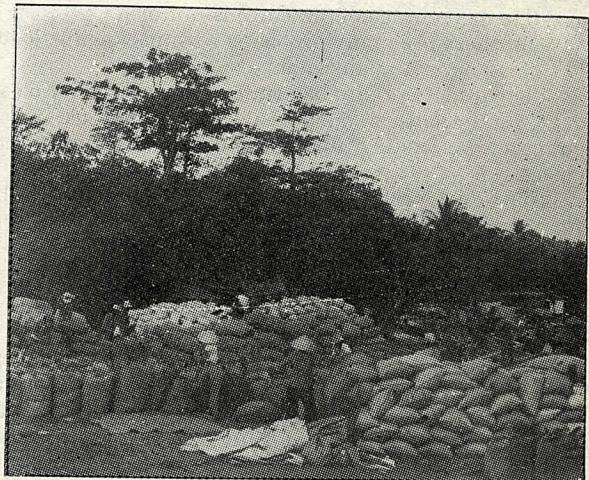
- Improving the government's managing mechanism in forming big export companies, controlling exporting by strict quotas, fixing price of rice for export, combining the activities of Ministries of Trade, Finance and the State Bank, the Customs ♣

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(unit: 1,000 tonnes)

Year	Rice production	Waste after harvest	Consumption				For export	
			Food	Husbandry	Seed	For Processing	Paddy	Rice
1995	26.500	1.325	18.296	1.736	1.376	570	3.197	2.078
1996	27.300	1.365	18.640	1.792	1.421	589	3.493	2.270
1997	28.100	1.405	18.982	1.848	1.65	607	3.793	2.465
1998	28.900	1.445	19.325	1.904	1.510	626	4.090	2.658
1999	29.700	1.485	19.66	1.960	1.554	644	4.396	2.857
2000	30.600	1.530	20.153	2.023	1.640	665	4.589	2.982