

Summary

The purpose of this report is to present and analyze the results from the first round of data collection in the “**Southeast Asian agri benchmark Rice project**”. The initial phase of this initiative was funded and supported by the Food and Agriculture Organization. National *agri benchmark* partner research institutions in the participating countries established typical farms in major rice producing regions of Cambodia, Laos PDR, Myanmar, Thailand and Vietnam.

The report contains basically three main parts: In chapter 2 the frame work conditions for producing rice in individual countries are presented as well as the key characteristics of the typical farms which have been established. Chapter 3 is devoted to a cross-country comparison of key economic parameter while in chapter 4 main conclusions are drawn.

Substantial differences occurred with regard to **rice farm gate prices**. This is driven mainly by three factors. First, the price of rice is very much dependent on the variety that is grown. Second, the technical rice quality has a major impact on the price. Differences in the technical quality are caused by moisture content of rice at harvest, related infections with fungi time of harvest and harvest - and threshing techniques. Finally, the location of the typical farm relative to markets has of course an impact on farm gate prices.

The typical farm data show **significant differences within rice production systems**. While Thailand and Vietnam produce more intensively with high yields and high input levels – in particular as far as the use of fertilizers and seeds is concerned - farms in Cambodia and Myanmar grow rice more extensively while Laos seems to be in an intermediate level. Most farms are performing well from an economical point of view.

With regard to the **competition on international rice markets** the following conclusion can be drawn: total cost per ton is the lowest in Myanmar and Laos, followed by Vietnam. The Thai farms are the most expensive one on a per ton basis. Whether or not this advantage in cost of production implies a competitive edge on international rice markets or not mainly depends on the quality issues mentioned above. This is because this finding coincides with low farm gate prices for those farms which are low in cost of production. To the degree the low farm gate prices reflect quality issues (be it because of taste or technical quality) the low cost of production is not an immediate advantage. In the course of the research for this project anecdotal information was received that the quality issues can be that bad that the produce cannot be sold on international markets at all. Vice versa, the high cost of production for the Thai farms are less important since – at least up until now – farm gate prices are by far the highest in this comparison.

The comparison of **return to land** indicates that the on-farm competitiveness of rice is already now a very relevant issue. The return to land in corn is as high as for the two rice crops grown together on one of the Vietnamese farms. A similar situation can be found on the farm in

Myanmar when comparing mung beans with rice. Whether or not this situation may eventually lead to major and lasting shifts in cropping pattern not only depends on the agronomic feasibility (is it possible to grow for example corn throughout the year?) and respective political interventions. In any case it seems to be very important for the growers and institutions in Vietnam to closely monitor and analyze this issue further. Given the likelihood of increasing rice surpluses in the entire region the issue of **on-farm competitiveness** of rice will become even more important. This is why the Southeast Asian *agri benchmark* rice network will further invest in improving the knowledge of the topic.

When looking at **return to labor** relative to average labor cost it appears that already today this is a burning issue for the typical farms in Vietnam, Myanmar, and Cambodia. In all these cases the hourly return to labor is in the same range as current labor cost. This implies that the current farming structures and systems will have a rather hard time to compete on labor market in future. This assessment is based on the assumption that the industrial developments in these countries will lead to ongoing increases in wage rates. In terms of return to labor relative to wage rates Thai farms performed outstanding, mainly caused by the governmental rice pledging program.

In order to stay profitable against the background of increasing **wage rates** it becomes increasingly important to enhance **labor productivity** for many Southeast Asian rice producers. This topic is of high interest for the *agri benchmark* network and we are going to improve our knowledge and insights in this topic. In particular the issue of possible obstacles for increased use of contractor services and options to overcome will become a focal point for us.

The report highlights the fact that all conclusions are preliminary because respective data has been collected just for the year 2012. Annual farm updates will be conducted in the years to come and thereby provide the foundation of a more long-term based analysis. Furthermore, based on the cooperation between GIZ and *agri benchmark* typical farm data from Indonesia and the Philippines will be included in this international comparison from 2014 onwards.