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Rice Production and Export in Viet Nam

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I.- Introduction.

1.- The role of agriculture after moving from a central planning system to a market economy:

The past 12 years have witnessed a remarkable success in Vietnam agricultural production, especially in rice production. Production of paddy has been sustained at over 5 percent per year, increasing above 1 million tons per year (1989: 18,996 mill, 2000: above 33 mill.), outperforming the growth of population and transforming Viet Nam from a food importing country to a leading rice exporter.

The role of agriculture, forestry and fishery was estimated by about one fourth of the national economy of Viet Nam, of which agriculture contributed above 80%, the rest from forestry (under 5%) and fishery (above 14%). Structure of gross output from agriculture was of around 80%, 16,6-16,9% or 2,7-2,9% from cultivation, animal husbandry or services, respectively. The value of rice production contributed the largest part of cultivation. For example, main cultivation goods for exportation in 1998 amounted to thousand tones as 3800 of milled rice, 34 of tea, 379 of coffee, 185 of rubber, 87 of peanut, 30 of cashew nut and 23 of black pepper. (Stat. Pub. House Hanoi, 1999).

2.- History of rice exportation and importation in Viet Nam:

Viet Nam has a long history of rice exportation and importation as well. Volume of exported milled rice was increased from 56,950 tons at 1860 to millions of tones from 1920-1925, the highest volume of exported milled rice was noted as 1,532,721 tons in 1921(TV Huu, 1927). However, Viet Nam was a net rice importer from 1961 to 1988. Volume of imported milled rice amounted to over million tons in 1967 (1.25 mill. t), 1968 (1.23 mill.t), 1969 (1.03 mill.t), and 1970 (1.26 mill.t). Viet Nam returned a net rice exporter from 1989. After 12 years, the position of Viet Nam among major rice exporters seems consolidated, with an average of 3.75 million tons/year of rice exports during the past five years. (FAOSTAT, 2000; MARD, 2001). Volume of exported rice occupied about 20-25% of total national rice production, the rest for home consu¹⁻⁷mption. We have exported 31 million milled rice for 6,75 million USD from 1989 to 2000. It is suggested that the country will be able to continue rice exporting at least during the next decade.

Some of the main reasons are that: (I) average yield gap between practice (4tons/ha) and potential (6-8tons/ha) is still wide, because of yield loss at pre- and post-harvest periods; (ii) condition for rice production are better and better; (iii) as aggregate income grows, consumers will shift away from rice towards more costly foods and diversified diet. However, small producers or rice farmers have to face many difficulties in their life as well as production, although all volume of rice exported has been from their production, especially in the case of rice farmers in the Mekong River Delta (MD) who have contributed around 90% of total volume of exported rice. Income of labors in rural is equal to only 37% that of in urban (DD Thuan, NM Trung, January 2001), of which rice farmers' income is lowest. How to improve this situation for inducing to the attainment of benefits to small producers, also to small exporters?. It is the problem that we would like to discuss as follow:

II.- Domestic linkage for the benefits of small producers and exporters.

1.- Present status, risk and constraints:

Central to the rice marketing system of Viet Nam is the complex web of relationships among its key participants, namely farmers, traders, millers, and exporters. The links between them can be described by an analysis of marketing channels. The overall purpose of these channels is to transport and store the paddy produced by farmers, to transform it into milled rice, and to distribute it to consumers, both for domestic consumption and exports of 20-24% production. The main problems of the relationship between these key participants are that of between each kind of agent as well as between private and public sector. Viet Nam Government is trying to remove these problems and other constraints to future growth.

Whereas the private sector is the main and basically the only sector involved in agricultural production, the marketing sector is still characterized by the present of a very sizable public sector. Rice farmers do not pay attention enough on grain quality, although extension officers advise them, because of price gaps between high and low grain quality not enough for increasing input. Rice exporters are only participants in rice exports, they would not be possible without the intermediation of private traders, assemblers, and millers. Despite the enormous gap in size and assets between private and public sector, the private sector is responsible for moving and distributing about 80% of the rice produced in Viet Nam. Paddy sales by farmers as proportion of production, the so called *marketed surplus*, is over 60% in all seasons in the two main regions, the Red River and Mekong River Delta. The starting point of paddy marketing is dominated by private traders, who procure about 96% of total marketed surplus. (IFPRI-MARD Workshop, Hanoi, October 15-17, 1996). There are two main State Food Companies in the North and in the South. They have focused almost their activities on rice export, however, they have bought rice directly from rice farmers only some percent as compared to their volume of exported rice.

2.- The role of government policies and services:

Viet Nam Government has issued a lot of policies in order to remove these mentioned-above constraints. Export tax applied is equal to zero for all sorts of agricultural and forestry commodities, including rice. Almost of all regulations, procedures which disturb exporters are also removed.. (MARD, January 2001). In the old days, there were only some state food companies which could get rice export quota. Nowadays, any rice export enterprises, including private, can get such quota, if they have capacity in exportation. Information from Premier Bureau (January, 2001) shows that there will be no rice export quota soon. The risking from tax and export quota, which has felt generally to rice farmers and small exporters, has been removing. Competition in rice exportation will make exporters supporting rice farmers through contracts in producing better grain quality with lower production price. The difference between rice price at farmers' and export gates has been shortened. When market price declining lower than production price from 10-20%, Government will buy 10% of their production, and rice store will be practiced; when it is equal or higher as compared to production price, farmers will be supported interest rate during storage.

Viet Nam Government is also supporting rice farmers to get more benefits based on new technologies which increase grain yield and quality, declining production price. If so, when the market fell, the risking will be limited. There is a strong extension network from ministry (Extension Department), provinces (Extension Centers), to districts (Extension Groups) and villages (Extension Officers and/or Extension Clubs). New technologies are transferred first of all to outstanding farmers to make demonstration fields, then a lot of visiting days, workshop-training courses have been organized. There are cooperation between research-, extension- and credit agencies, and people associations in transferring improved technologies to farmers.

Technologies transferred to farmers focus on what they can reduce input, especially in the case of chemicals use, declining yield loss and increasing grain yield and quality as well. Extension officers advise farmers applying integrated pest management (IPM) and integrated nutrient management (INM) in order to save pesticide and nitrogen fertilizer use. Through these extension activities, knowledge of farmers about biological control and environment is improved. Farmers and extension officers pay much attention on high yielding rice varieties (HYVs), seed selection and row seeding to replace broadcasting method. There are about 90 percent of rice export from the Mekong Delta region where almost of all HYVs have good grain quality.

However, the gap between varieties potential and practice is wide in production and/or quality as well, because of low quality of rice seed and agrotechnique. There is a national project for improving rice seed and varieties. Row-seeding method by IRRI Seeders is applied on tens of thousand hectares can reduce seed rate from 100-150 kg/ha, saving half rate of pesticide and 20 kgN/ha, increasing 0.5-1.5 tons of paddy with better grain quality, as compared to broadcasting method that farmers have applied so far. Mekong Delta in Viet Nam has a problem of flooding in rainy season and saline intrusion in dry season. A collection of very short duration HYV (80-90 days) bred by the MD Rice Research Institute (CLRRI) is introduced to rice production in order to avoid flood and saline penetration. Such varieties named OMCS have been applied on millions of hectares successfully, because they can shorten crop duration on rice field about fortnight with the same production and grain quality. We are studying and introducing seedling broadcasting method introduced from China -prepare seedling of 12 days age for each hill and broadcast them to rice field. With this method, we can shorten further rice crop duration in the field approximate fortnight, saving rice seed, and having the same benefits from row seeding.

Significant losses in quantity and quality occur within the post-harvest system including pre-storage activities (threshing, drying, cleaning, and transporting), storage, milling (hulling, grading, whitening, and polishing), and quality control and standard. Assessments of losses in Viet Nam vary between 13-16% percent of production (IFPRI-MARD, 1996), in the MD these losses are higher since poorer infrastructure. Drying is still rudimentary, and subject to heavy losses, especially during the wet Summer-Autumn crop season. Farmers, generally, dry their paddy under natural sun-drying (85% of paddy production). Farmers and other export participants do not have enough the means for storing paddy and rice effectively. Road transportation suffers from traffic congestion, and a lack of road to villages far from road and cities, especially in the Mekong Delta in rainy season, but the assemblers can go to each rice-household by small boats on developed canals system.

Milling technology requires of developing. Inventory of paddy separation machines, size grading, polishing, drying, and packaging falls to only about 30% of all millers.

Viet Nam Government has input with huge fund for modernization of post-harvest system, especially for road, bridge, and also for irrigation and drainage as well. However, the post-harvest is massive, costly and requires time. The policy, therefore, named “cooperation between government and people in practicing” is issued in order to promote an environment conducive to the private sector, including farmers.

III.- Marketing chains and market accessibility for small producers.

1.- Country market:

Since small producers and exporters can not sell all their products and commodities, including rice in foreign market, country market is very important in their income. Furthermore, country market can be considered as “training courses” for them in competition with others, including foreign traders importing agricultural commodities to Viet Nam. The competition conduces farmers trying in application of new technology for lower production price and higher product quality. Nowadays, consumption in country occupied about 65-70% all volume of agricultural products, of which rice: 77-80%, corn: almost 100%, sugar: approximate 95%, horticulture products: above 80%, tea: approximate 50%, products from animal husbandry: almost 100%. There are 8,213 markets in the country with the average of 1.1 per 10,000 people, or 0.8 per village. Government begins paying more attention on home market-network in increasing market number and distributing them rationally, in improving infrastructure, and other conditions (MARD, January 2001).

2.- Marketing activities and organizations:

The present of Vietnam Rice Association shows that it is necessary for rice export activities, but its’ capacity should be improved in profession. Collective farms perform according to new modality (above 7,000 cfs.): their responsibility focuses of serving farmers in materials for production and product consumption. There are international agricultural and fishery fairs organized in Canto, Hanoi, and Ho Chi Minh cities annually. Agricultural products are also introduced in many other trade fairs. Small farmers group or collective farms are supported by government in introducing their products in these fairs and other channel of information. Traders and enterprises are also supported for going abroad to participate agricultural fairs in China, Thailand, Europe, American, and other foreign countries. Generally, Government supports in enhancing agricultural home and foreign trade.

3.- Foreign support:

There are many foreign projects supporting us in direct investment (FDI) and poverty reduction. The FDI can be classified two kinds: (I) investment for enhancing capacity or exchanging experiences, such as UNDP Project “Strengthening the capacity of the CLRRRI” (UNDP-CLRRRI VIE/91/005), or “Evolving Rice Market in Viet Nam.” (IFPRI-MARD); or WB-MARD Project “Strengthening the capacity of research and development on rice varieties”, (ii) investment for making improved

model of rice and/or agriculture production, such as UNDP Project about agricultural diversification based on rice in Tra Vinh province; or “Post-harvest and Rice Processing Development Project for the Can Tho, Soc. Trang, and Thai Binh” (DANIDA Project); a project in An Giang province about producing glutinous rice in large scale for exporting to Japan.

IV.- Conclusions and Recommendations:

1./ Conclusion:

Rice exports from Viet Nam are cited as the success story of agricultural policy reforms. Farmers and other private marketing participants (traders, millers) play major role in production, and important role in marketing. Viet Nam has enormous potentiality in rice export, since there are a lot of limitation which can be overcome or cleaned, such as the limitation from rice export quota, poor grain quality, lack of credit for production and for marketing, and lack of transparency and credibility.

Viet Nam Government is trying in improvement of rice export environment by new policies. Nowadays, any enterprises can get rice export quota which is considered as implicit tax, and such quota will be removed soon. Export tax applied is equal to zero for all sorts of agricultural commodities, including rice. Almost of all regulations, procedures which disturb exporters are also removed. Rice farmers are transferred new technologies effectively to get higher grain yield with better quality.

2.- Recommendation:

First of all, rice farmers in the MD of Viet Nam should be priorities of beneficiaries from country and foreign supports, since their life standard is lowest in the country. Tax of rice land use should be decreased until zero.

All participants of the rice marketing system, including private sector, should have the same right in rice export activities. Viet Nam Government is releasing policies to eliminate external and internal restriction of rice export. It is necessary to make these policies in practice efficiently.

Priorities of technologies transferred to farmers should focus on improved rice seed and varieties, row-seeding, IPM, drying, and milling.

Rice farmers should be supported in practicing agricultural diversification for sustainable development and higher income./.

The role of participants in rice exportation.

Activities	Farmers	Traders*	Millers	Exporters
1.- Present status				
- Paddy production	+++++	0	0	0
- Drying	+++++	0	0	0
- Transportation	+	++++	+	+
- Milling	0	0	+++	++
- Storing	0	0	+	++
- Exportation	0	0	+	++++
2.- Future outlook:				
- Input for paddy Production	++	0	+	++
- Transportation	+	+	++	++
- Drying, milling, storing	0	0	++	+++
- Exportation	+	+	++	+++

* **Traders:** *intermediate, buy paddy from farmers, and it sell to millers and/or exporters.*

Future outlook: **Traders** become millers' and/or exporters' **agents** in assembling paddy, and/or **milled rice retailers**; **Millers** will be not only exporters' **wholesalers**, but also **retailers**. If so, rice price will not decline from exporters' gate to farmers'.

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