

Associate Professor Nguyen Tri Khiem,
Dean Emeritus, Faculty of Economics, An Giang University, Viet Nam

Dr. Nguyen Tri Khiem

formerly held the position of Dean, Faculty of Economics, Can Tho University, Dean Faculty of Economics, An Giang University, where he was also Associate Professor. He has been teaching resource economics, production economics and policy analysis.



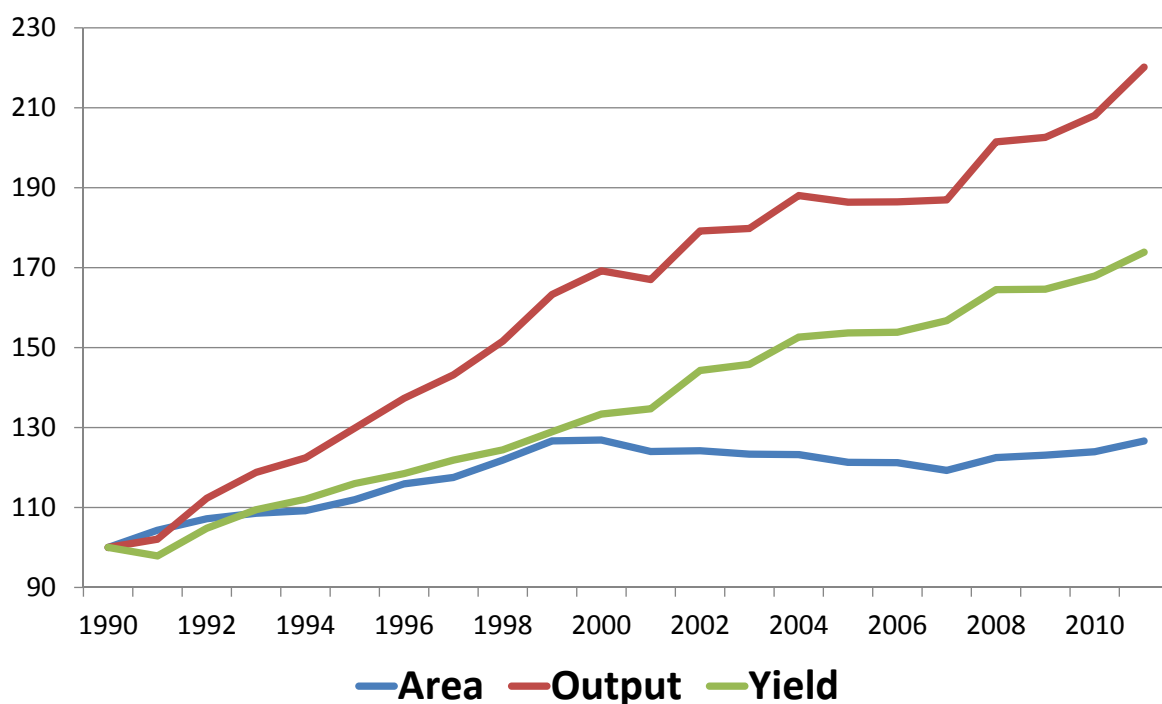
Dr. Nguyen Tri Khiem is the author of over 50 research articles and publications related to agricultural and resource economics, rural development, agricultural marketing.

Dr. Nguyen Tri Khiem is currently an executive secretary of the Viet Nam Society of Agricultural and Forestry Economists. He also served as president of Cantho Economics Association, project scientist at the International Rice Research Institute, member of An Giang People Council, member of Steering Committee, Vietnam-Netherlands Research Program, and consultant to national programs and projects.

Vietnam Rice Trade, Policy and Future Outlook

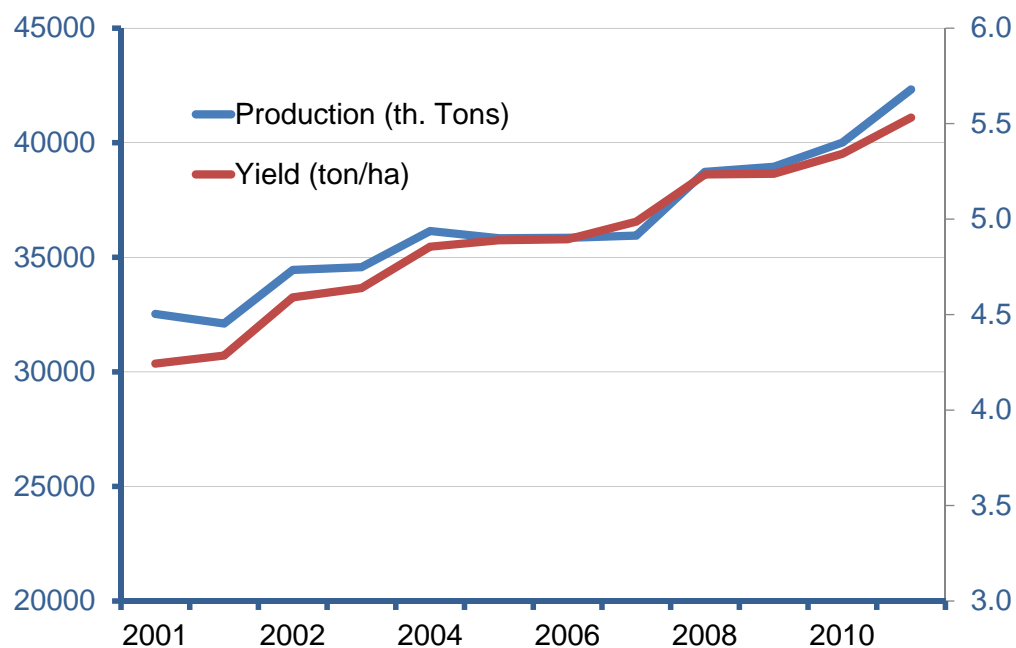
Nguyen Tri Khiem
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Trends of Rice Area, Yield and Output



Source: GSO

Growth of Production from Yield Increase



Source: GSO

Trends for Productivity and Sown Area Change (Average Annual Change; %)

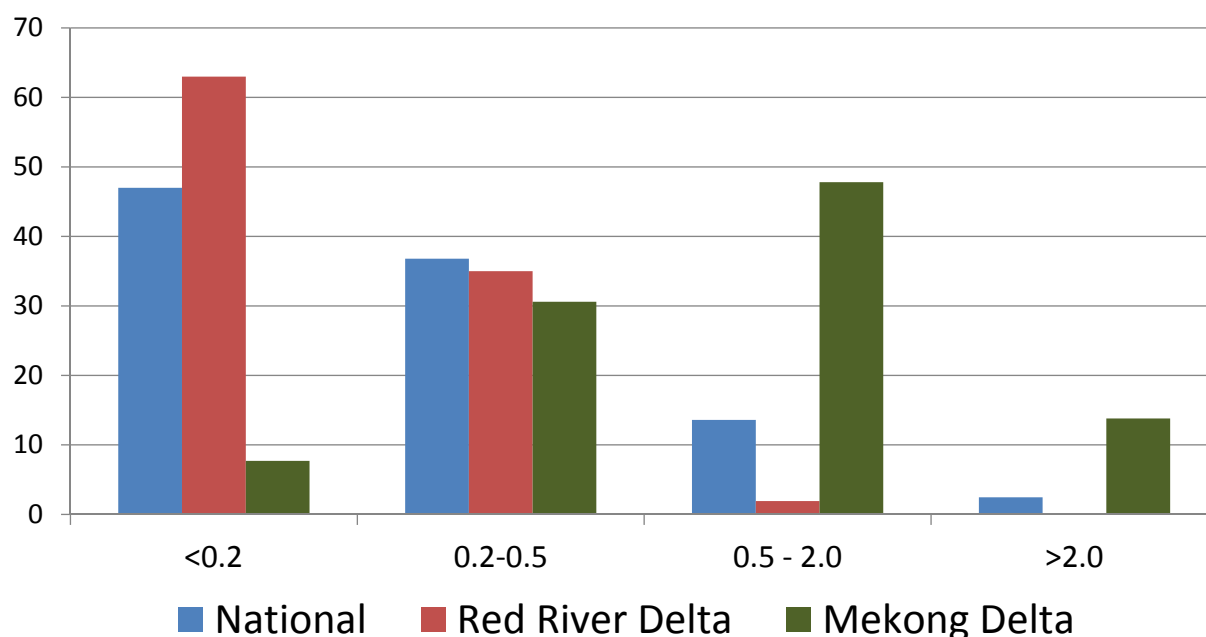
| | 90-95 | 96-00 | 01-05 | 06-11 |
|------------|-------|-------|-------|-------|
| Sown Area | 2.04 | 2.56 | -0.52 | 0.96 |
| Yield | 5.45 | 5.50 | 2.67 | 3.30 |
| Production | 3.40 | 2.93 | 3.19 | 2.34 |

Source: GSO

Diverse Regional and Seasonal Trends

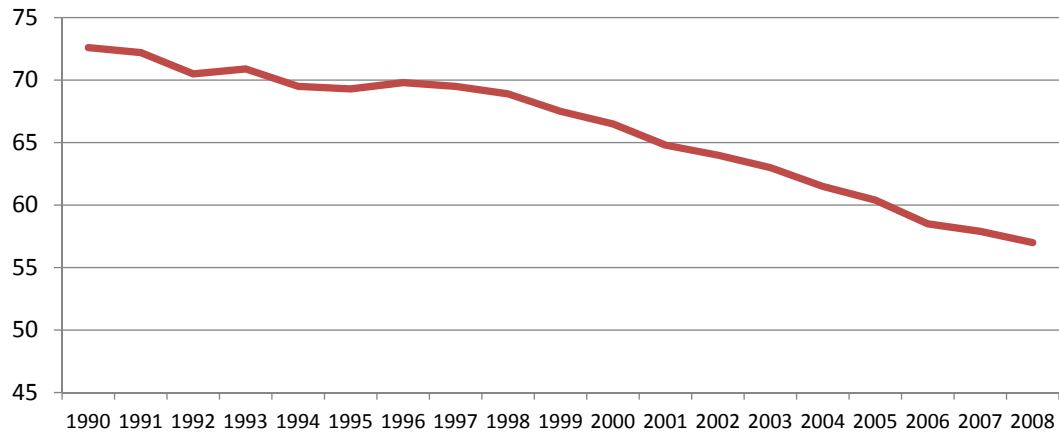
- Red River Delta and Mekong Delta traditional rice baskets. RRD now experiencing no growth due to land conversions and fragmented holdings
- MKD accounted for 2/3 of national output growth since 2000
- Northern coast and Central Highlands accounted for much of the remaining increase
- Output growth now coming primarily from Winter-Spring season with production in other seasons leveling off

Many Rice Growers; Mostly Very Small Scale



Rice still important yet diets are diversifying,
Domestic rice demand reduces in terms of quantity
but increases in quality requirements

Rice as Share of Total Calories



Source: Steve Jaffe, WB, 2011

TRADE

VN rice export volume and turnover 2001-2012

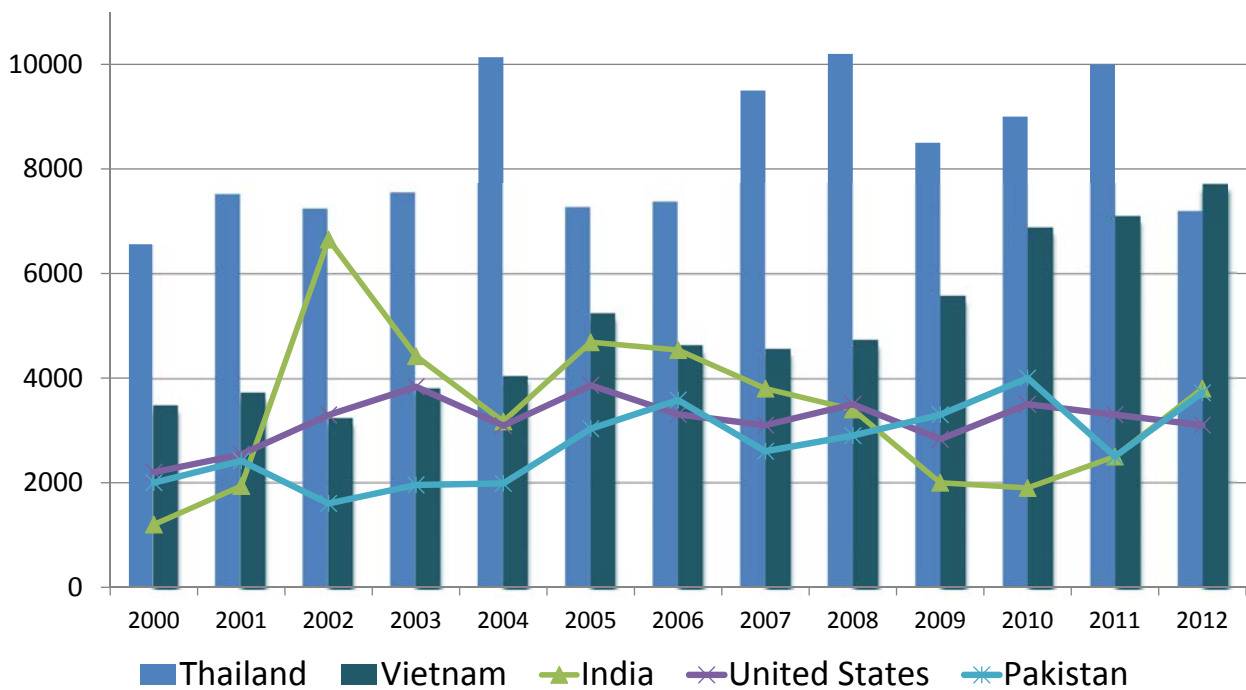


Source: GSO, Agromonitor

Trade policy regimes for rice export

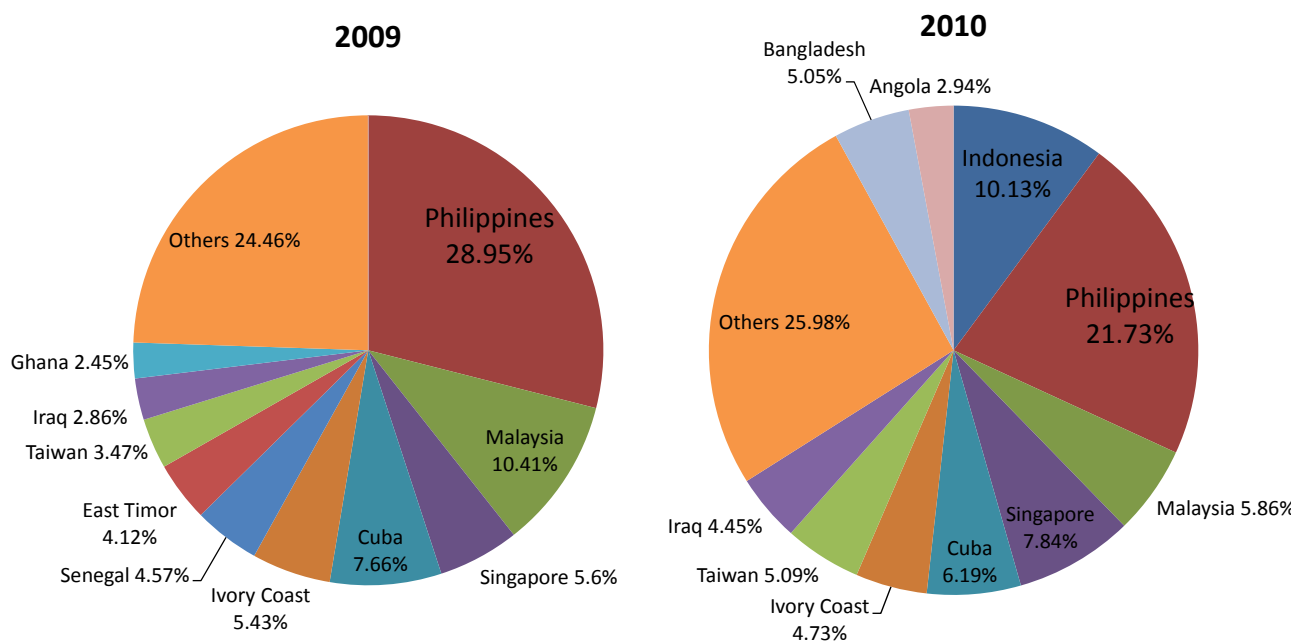
| 1989-1995 | 1996-2000 | 2001-2005 | 2006 - |
|--|--|---|---|
| <ul style="list-style-type: none"> • 1989-1991 No export limit • 1992-1995: quotas system • Rice export quotas allocated to leading SOE (70%) and provincial food companies | <ul style="list-style-type: none"> • Rice export quotas retained • Dominant role of SOEs | <ul style="list-style-type: none"> • Export quotas removed • Other companies allowed to participate • Coordination by VFA through registration and minimum export price • Price stabilization by adjustable quotas • Funds to SOEs to storage rice | <ul style="list-style-type: none"> • Foreign investors participate in rice trading • Control export contract registration • Conditions of rice export enterprises • Price stabilization by adjustable quotas • Funds to SOEs to storage rice |

Leading World Rice Exporters by Volume (000 Tons)



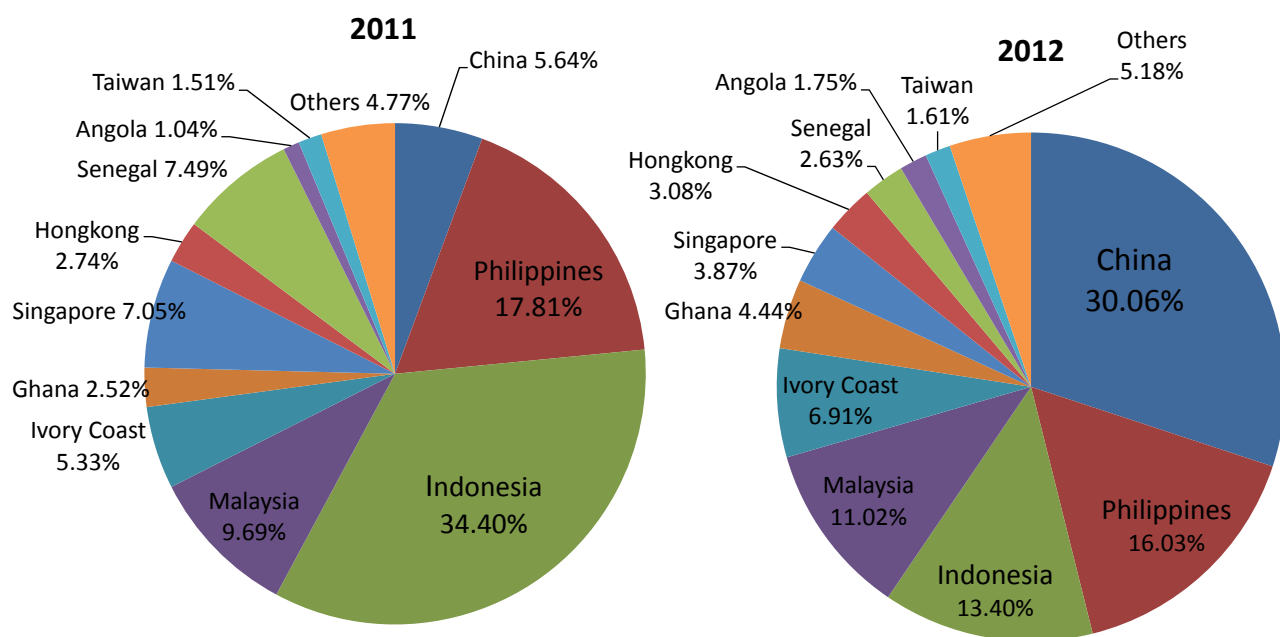
Source: Agromonitor

Changing structure of VN rice export market



Source: Agromonitor

Changing structure of VN rice export market



Source: Agromonitor

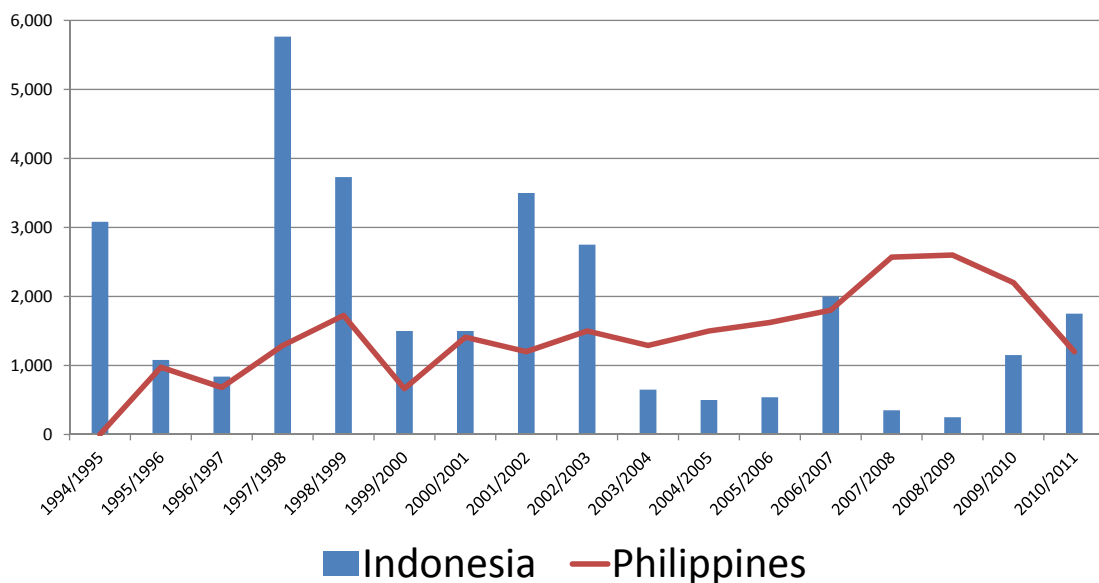
Major Features of Vietnam's Rice Trade

- Most trade directed to countries whose imports have (until recently) been dominated by government agencies
- 40 to 60% through G2G transactions
- Unpredictable 'demand' --related to natural disasters and political decisions
- Have been highly concentrated market outlets (Philippines: 40-50%)
- Most commercial trade with West Africa

Major Features of Vietnam's Rice Trade

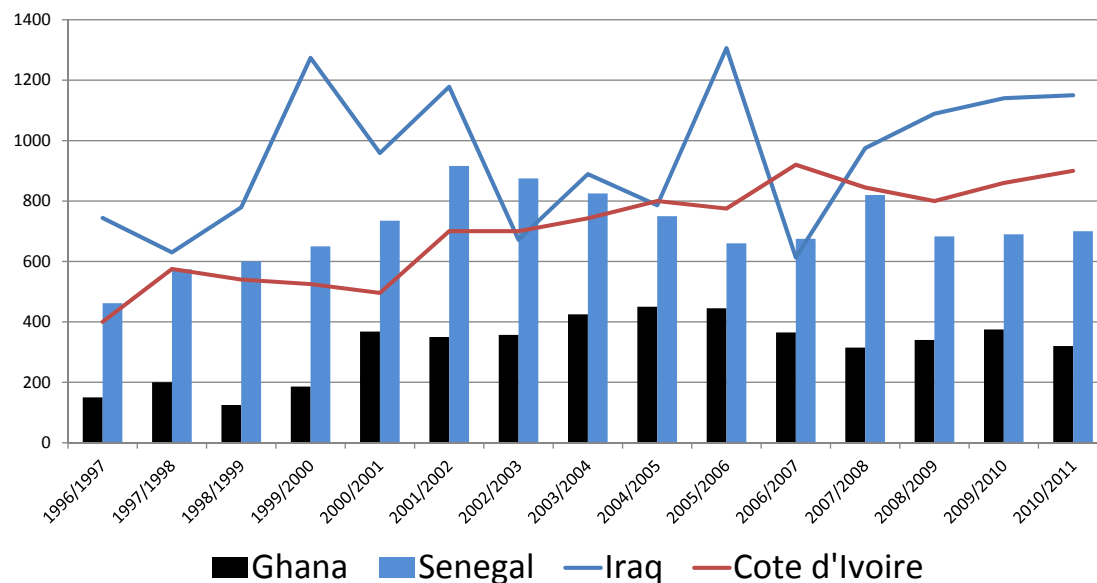
- Little with the high income countries which make up the majority of leading importers in value terms
- Many exporters, but top 10 = 70%; top 2 =53%
- SOEs: 75% of trade
- Trade is heavily 'administered'; only moderately based on commercial principals

Vietnam's Largest Markets: Secure? (000 tons)



Source: Agromonitor

Vietnam's Secondary Markets (000 tons)



Source: Agromonitor

What is the Real Cost of VN's Exported Rice?

- **Calculated Costs**

- Seed + fertilizer + pesticide + labor costs
- Post-harvest losses and logistical costs
- Processing and packaging costs
- Handling, shipping, and insurance costs
- Forex costs—40-50% of costs



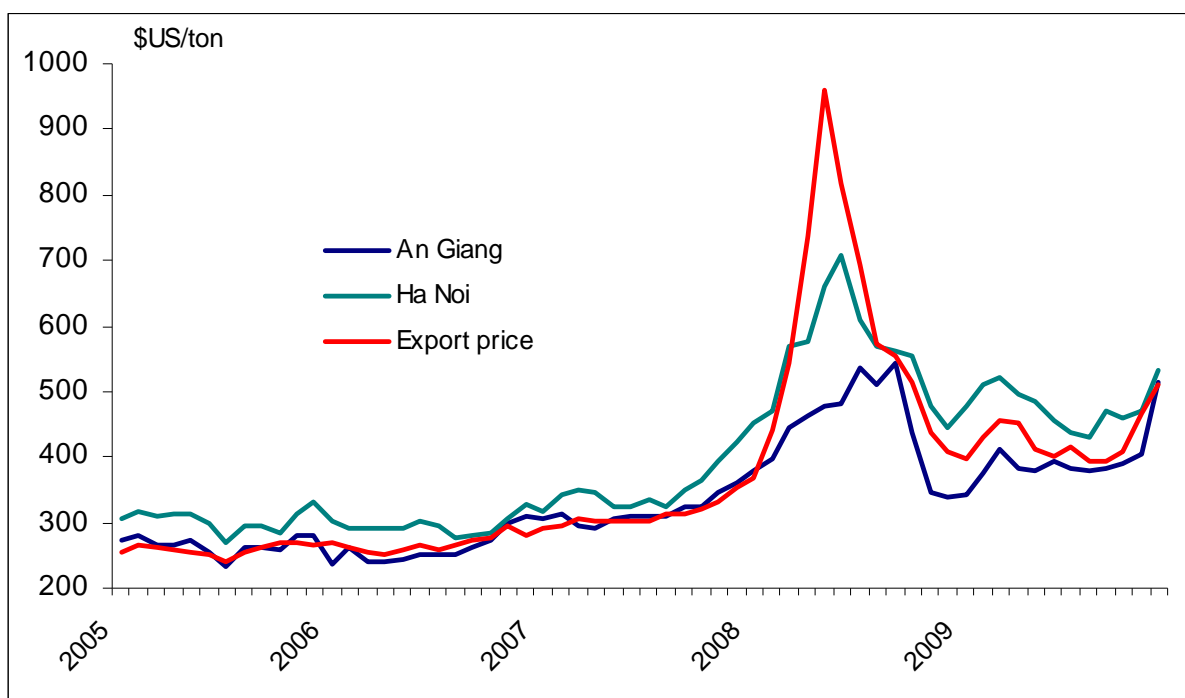
- **Non-Calculated Costs**

- Costs of water resources infrastructure management
- Losses to aquaculture from water diversion measures
- Adverse environmental impact of fertilizer/pesticide run-off
- Greenhouse gas emissions
- Financial cost to government of no interest loans to food companies

Production and export growth not translate into livelihood improvement for most MKD rice growers

- Farm/Local Factors
 - Inefficient and excessive input use
 - Rising input costs; increasing labor constraints
 - Lack of capacity to manage weather, market, and other risks
- Supply Chain Factors
 - Multi-stage, generally uncoordinated supply chain
 - Lack of incentives/supports for enhancing product quality
 - High levels of physical losses
 - Imbalanced distribution of benefits (and risks)
 - Limited competition among buyers/exporters
 - Vietnam's position at the "bottom of the rice pyramid", mostly supplying public programs and competing on the basis of low cost

Do Farmers & Domestic Consumers 'Pay' for VN Export Success?



Source: GSO

Need to refine strategies to sustainably raise farmer welfare

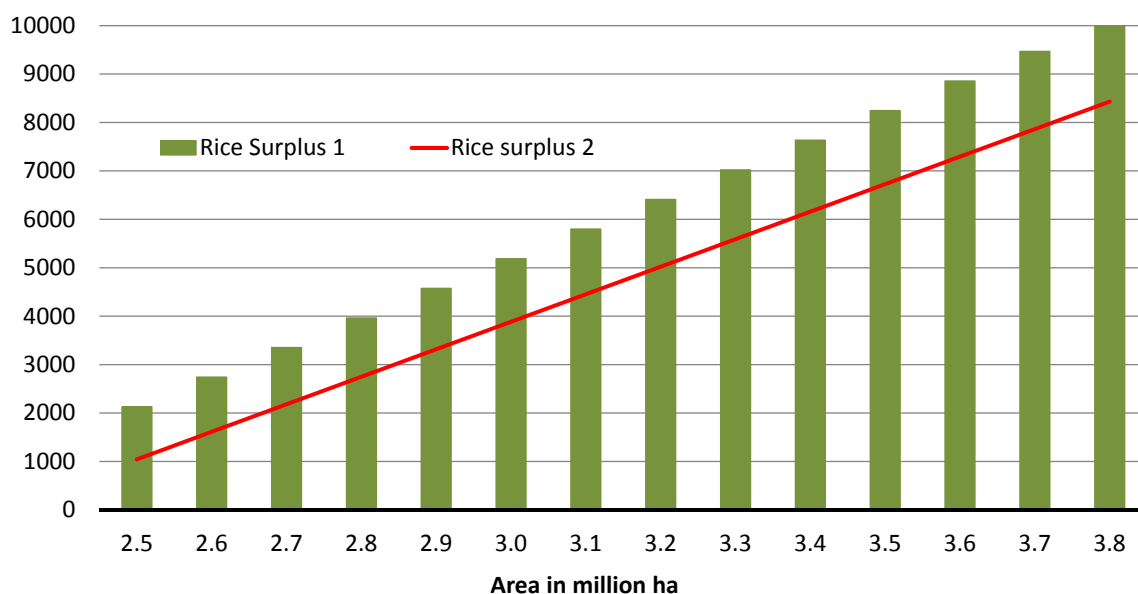
- Raise commercial value of the farmers' crop—enhanced quality; commercial use of by-products, sale of 'sustainable' rice
- Drive down unit production costs—"5 reductions"
- Enhance position of farmers in the value chain—cooperation; partnerships
- Different strategies to support 'specialized rice growers' vs. 'mixed farming' households

Need to refine strategies to sustainably raise farmer welfare

- Greater Gov. attention to measures for risk management—early warning systems; pest/disease management; market information
- Vietnam continues to contribute to the international food balance
- Should include social and environmental costs in rice price to ensure sustainable development of the rice sector

Exportable Rice Surplus in 2030 under assumptions of varied areas of rice land (000' tons)

PC Consumption = 100 kg; Post harvest loss = 7%



- **Surplus 1 under assumption of average yield**
- **Surplus 1 under assumption of low yield**

Source: Nguyen Ngoc Que. IPSARD

Perspectives?– Cautious on Trade Medium Term

- **'Positives'**
 - Reputation as a reliable and large supplier of bulk rice
 - Cost advantages over Thailand
 - Global import demand expected to grow this decade; unclear beyond that
- **'Negatives'**
 - The bulk 'white rice' market is flat; expansion- fragrant, specialty
 - Emerging export aspirations/potential of Cambodia/Myanmar
 - Considerable investment in irrigated rice production in Africa
 - Future lifting of U.S. trade embargo on Cuba
- **Uncertainties**
 - Success of Philippine efforts to increase self-sufficiency
 - Success of Indonesia's investments/incentives to boost domestic production
 - Financial sustainability of the Thai price support program
 - India government policies on non-basmati rice exports

Functions of the Rice Value Chain

1990 – 2010

- Source large and growing quantities of paddy and convert it to acceptable quality rice
- Move that rice from surplus to deficit areas and ship that rice abroad
- Sell this rice, cheaply, to a low income customer base
- Serve the 'basic needs' of producers and consumers

2010 and Beyond

- Serve the aspirations of producers and the preferences of consumers
- Add substantial value
- Compete on the bases of efficiency, quality and service
- Meet society's expectations for corporate social responsibility

Rice Value Chain 2020

- Widespread application of contract farming between farmer groups and agro-enterprises--specific rice varieties, certified production practices, forward pricing arrangements, and professional paddy drying/storage
- Various public-private partnerships promoting sustainable production practices in rice
- Prominent domestic brands serve an expanding high quality segment in the local market

Rice Value Chain 2020

- Continued investment in upgraded processing technologies + cost effective storage facilities + inventory management systems by industry leaders + SMEs
- A more profitable export trade combining
 - sale of quality ‘sustainable rice’ to high income countries,
 - commercial sale of bulk rice with VN’s competitive advantage related to its reliability
 - supplementary supply of low cost rice to public safety net programs abroad