

VIETNAM - THE WORLD'S SECOND BIGGEST RICE EXPORTER

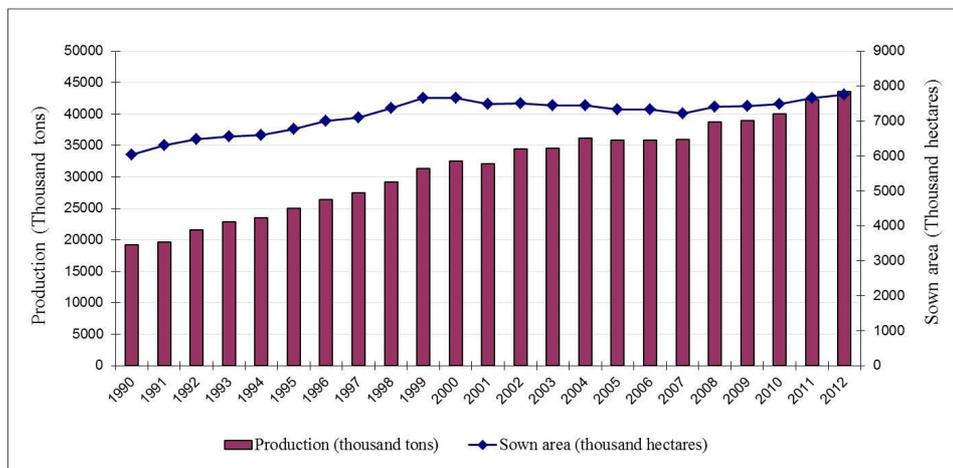
작성자 : Vu Diep Anh (Hanoi University of Mining and Geology)

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■ Rice production in Vietnam

- Among agricultural products, rice is generally indispensable to daily life of approximately 89 million Vietnamese people. It plays the most important role in Vietnam's food security, rural economy which generates jobs for nearly 60% of the country's labor force and is a source of export revenue. Even though rice land in Vietnam has gradually declined from 4.5 million hectares in 1999 to the current area of about 4 million hectares due to the process of industrialization and urbanization, the sown area for rice reached 7.75 million hectares in 2012 because three crops of rice are cultivated in a year. The two main granaries in Vietnam are Red River Delta in the North and Mekong River Delta in the South with the sown areas of 1.144 million hectares and 4.089 million hectares, respectively. Thanks to the use of new high-yield rice varieties, improvements in agricultural technologies and infrastructure, rice yield in Vietnam has increased significantly. The average yield surged from 4.24 tons/hectares in 2000 to 5.32 tons/hectares in 2010. The number rose to 5.63 tons/hectares in 2012.

Figure 1 - Vietnam's paddy production and sown area during 1990-2012

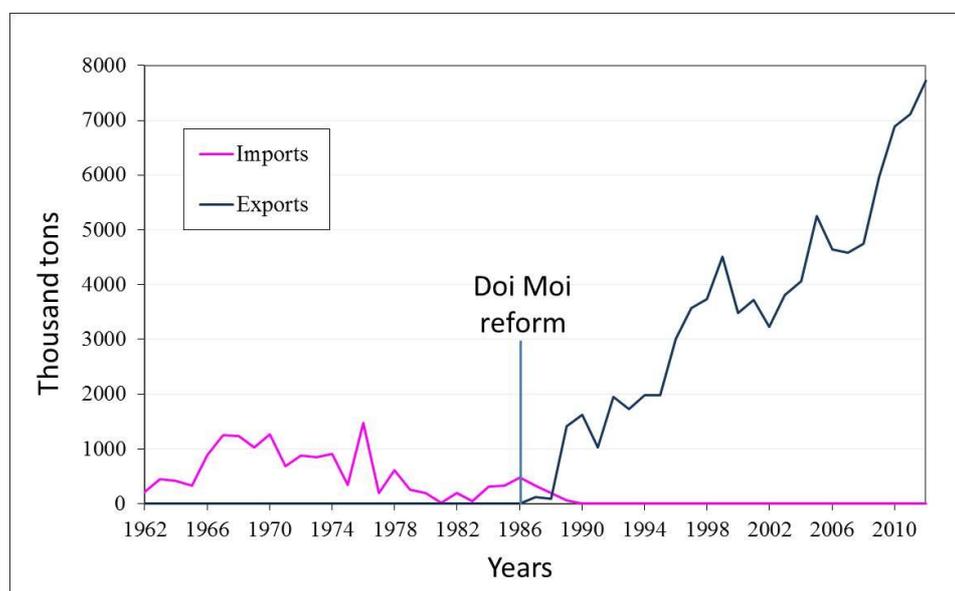


Source: *Statistical Yearbook of Vietnam – GSO, various years*

■ Vietnam's rice exports

- Today, Vietnam is known as one of the most important rice producers and exporters in the world. Surprisingly, before 1986, the country had to import rice because Vietnam's rice production could not meet its domestic demand. The quantity of Vietnam's imported rice even exceeded 1 million tons during late 1960s and in 1976. Thanks to Doimoi reform launched in 1986, which started the country's integration process into the world economy and also imposed policies encouraging the development of agricultural sector, rice production in Vietnam increased rapidly. The country started to export rice from 1987 and transformed itself from a net rice importing country to a net rice exporting country in 1989. Vietnam is currently the second largest rice exporting nation in the world after India. According to Vietnam Food Association (VFA), rice exports from Vietnam in 2012 hit the record of 7.72 million tons with the value of US\$3.546 billion while India exported 10 million tons of rice worth around US\$6 billion.

Figure 2 – Vietnam's rice exports and imports during 1962–2012

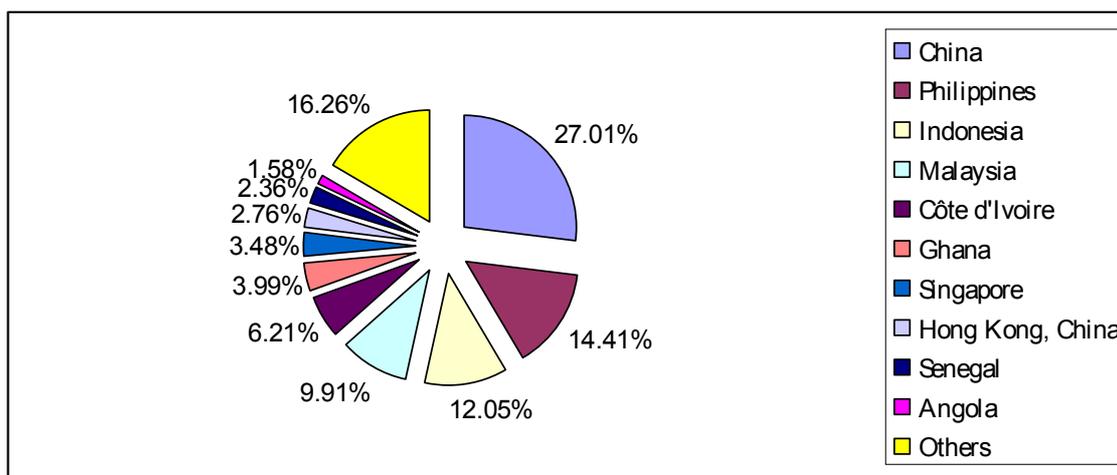


Source: *FAO, GSO and VFA, various years*

- Vietnam has currently exported rice to about 120 countries around the world. Asia and Africa are the two main export markets for rice from

Vietnam with the share in 2012 of 71% and 21%, respectively. The traditional importers of Vietnamese rice include Philippines, Indonesia, Singapore, Malaysia, Taiwan, Cuba, Côte d'Ivoire, Angola and Ghana. In 2012, China emerged as the largest rice importer of Vietnam. The country imported 2.085 million tons of rice from Vietnam, accounting for more than one quarter of Vietnam's rice shipment last year.

Figure 3 - Vietnam's rice export markets by country in 2012



Source: Vietnam Customs

- Regarding the prospect of rice exports in 2013, VFA forecasts that rice shipment from Vietnam will be around 7.5 million tons, which is lower than the figure in 2012. The country will face tough competition from India and Thailand in the world rice market. The predicted normal monsoon rain accounting for about 70% of rainfall in India every year promises India an increasing rice harvest in 2013. As Thailand started to buy rice from its farmers at above market rates since 2011 in an attempt to increase its rural income, rice inventory of Thailand reached 12–13 million tons. If Thailand arranges to unload its rice stockpiles, rice exports from India and Vietnam may decrease. Other big rice exporting countries like Cambodia and Myanmar are trying to expand their market share. As a result of the increasing global rice supply, rice prices may decrease. Moreover, some traditional importers of Vietnamese rice like Philippines have tried to increase their rice production aiming at meeting their domestic demands. In the meantime, China, the biggest rice importer of Vietnam in 2012, had already signed a rice trading agreement with Thailand in November 2012, which makes it difficult to forecast China's imports of Vietnamese rice.

■ The other side of the silver medal

- Vietnam has emerged as one of the leading rice exporting countries in the world since 1989. The country secured the second position in the list of top rice exporters in terms of quantity in 2012. It is good news for Vietnam. However, the other side of the silver medal reveals a reality that hinders the efficiency of Vietnam’s rice exports. Rice shipment from Vietnam in 2012 recorded 7.72 million tons, an increase of about 0.6 million tons compared with a year–ago figure. Rice export turnover in 2012, nevertheless, was only US\$3.546 billion while that of 2011 was US\$3.651 billion. That means Vietnam traded more but earned less hard currency from rice. Meanwhile, Thailand’s rice exports fell to the third place in terms of export volume with 6.73 million tons in 2012 but earned higher export revenue than Vietnam with US\$4.63 billion. In addition, Vietnam’s price for a particular rice variety is lower than those of other leading rice exporting countries.

Table 1 – World rice market prices comparison, April 2013

(Unit: FOB Term US\$/MT)

Rice variety	Country					
	Cambodia	Vietnam	Thailand	India	Pakistan	USA
White rice 5%	475	385	540	445	430	650
White rice 10%	465	380	535	n/a	425	640
White rice 15%	455	370	530	n/a	420	625
White rice 25%	n/a	355	525	390	370	n/a

Source: Mekong Oryza; Note: n/a means no data

- One of the explanations for Vietnam’s low earnings from rice exports is that a large proportion of exported rice is of low quality. According to Ministry of Industry and Trade of Vietnam (MOIT), 25% broken rice accounted for about 70% of Vietnam’s total shipment in 2012 while its 5% broken variety cannot be comparable to that of Thailand. The use of many high–yield rice varieties which are usually of low quality and production dominated by small–scale farmers lead to the inconsistency in rice quality and make it difficult to create brand name for Vietnamese rice. Thus, in order to consolidate Vietnam’s position in the world rice market, it is necessary for Vietnam to focus on improving the quality and developing national brand

name for its rice instead of paying attention to increasing export volume.

※ References

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