

# RAISING EFFICIENCY OF VIETNAM'S RICE EXPORTATION



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After six years, from 1989 to 1994, Vietnam exported 9,442,065 tonnes of rice and earned US\$1,976,182,778. Vietnam rice exports became larger and larger and we can say that Vietnam rice has gained a foothold in the world market and its foothold is consolidated step by step. Until now, although Vietnam is the world's third largest rice exporter but rice export turnover is still low and farmers' income is much lower than their counterparts in other countries.

## I. MAIN CAUSES OF LOW EFFICIENCY IN RICE EXPORTATION

Vietnam's exporting rice could be considered as an outstanding event in the past six years. From 1989, Vietnam, has changed from the world's 17th biggest importer into the third biggest exporter of rice. This progress came as a complete surprise to other countries and was considered as a miracle. But, however, the efficiency of rice exportation is low. Prices of Vietnam rice could be US\$20 to 40 lower than Thai rice, thus with 2 million tonnes of exported rice, we lost from US\$40 to 80 million.

The main cause is that we lack a strategy for product, a marketing strategy and a pricing strategy.

As for product, in our rice exports, over 99% was white rice (only 0.38% was of high quality). On the other hand, there are many weaknesses in the quality of Vietnam rice, such as: 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 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 high.

Causes of the low quality are: we haven't got high yield seed; processing, harvesting and storing are poor.

As for market, Vietnam became rice exporter in 1989 but the world market for rice has already been divided for a long time before, so we have to sell rice at a low price in order to find a foothold in this market.

Moreover, Vietnam hasn't got loyal and stable buyers, and lacks experience of marketing, so a large part of our exported rice was sold to middlepersons and prices were depressed.

As for prices, the following table will show difference in prices between Thailand and Vietnam rice.

Category Super rice White rice 5% broken White rice 15% broken White rice 35% broken

1992 Prices (US\$/tonne) Thailand 276 248 212 Vietnam 241 212 191

Difference US\$/tonne 35 36 21 % 12.68 14.50 10.00

1993 Prices (US\$/tonne) Thailand 247 216 189 Vietnam 206 184 167

Difference US\$/tonne 41 32 22 % 16.60 17.40 11.60

1994 Prices (US\$/tonne) Thailand 340 300 255 223 Vietnam 280

257 210 190

Difference US\$/tonne 60 45.33 % 17.60 14.30 17.60 14.80

Source: numerical data supplied by the Ministry of Trade

Just because of low quality, poor marketing, ineffective management and lack of information about the world market for rice, so prices of Vietnam rice are always 10% to 17% lower than those of rice from other countries.

What mentioned above are main causes of low efficiency of rice exportation.

## II. DIRECTIONS AND MEASURES TO RAISE EFFICIENCY OF VIETNAM'S RICE EXPORTATION

### 1. Main directions

#### a. In producing rice

- In the period between 1995 and 2000, we should try our best to increase total rice output by 3.1% per year (around 30.6 million tonnes of rice by 2000). After satisfying domestic market demand, we could have a surplus of 4.58 million tonnes of paddy, or around 3 million tonnes of rice for export.

- The Mekong Delta should be made a zone for producing rice for export.

- The quality of exported rice should be improved radically.

#### b. In harvesting and processing

We should perfect rice harvesting and processing in order to reduce waste during and after harvesting from 15% to 10% by 2000. By doing so, we can save around 1.2 million





tonnes of rice worth VNĐ1,200 billion.

#### c. In developing the rice exportation

- As for market, we should raise competitiveness of Vietnam rice in conventional markets (Asia, Middle East, etc.) and look for new markets in Africa, Japan, Latin America.

- As for product, we should enhance quality of Vietnam rice, and raise percentage of high-quality rice from 0.38% to 10% of total rice exports (300,000 tonnes) by 2000.

- As for prices, we should reduce difference in prices between Thailand and Vietnam rice from 14-17% at present to 5-7% by 2000.

#### 2. Measures

##### a. Strategy for product

- Improving quality of seed and perfecting rice harvesting and processing with a view to raising quality of rice.

##### b. Marketing strategy

- The Government should expand diplomatic and economic relations in order to help rice exporters find new markets.

- Rice export businesses should try their best to find new markets, maintain and consolidate their footholds in existing markets.

- Rice export businesses should carry out advertising and marketing campaigns in order to find end-users instead of depending on middlepersons.

- Comparative advantage of prices should be exploited to find new markets and expand existing markets.

##### c. Pricing strategy

- Agricultural research institutes should introduce new techniques and seed to farmers in order to help them improve quality of rice produced.

- Quality control methods should be applied in order to make Vietnam's rice conform to international standards before exportation.

- Purchasing prices should be reasonably set in order to encourage farmers improve rice quality.

- The Government should find stable sources of capital in order to buy rice from farmers after harvest time.

- Finding out end-users is also a way of raising selling prices.

##### d. Strategy for capital

In exporting rice, from farmers to foreign consumers, there are at least four middle persons (three of the private sector and one of the public sector). If rice export businesses secure enough capital to purchase rice, the efficiency of rice exporting will be improved. The following are some suggestions:

- Only rice exporters who have enough capital, managerial skill and market share could receive exporting licences.

- Establishing joint stock companies specializing in importing and exporting food and other agricultural materials.

- Forming food import-export groups in the South as soon as possible.

##### e. Renovating mechanism for controlling rice exportation

Policies on rice exporting should be stabilized in order to avoid risks in this business by the following

measures:

- The Government should publicize its policies on rice exporting at the year's beginning in order to help sellers and buyers feel sure about exchanging contracts. Foreign importers could pay a higher price if they are sure about performance of contracts.

- The Government should carry out researches into demands for rice of the domestic market in order to stabilize policies on rice exporting.

##### f. Investment strategy

- Investment in human resources: the army of agricultural experts and managers should be recovered and developed. Training courses should be organized in order to raise their working efficiency.

- Investment in infrastructure: good infrastructure could help us reduce waste and costs. If rice could be exported from Cần Thơ Port instead of transporting from Cần Thơ to Saigon Port, we could save around US\$10 per tonne. According to the Project VIE/87/031, we should invest US\$50 million in upgrading Cần Thơ Port. When we could export one million tonnes of rice from Cần Thơ annually, we could save an amount of US\$10 million every year. So in five years, we can start to make a profit.

##### Reference materials:

- *Vietnam Food* (a document)
- *Kinh doanh gạo trên thế giới* (Rice Trading in the World), Center of Trade Information, Hà Nội, 1993.
- Reports on Vietnam's Rice Exportation from 1989 to 1993 of the Ministry of Trade and Vietnam Association of Food Import-Export.