

VIETNAM'S RICE EXPORT COMPETITION: SITUATION AND SOLUTIONS

● NGUYEN VIET HUNG - NGUYEN THAI LINH

ABSTRACT:

This study analyzed Vietnam's current rice export competition. The study's results show that the Vietnamese rice industry's output has tended to increase in recent times. Compared to other countries in the top five largest rice exporting countries in the world, Vietnam's rice productivity ranks second, only behind the United States. Furthermore, among the total exports of the world rice industry, Vietnam's rice export value always ranks at a high level. However, Vietnam's rice industry still has some limitations, such as: rice price fluctuations commensurate with potential, productivity growth of Vietnam's rice industry is not high and unstable, the level of market and product diversification is low. Based on these findings, some solutions were proposed to improve Vietnam's rice export competition.

Keywords: rice export, competition, export, rice.

1. Introduction

In the context of current international economic integration, competition has become an indispensable requirement for all economic sectors and countries. Competition is considered a necessary factor to reallocate social resources, promote economic development through regulating supply in the market, and stimulate research, innovation and technology application.

Researching industry-level competitiveness is a topic of interest to many economic researchers and policy makers. The study of competitiveness not only helps businesses and countries understand the operating trends of the market, but also helps them make development strategies in the short, medium and long term. For businesses, improving competitiveness helps them create a position in the market and dominate the market. For industries, improving competitiveness promotes the development of the industry, thereby contributing to improving the position of the country.

Vietnam is known as a traditional agricultural country. Over the years, thanks to the opening of trade and globalization, Vietnam's agricultural

production has achieved remarkable achievements, especially in the rice industry. Rice is one of the important export products of the agricultural industry, although it is not the main export product, as well as the export turnover is very large but quite stable. Vietnam's rice export market is quite large and diverse, the market structure tends to shift to European and African markets and reduce the proportion of Asian markets. In 2020, Vietnam exports to 31 markets of other countries; in 2021, reducing to 28 markets and in 2022, 29 markets around the world (Tran Thi Thu Hien, 2022). As of December 2022, Vietnam's rice exports have reached USD 7.1 million ton, the highest in 10 years, reaching a value of 3.45 billion USD, up 5.1% in turnover. The average export price last year reached 486 USD/ton (The Hai, 2023).

Considering the current economic context, despite its strong points, Vietnam's rice industry also has many difficulties and barriers in developing competitiveness in the international market such as small-scale production. Many farming areas are still backward, the processing industry is still limited, the quality is not uniform,

the selling price in the world market is still low, etc.

However, at present, the quality of Vietnam's rice is difficult to meet those standards because the content of pesticides and pesticides in the product is still very large. Moreover, after the 2008 food crisis, Vietnam's neighboring countries such as Indonesia, the Philippines, and Malaysia have gradually shifted their agricultural development policies towards self-reliance. This means that Vietnam has been adding many new competitors in the market.

Therefore, the research article "Competitiveness of Vietnam's rice export: Situation and solutions" aims to analyze the current status of Vietnam's rice export competitiveness and propose some solutions to improve the competitiveness of domestic enterprises.

2. Data and Methodology

2.1. Data

The data in the study are collected from the final report of the General Statistics Office, the final report of the Ministry of Agriculture and Rural Development, etc. The summary reports of scientific research topics, scientific works published in prestigious institutions such as universities, research institutes and specialized journals related to the field: Development of Vietnam's rice industry are also used by the author for research.

Secondary data was collected from 2015 to 2022 to collect data related to the competitiveness of the rice industry such as Vietnam's rice area; Vietnam's rice productivity; Rice industry production costs of countries in the top 5 rice exporting countries; Price of rice that farmers sell at the farm; etc.

2.2. Methodology

Qualitative methods: The study uses the method of in-depth interviews with experts combined with group discussions to build research models and survey questionnaires. These methods help the author have a comprehensive view of the research problem, and at the same time make reasonable adjustments to suit the conditions and situation of agricultural development in Vietnam.

3. Current competitiveness of Vietnam's rice industry

3.1. Production capacity

3.1.1. In term of area

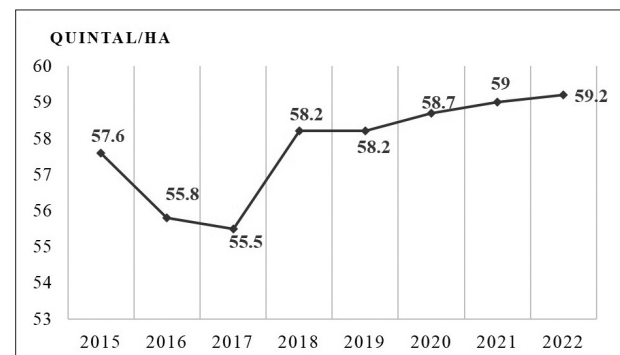
According The GSO, the rice area during the

research period tends to decrease, from 7,828 thousand hectares in 2015 to only 7,214 thousand hectares in 2022, a decrease of 614 thousand hectares, equivalent to 7.84%. This is also the lowest rice area in the country during the research period. On average, each year, Vietnam's rice area decreases from 0.36% to 2.57% (GSO, 2023). The cause of this decline is climate change, which causes rice productivity to decrease and economic efficiency to be low, leading to rice land being left vacant and converted to other crops. Other purposes also contribute to the reduction of rice growing area.

Compared to countries in the group of 5 countries that export the most rice in the world, Vietnam's rice growing area ranks 3rd, and that is a country with a competitive advantage in rice growing area. (FAO, 2023)

3.1.2. In terms of rice production productivity

Figure 1: Vietnam's rice productivity in the period 2015 - 2022Source: GSO, 2023



During the period 2015-2017, Vietnam's rice productivity tended to decrease sharply. In 2015, Vietnam's rice yield reached 57.6 quintals/hectare. In 2017, Vietnam's rice yield decreased to only 55.5 quintals/hectare. In the period 2017-2022, Vietnam's rice productivity has increased again, from 55.5 quintals/hectare in 2015 to 59.2 quintals in 2020 (GSO, 2023). The reason is due to the State's policies promoting agriculture development; provinces and cities promote intensive farming, increase crops, bring new high-yield varieties into production and apply advanced science and technology to agricultural production. Localities have proactively responded to climate change.

Compared to other countries in the top 5 largest

rice exporting countries in the world, Vietnam's rice productivity ranks second, after the US. However, productivity is not really stable. Taking advantage of technology and scientific development in rice cultivation and production has not achieved high efficiency. (FAO, 2023)

3.2. Production costs

Based on the report of the United States International Trade Commission (USITC) on production costs in the rice industry of countries in 2021, Vietnam is the country with the lowest total cost. Of which, the majority of costs in Vietnam's production are variable costs such as fertilizer (accounting for 23%), labor (accounting for 19%), other chemical materials (13%), machinery (accounting for 23%), labor (accounting for 19%), other chemical materials (13%), machinery (accounting for 23%), 13%).

Based on statistical data on rice production costs in Vietnam, it can be seen:

- Currently, the cost of chemical raw materials and fertilizers for Vietnamese farmers is still high. This shows that the shift from traditional farming to organic farming has not really been strongly promoted. This is also one of the reasons for reducing the competitiveness of Vietnam's rice industry in the market when currently market demand is shifting strongly towards using clean, organic products.

- Labor costs account for a large proportion of total production costs, while productivity and rice output are tending to decrease. This shows a limitation in the quality of Vietnam's human resources.

3.3. Fluctuations in rice prices

Rice prices are quite stable in the period 2015-2022. Compared with other countries in the world, the price of rice that Vietnamese farmers sell at the farm has tended to increase in recent years. If in 2015, the price of rice that Vietnamese farmers sold at the farm was 278.1 USD/ton, ranking 47th in the world, then in 2022, the price of rice that Vietnamese farmers sold at the farm increased to 338.3 USD/ton, ranking 28th in the world (FAO, 2023).

In 2022, following the same trend as price fluctuations in the world market, Vietnamese rice products are often lower than the price of the same type of rice from India and Thailand by 5-40

USD/ton. However, in the last months of the year, Vietnam's rice prices remained quite high, equal to the price of Indian rice and higher than the price of Thai rice of the same type. (FAO, 2023)

Specifically, rice exports in 2022 reached 7.13 million tons, up 15% compared to 2021, worth about 3.54 billion USD, up 7.27%. Average export FOB price is at 463 USD/ton, up 0.8% compared to export price in 2021. (FAO, 2023)

3.4. Rice export market share

According to the author's calculations, Vietnam always ranks high in rice export value worldwide. From 2015 to 2019, Indian rice took over Vietnam's position and pushed Vietnam to 3rd place (with export value export value respectively reached 2,807.9; 2,159.98; 2,634.59; 2,621.44 and 2,434.25 million USD, Amount of rice exported respectively reached 6.6; 4.81; 5.82; 2.89 and 5.47 million tons). Only in 2020, Vietnam's rice exports ranked 2nd in the world, after India (with export value is 3,120 million USD, Amount of rice exported 6.25 million tons). This result shows that, compared to rice from neighboring Thailand and India, the competitiveness of Vietnam's rice industry is still weak. (GSO, 2023)

In the period of 2015-2022, Vietnam's rice export value Vietnam terminated an average growth value of -3.72%/year, showing a decline in the total export value of Vietnam's rice industry. (GSO, 2023)

Since 2020, Vietnam's rice export value has increased significantly, over 3 billion USD per year. In 2020, the amount of rice exported reached 6.25 million tons, the average price was 499.3 USD/ton, the rice export value reached 3.12 billion USD, an increase of 2.52 million tons in volume and 2.8 billion USD in value compared to 2001. (GSO, 2023)

In 2021, rice exports reached 6.2 million tons, equivalent to 3.3 billion USD, an increase of 5% compared to 2020, of which the proportion of high quality rice accounts for over 89%, the price of exported rice increased from 496 USD/year. tons in 2020 to 503 USD/ton in 2021 (GSO, 2023).

In 2022, Vietnam's rice exports were in a relatively high group (over 3 billion USD), ranking 18th out of 35 members and 18th out of 21 members reaching over 3 billion USD; In the first 7 months of 2023, it has surpassed 13/30 products reaching over

1 billion USD (GSO, 2023). This result is due to the fact that in the process of agricultural restructuring, rice is one of the industries that has been restructured very successfully. If many years ago, we only had 35 to 40% of quality rice varieties, now this number has reached 75 to 80%, even in many localities, the use of quality rice varieties is up to more than 90% (author's calculations). This is one of the main reasons for improving rice quality, causing Vietnam's export rice price to increase very quickly.

According to statistical data, Vietnam's rice export market share increases and decreases unevenly and is on a strong upward trend from 2018 to 2022. Considering the entire period 2010-2018, Vietnam's rice export market share has decreased. 0.74%. Among the group of 5 largest rice exporting countries in the world, Vietnam's rice export market share ranks third in the world, after Thailand and India. This shows that, although the market share of Vietnam's rice industry in the international market is quite high, competing with Thailand is still a difficult problem for Vietnam's rice industry.

3.5. Product and market diversification

Export diversification can be considered from the perspective of markets (diversifying export markets) and products (diversifying export products). As follows:

Table 1. Rice industry product diversification index of the world's 5 largest rice exporting countries

Year	India	Pakistan	Thailand	US	Vietnam
2015	0.94	0.78	0.90	0.71	0.94
2016	0.95	0.85	0.87	0.69	0.95
2017	0.94	0.87	0.88	0.70	0.93
2018	0.93	0.88	0.90	0.71	0.94
2019	0.97	0.80	0.89	0.70	0.89
2020	0.96	0.84	0.88	0.72	0.91
2021	0.97	0.83	0.85	0.71	0.94
2022	0.94	0.86	0.87	0.73	0.93

Source: Based on author's calculations from UnComtrade data

According to the author's calculated data in Table 1, Vietnam has a very high HI index

(HI index = 0 mean not product diversification, $0 < \text{HI index} < 1$: the more lower HI index's, the more higher the level of product diversification), showing that the diversification of Vietnam's rice industry exports is very low. In the period 2015-2022, Vietnam's HI still remained high, but the development of product diversity in Vietnam's rice industry is almost non-existent. During the entire research period, Vietnam's HI index was always higher than 0.90. These results show that Vietnam may face risks due to lack of diversity in exporting rice products.

According to author's calculated data, it can be seen that the HI index of countries has many fluctuations, India and Vietnam are the countries with the largest export market diversification index. This shows that rice exports from Vietnam and India have not diversified much. During the entire period, the HI index of Vietnam's rice industry tended to increase from 0.13 years to 0.18. Specifically, in 2015, Vietnam's HI index ranked last among all 5 countries. In the period 2015-2022, Vietnam's rice industry HI index is tending to decrease below 0.2 and become the country with the highest HI index among the 5 major rice exporting countries in the world.

4. Limited and causes

All in all, after analyzing current competitiveness of Vietnam's rice industry in 2015-2022, we can see that:

Firstly, about production capacity. Compared to other countries in the top 5, Vietnam's rice industry productivity growth is not high and unstable. Besides, the quality of Vietnam's rice products does not have a superior advantage compared to regional competitors, especially Thailand.

Second, about rice export market share. Vietnam always ranks high in rice export value worldwide. According to calculations, Vietnam's rice export market share is the third highest in the world and maintains its market share throughout the period 2015-2022.

Third is about production costs. Currently, the cost of pesticides still accounts for a high proportion, an average of about 26.9%, showing that the shift from traditional farming to organic farming has not been

strongly promoted. The cost of renting machinery and labor accounts for about 20-23% of the total production cost while productivity and rice output are tending to decrease, this shows that the quality of machinery and labor resources is not high. Labor efficiency is still limited.

Fourth is about rice prices. Vietnam's export rice price is not commensurate with available potential.

Fifth is about diversifying export products. Fluctuations in the HI index of Vietnam's rice industry show that Vietnam's rice export trend is gradually shifting from diversification to export in certain markets. Besides, Vietnam's HI index fluctuates quite a lot, showing that Vietnam's rice export activities are not stable and are affected by many external factors.

The above limitations are due to the following reasons:

First, policies on access to capital and loans are not really clear, diverse and linked to the actual operations of businesses. Policies to encourage and support research and technology development in the rice industry are still limited.

Second:

- Labor productivity is low and not given much attention in development.

- The ability of businesses, farmers, and traders to access capital is limited, leads to the delay in shifting farming to organic in the Vietnamese rice industry.

- Farmers, traders, and businesses do not have access to modern machinery; this leads to low productivity and product quality, making it difficult to compete in the market.

- Currently, many companies do not pay much attention to marketing, investment in human resources and application of technology in marketing is still limited, making it difficult to develop in the international market.

- Chemical raw materials are still used quite commonly in rice production in Vietnam. Furthermore, because product quality is not strictly controlled, Vietnam's competitiveness compared to countries that do not have a tradition of rice production such as Japan and the United States also decreases.

5. Policy recommendations

5.1. Improving the quality of rice products

To improve this situation, Vietnam needs to

research and create a quality seed supply system, certified to be supplied from reliable sources, such as research institutes, universities and agricultural extension agencies. Specific solutions are as follows:

Firstly, localities must regularly screen rice varieties after each crop. Choosing good rice varieties suitable for the locality will bring great benefits to farmers.

Second, there should be a testing area for new rice varieties locally. Thereby helping farmers have appropriate farming methods when planting new rice varieties.

Third, grasp consumer trends in the international market.

5.2. Enhancing the application of technology in rice production

In the coming years, businesses should apply some of the following solutions:

Firstly, local authorities and the State should promote the application of technology in solving saline soil to ensure productivity and rice output supplied to the market. In addition, local authorities and cooperatives should apply technology in controlling fertilizer use and irrigation to ensure the quality of rice seeds right from the planting and care stages.

Second, conduct joint ventures and partnerships with foreign businesses to access modern technology and speed up the process of transferring technology and management experience of foreign businesses. In addition, businesses should promote research and development of machinery rig

Third, the engineering team of businesses must be dynamic, creative, and improve current production lines to save costs and energy to operate machines to achieve the highest results. Besides, farmers also need to know how to use and operate machinery during farming.

Fourth, depending on each specific stage of different business strategies, it is possible to apply the form of leasing additional machinery and equipment, with this form, businesses can use the necessary machinery without requiring large investments. There should be a policy to guarantee businesses loans to invest in technology lines for households working on a large scale.

Fifth, it is necessary to deduct a certain amount of profit to use for purchasing new, repairing and

upgrading machinery systems, production lines as well as research on the technological development situation of other countries every year.

5.3. Diversifying products and export markets for the rice industry

To improve the competitive advantage as well as the competitiveness of the Vietnamese rice industry in the international market, companies and businesses in the industry should focus on the following:

Regarding product diversification, Vietnam's rice industry should develop new products.

Cooperate to bring products to online, official, highly reputable domestic sales channels such as Facebook, Lazada, Amazon, Ebay, Alibaba, etc...

Rice businesses need to actively proactively work through VITAS and the Ministry of Industry and Trade with trade counselor channels in export markets to help products penetrate and develop in potential markets.

Coordinate with logistics and seaport businesses to form bonded warehouses in big cities such as Hai Phong, Ho Chi Minh, and Da Nang. Cooperate in transportation, ordering large batches etc. to reduce costs.

5.4. Developing marketing activities for Vietnamese rice products

Below are some solutions for brand development:

Firstly, businesses must really care and pay attention to the products they make before bringing them to the market, and must be responsible for the end product. Besides, should focus on diversifying designs and eye-catching packaging designs.

Second, it is necessary to strengthen activities to raise awareness of the image, role and importance of the brand for officials and employees. Actively participate in activities to promote the business's brand and logo, participate in sales via the Internet, regularly update product information on the business's website, and advertise through posters and catalogs, online sales channels, etc.

Third, businesses need to have a plan to register for brand protection in foreign markets as soon as possible, otherwise their brands will be stolen by foreign businesses.

5.5. Improving the quality of human resources

- *For rice producers*: To improve farmers' capacity, the following solutions should be applied: innovating the thinking in living and working of farmers, focusing on training and improving techniques, cultivate knowledge about climate change adaptive farming, improve the level of use of modern technology and machinery in farming.

- *For traders and businesses*: The direction of investment in improving negotiation and marketing skills of traders and employees at businesses should be implemented as follows:

Firstly, trade promotion centers of the provinces need to organize training classes for traders and businesses on human resource management, capital and asset management, business administration, marketing skills, negotiate in international markets.

Second, the labor structure needs to ensure balance between types of workers by industry with different training levels such as technical staff, managers and technical workers at different training levels..

Third, combine appropriate investment between training and retraining methods, in accordance with the pace of growth rate and modern level of technology of the rice industry.

6. Conclusion

Through analyzing the current state of competitiveness of Vietnam's rice industry in the period 2015-2022, analysis results show that, in recent times, rice industry output has tended to increase. Compared to other countries in the top 5 largest rice exporting countries in the world, Vietnam's rice productivity ranks second, only behind the United States. Furthermore, among the total exports of the world rice industry, Vietnam's rice export value always ranks.

Based on the analysis of influencing factors, production status and competitiveness of Vietnam's rice industry, the study has shown that besides achievements, Vietnam's rice industry still has some limitations.

From the limitations, causes of limitations, the author has proposed groups of solutions to help improve the competitiveness of Vietnam's rice industry in the period 2024-2030 ■

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THỰC TRẠNG CẠNH TRANH XUẤT KHẨU GẠO CỦA VIỆT NAM VÀ GIẢI PHÁP

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TÓM TẮT:

Nghiên cứu này nhằm phân tích thực trạng cạnh tranh xuất khẩu (XK) gạo của Việt Nam hiện nay. Kết quả nghiên cứu cho thấy sản lượng lúa gạo của Việt Nam có xu hướng tăng trong thời gian gần đây. So với các nước trong top 5 nước XK gạo lớn nhất thế giới, năng suất lúa gạo của Việt Nam đứng thứ hai, chỉ sau Hoa Kỳ. Đồng thời, trong tổng kim ngạch XK lúa gạo thế giới, giá trị XK gạo của Việt Nam luôn giữ vị trí cao. Tuy nhiên, ngành công nghiệp lúa gạo Việt Nam vẫn còn một số hạn chế, như: mức biến động giá gạo chưa tương xứng với tiềm năng vốn có, tăng trưởng năng suất ngành lúa gạo Việt Nam chưa cao và không ổn định, mức độ đa dạng hóa thị trường và sản phẩm còn thấp. Dựa trên những kết quả này, nghiên cứu đề xuất một số giải pháp nhằm nâng cao khả năng cạnh tranh XK gạo của Việt Nam.

Từ khóa: xuất khẩu gạo, cạnh tranh, xuất khẩu, gạo, Việt Nam.