

## FFTC Agricultural Policy Database

### Browse by topic (359)

Overview of agricultural policy (38)
Trade liberalization countermeasures (42)
Agricultural land policies (27)
Agricultural human resources development (16)
Farmers' welfare and retirement system (5)
Agricultural risk management (11)
Food security and safety (48)
Production policy (34)
<b>Agricultural marketing policy (42)</b>
Existing/Approved policies (24)
Regulations of the approved policies (0)
Articles/ Related published articles (5)
Public pulse/opinion (0)
Other (13)
<b>Agricultural cooperatives and farmers' organizations (11)</b>
<b>Agricultural science policies and technology development (39)</b>
Environment and natural resources (14)
Import regulation and quarantine (5)
Rural Development (8)
Others (19)

### Browse by Country (359)

Japan (57)
Korea (76)
Philippines (36)
Taiwan (80)
China (46)
Indonesia (25)
Thailand (10)
<b>Vietnam (20)</b>
Malaysia (8)
Australia (1)

Site search:

search

Home &gt; FFTC Agricultural Policy Database &gt; Agricultural marketing policy &gt; Articles/ Related published articles

# Rice Policy Review in Vietnam

2015-04-13 Dr. Tran Cong Thang and Dinh Thi Bao Linh<sup>[1]</sup>

Key words: rice, polices, Vietnam.

## INTRODUCTION

Rice policy is one of the most important agricultural policies in Vietnam, because of the role that rice plays in the economic and social development of the country. Vietnam is a country with exceptional comparative advantage in rice production (soil, land, cultivating experience, high intensive farming, special rice varieties) and thanks to this, rice production has made remarkable progress over the last two decades.

Although industrialization and urbanization process still occur strongly, the rice sector still plays an important role in the socio-economic development of Vietnam. Rice land accounts for 60% of the area planted with total annual crops; rice production is an important source of livelihood for around 9 million rice-farming households and for millions of rural poor.

Rice yield has improved remarkably from 4 tons/ha in 2001 to 5.5 tons/ha in 2011 and nearly 5.6 tons in 2013, much higher than the world average yield of 4.3 tons/ha and the yield gained by other world leading rice exporters such as Thailand (3.0), India (3.1) and Pakistan (3.7). Vietnam paddy output increased continually over time and reached 44 million tons in 2013.

The stable increase in rice output in Vietnam not only meets the domestic demand but also makes Vietnam a top rice exporter in the world market. At present, Vietnam is one of top rice exporters in the world, with export volume of 7-8 million tons per year. While Vietnam contributes 6% to rice production of the world, its consumption makes up for only 4.5% global volume.

Despite these remarkable accomplishments over the years, rice production in Vietnam still faces the following issues:

- Farm size is very small, about 50% of farmers cultivate an area less than 0.5 ha.
- Rice quality is low and inconsistent.
- Inputs (hybrid seedlings, fertilizer and pesticides) depend much from importation.
- Poor linkages among stakeholders in the value chain, with profit distribution unfair to farmers.
- Storage and warehouse system and facilities are under poor condition.
- Processing sector for rice and by products is underdeveloped.
- Export is dependent on the Chinese market.
- Brand name is very limited for both domestic and export market.

In addition to the above, Vietnam rice production is still facing other challenges including (i) impacts of climate change, (ii) high land/loss competition from urbanization and other crops, (iii) changes in consumption demand, (iv) high price volatility and (v) traditional markets is narrowing and international competition is increasing.

## Objectives:

This paper aims to:

- Provide a brief review of rice sector and rice policies in Vietnam.
- Identify key policy and regulatory gaps and further tasks of policies on Vietnam's rice sector.

## Scope and methodology of policy review and assessment

While rice policies have remarkable contribution to the rice sector development since the Doi moi, with a large range of policies, the authors use a policy matrix analysis to revise and determine the strength and shortcomings of the policies, **focusing on policies issued over the past 5 years**. The policies are also divided in large groups including policies on rice production, rice trade and on value chain development

## RICE POLICY IN VIETNAM

### 1. Rice production policies

#### 1.1. Support to maintain and develop paddy land and paddy production

The government support to paddy farmers 500,000VND/ha/year for land specializing in paddy production and 100,000 VND/ha/year for other paddy land. (the Decree No. 42/2012/ND-CP on 11<sup>th</sup> May 2012 by the government on management and use of paddy land aims to maintain agricultural land, which would contribute to exporting rice, ensuring food security and raising farmers income and Circular No. 205/2012/TT-BTC on 23<sup>rd</sup> November, 2012 by MOF on implementation of policies to protect and support the development of paddy land). While the objective of these policies is to protect and develop paddy land, it is difficult to identify upland rice area in land use planning. The support has low effectiveness because income of paddy farmers has not improved significantly. In recent years, several farmers have switched to other



crops or to non-farm activities.

## 1.2. Support to reduce inputs cost

Since 2008 the government has issued a wide range of policies to support agricultural materials and services via measures which include: paying inputs cost for farmers on paddy reclaimed land, in case of disasters and diseases; supporting fuel, machinery and communication devices for offshore fishermen.

Decree No. 42/2012/ND-CP which solely focuses on rice production. According to this decree, farmers are supported 50-70% of the cost of agricultural materials based on the extent of damage caused by diseases and natural disasters, 70% of land reclamation costs, and 100% of costs of rice seeds on reclaimed land in the first year. The other 70% of costs of rice seeds on paddy land converted from other land in the first year are also covered by this decree. MARDI is in charge of developing paddy land, organizing rice production and adjusting structural crops. Provincial People's Committees directly give this support, provided by MOF, annually to farmers and report to MARDI and Ministry of Natural Resources and Environment (MONRE) about paddy land's usage and management. However, it is more necessary to provide farmers with indirect support (e.g. advanced farming technique and market development). Therefore, the adjustment of the Decree No. 42/2012/ND-CP is considered in the orientation of structural shift of crops, investment in agricultural infrastructure and other indirect support.

In general, these policies have gradually improved agricultural input market both in terms of price stability and quality/food safety management and has helped to reduce influences of price shock on farmers' production and livelihood. Support for inputs has grown in importance in the context of rising price of major inputs. In fact, during 2007-2012, prices of major inputs, namely fertilizers and pesticides for crop production and feed for livestock production fluctuated, posing threat to agricultural production. For example, prices of nitrogenous and potash fertilizers increased by 12.6% and 3% per year respectively over the last 6 years. In the meantime, prices of rice bran and soybean rose by 13.2%/year and 5%/year respectively. Therefore, about 45.5% of communes considered price volatility as the second biggest obstacle, followed by lack of capital.

## 1.3. Support to develop infrastructure and irrigation for agricultural production

### *Infrastructures*

In addition to the support provided to producers individually, the government also assists in agricultural production through public financing on infrastructure building and encouraging the private sector to invest in infrastructure in rural areas.

It is obvious that the government has made every effort to develop infrastructure in rural areas, especially facilities serving agricultural production. One of the most important facilities is canals and inter- and intra-village roads. According to the Decision No. 13/2009/QĐ-TTg (on 21<sup>st</sup> January 2009), rural infrastructure shall be continuously funded by state budget through Vietnam Development Bank (VDB) in the amount of 4000 billion VND in 2009 and those from 2010 onwards 2000 billion VND. After that, the Prime Minister amended Decree No. 13/2009/QĐ-TTg by Decision No. 56/2009/QĐ-TTg which pays additional focus on water stations in rural areas. To facilitate the credit provision, MOF introduced two policies including the Circular No. 156/2009/TT-BTC on 3<sup>rd</sup> August 2009, the Decision No. 1058/QĐ-BTC on 8<sup>th</sup> May 2013.

Agricultural production infrastructure has been seen as the major concern of the government for a long time. There were two major policies to develop infrastructure a decade ago, namely Decision No. 66/2000/QĐ-TTg and the Decision No. 132/2001/QĐ-TTg. Their focal point was to build, maintain and concrete canals and rural roads.

In order to encourage enterprises to invest in agriculture and do it themselves, infrastructure for their project, in 2013, the Government issued the Decree No.210/2013/ND-CP (dated 19 December, 2013) replacing Decree No. 61/2010/ND-CP on policy for encouraging investments in agriculture and rural development. The Government supports 20% of land and, water rent in the first 5 years after the basic construction, contribute to improving infrastructure for agricultural production and encouraging investors to build infrastructure for agricultural production.

### *Effectiveness and impact of policy*

These policies contribute to improving infrastructure for rice production and maintain agriculture production. On the other hand, a major risk of this support is the inefficient management of resources and infrastructure because in some localities, infrastructure management maybe loose in order to attract business and investments. In contrast, localities lack of incentives (tax, management mechanism) for the socialization of infrastructure investment and management (the participation of private investors is still limited).

### *Irrigation*

To assure water for agricultural production, Vietnamese government has provided strong support for irrigation programmes. The government adopted Decree No. 67/2012/ND-CP on 10<sup>th</sup> September 2012 to amend Decree No. 143/2003 and replace Decree No.115/2008/ND-CP. Decree No. 67/2012/ND-CP exempts individuals and households from irrigation fee if they use water surface for agricultural purpose. This means a reduction of about 5-10% of production cost for farmers. MARDI and MOF submit financial proposal for irrigation fee support and in some occasions put forward irrigation fee recommendation to the Prime Minister for approval. Annually state budget spends 3000 billion VND and provincial budget 3400 billion VND to compensate for irrigation fee's exemption. Other policies related to irrigation consist of Decision No. 1580/QĐ-TTg and Circular No. 41/2013/TT-BTC guiding implementation of Decree No. 67/2012/ND-CP.

From 2006 to 2012, total investments in irrigation in the Mekong Delta for the whole period was about 14,870 billion VND (equivalent to around 2,200 billion VND per year), of which, the budget under management MARDI is 4,970 billion VND and the remaining is under the local management. The fund was chiefly used for construction of new facilities rather than maintenance.

However irrigation projects are inconsistent and overlapping. The mobilization of private investment in irrigation is limited. Making irrigation free leads to several problems that farmers and businessmen have wasted water resources and some businesses have not had incentives to improve quality of publicly-subsidized irrigation services.

## 1.4. Credit support for rice producers:

In order to reduce postharvest losses in agricultural production including rice, the government enacted the following policies: Resolution No. 48/2009/NQ-CP on 23<sup>rd</sup> September 2009 and Decision No. 68/2013/QĐ-TTg on 14th November 2013 on supporting the reduction of losses after harvest in agricultural production, which replaces Decision No. 63/2010/QĐ-TTg on 15<sup>th</sup> October 2010 and Decision No. 65/2011/QĐ-TTg on 2nd December 2011.

The policies focus on all participants in rice production, including businesses, cooperatives, households and individuals. In

order to be eligible for the support, cooperatives, households and individuals' direct engagement in crop production (rice is the main crop), rice processing and rice mechanical services have to be substantiated by commune People's Committees. As for enterprises, they have to sign contracts for production linkages, consumption of agricultural products and usage of agricultural mechanical services with cooperatives, households and individuals. With regard to projects, they have to be approved by competent agencies and have not funded by other policies. Many ministries and ministry-level agencies take the responsibility for implementing the policies. MARD re-plans the storage system and lists machines that will be supported by funds from MOF. MPI presents mechanism to attract foreign investment in machine manufacturing. MOIT orders factories to manufacture machines to serve agricultural production. SBV guides commercial banks to perform the credit support in accordance to these policies.

### 1.5. Science policies and technology development

According to Decree No. 210/2013/ND-CP (dated 19<sup>th</sup> December, 2013), the government provides enterprises 70% of cost for research or purchase of new agricultural technologies and 30% of cost for pilot production. Decision No. 01/2012/QĐ-TTg on 9<sup>th</sup> January 2012 supports the adoption of Viet GAP in agriculture, forestry and fisheries (replacing Decision No. 107/2008/QĐ-TTg on 30<sup>th</sup> July 2008), contributing to increasing productivity and output, changing farming techniques and raising agricultural value added by over 30%. The government supports all costs associated with baseline surveys, topographical surveys, soil analysis, water sampling and air sampling to determine the production area for applying Viet GAP while provincial authorities act as the main actor in this activity.

From 2008 to 2013, the total fund for R&D transfer was about 3.9 trillion VND. MARD issued the Circular No. 53/2012/TT-BNNPTNT on the list of agricultural products pursuant to Decision No. 01/2012/QĐ-TTg. The ministry certified 162 technological processes and applications of crop cultivation and 266 Vietnamese standards for producing agricultural, aquaculture and forest products.

Research on seeds and breeds is also of great importance. The Prime Minister approved the proposal to develop agro-forestry seeds, and livestock and fishery breeds toward 2020 on 25<sup>th</sup> December 2009 (the Decision No. 2194/QĐ-TTg). It focuses on: (i) improvement of the system of research, production and seed supply from the central to local levels, (ii) investment in research on seeds, (iii) credit support from state and local budgets and (iv) state-owned commercial banks' favorable lending conditions for entities and individuals engaged in seed and breed production.

## 2. Rice trade policies

### 2.1. Support to access and develop market:

In recent times, the Government has launched some new measures to facilitate the access to commodity markets and support producers, and businesses in terms of trade promotion. According to Decree No.210/2013/NĐ-CP ( issued in 19<sup>th</sup> Dec, 2013 and effective from 1<sup>st</sup> Jan, 2014) replacing Decree No 61/2010/NĐ-CP on policy for encouraging investment on agriculture and rural development, the Government will support 50% of the cost of advertising on mass media; 50% of cost for fair exhibitors in the country; 50% of cost for market information and service fees from trade promotion agency of the State; encouraging investments in agriculture through incentives on advertising, market information access and services from trade promotion agency. However, the policy lacks of powerful regulation on supporting producers and/or business of safe/organic or agricultural products based on standards of sustainable production to access markets.

These above policies are encouraging investments in agriculture through incentives on advertising, market information access and service from trade promotion agency. However, it lack of powerful regulation on supporting producers and/or business of safe/organic or agricultural products based on standards of sustainable production to access markets. Market access ability of farmers and small producers is still weak as compared to business.

Regarding export promotion and marketing assistance, Vietnam promulgated a national trade promotion programme through Decision No. 279/2005/QĐ-TTg of 3<sup>th</sup> November 2005. At present, the national trade promotion programme is implemented according to Decision No. 72/2010/QĐ-TTg of 14<sup>th</sup> November, 2010. Since 2007, some policies which are not prohibited in the WTO as subsidies have still promoted structural adjustment in agricultural.

The national trade promotion programme granted funds for trade promotion activities, such as the hiring of domestic and foreign experts for advice and assistance on export development or product quality improvements; the organization of trade fairs, exhibitions. The enterprises were sponsored to participate in several trade events in Vietnam and abroad and to carrying out surveys or market investigation. The stated funds cover 100% of the expenses for the construction and decoration of pavilions at trade fairs but the hiring fee of consultants or participation in overseas fairs require co-funding (50%) by the beneficiary enterprises.

However, Vietnam lacks legal guidance for exports subsidies permitted by WTO to developing countries to reduce costs of marketing agricultural exports and the costs of international transport and freight. The export promotion for agricultural products is still small in comparison to the requirement of the sector. In addition, trade promotion activities have not been really efficient and in some case, the irrational trade promotion even caused the confusion for the agricultural producers. The planning of the annual trade promotion has not been associated with the agricultural production plan and with the real production capacity.

In order to support the domestic production while respecting all commitment with WTO, Vietnam should add policies on benefiting from exports subsidies permitted by WTO to developing countries to reduce costs of marketing agricultural exports and the costs of international transport and freight.

### 2.2. Rice export management:

In order to enhance the competitiveness and bargain power of Vietnamese rice exporters in comparison to foreign partners and competitors, the Government has added the regulation on rice exporting right. According to Decision No. 109/2010/NĐ-CP, rice exporter has to meet the following conditions: (i) At least one specialized store with minimum capacity of 5,000 (five thousand) tons of paddy, in accordance with common standards issued by the Ministry of Agriculture and rural development. (ii) At least one grinding grain, rice factory with minimum capacity of 10 tons of paddy per hour, in accordance with common standards issued by the Ministry of Agriculture and rural development.

### 2.3. Tariff-rate quotas for preferential import of rice

Vietnam has also opened tariff-rate quotas for preferential import of rice leaves from Cambodia and Lao PDR. According to Circular No. 09/2014/TT-BCT, two groups of goods originating from Cambodia including rice of all kinds; dry tobacco leaves will be applied import tariff quotas in 2014 and 2015 at import duty of 0%. Tariff quotas for rice in 2014 and 2015 is 300,000 tons/year and for tobacco in 2014 and 2015 is 3,000 tons/year. Imported goods must have the certificate of origin form S (C/O Form S) issued by the Ministry of Commerce of the Kingdom of Cambodia. Goods will be imported through the border gates that the Ministry of Industry and Trade of Vietnam stipulated in the Appendix 2 attached to Circular No.

09/2014/TT-BCT. All Vietnamese companies have right to imported rice in accordance with these above regulations.

#### 2.4. Price support measures

In order to ensure a decent income from rice production for farmers, the Official document No. 430/TTg-KTN on 12th March, 2010 was introduced. Accordingly, Ministry of Finance (MOF) and Ministry of Agriculture and Rural Development (MARD) cooperate to present the pricing method, and then provincial People's Committees determine and proclaim rice floor prices (minimum purchase prices or floor price policy) at which enterprises buy rice from farmers.

Initially, floor price policy is issued with expect to bring a profitable price paid to farmers. The floor price changes over time. According to Resolution No. 63/NQ-CP (23<sup>rd</sup> December, 2009) on food security, to encourage farmers to keep paddy land, the government has to ensure the farm-gate price which helps paddy growers earn a profit of more than 30% over production costs. This means that the floor price paid to farmers are at least 30% higher than production cost. However, Resolution No. 63/NQ-CP does not show the detailed mechanism for determining the production cost.

Decree No. 109/2010/ND-CP issued on 4<sup>th</sup> Nov, 2010 can be seen a good supplement for Resolution No. 63. According to the Decree No. 109/2010/ND-CP on export management, the floor price is modified and called directed paddy price. The directed paddy price is determined by the MOF based on production cost from provincial People's Committees, consultation from the MARD. As pointed in Decree No. 109/2010/ND-CP when the market price of commodity rice is equal to or higher than the directed price of paddy, the government makes no interventions. When the market price is lower than the directed price, the MARD will be assumed the prime responsibility to coordinate with the MOF, the MOIT, SBV and the Vietnam Food Association (VFA) in proposing the Prime Minister to take specific measures to keep the market price of commodity rice not lower than the directed paddy price while ensuring efficient rice export.

Aiming at the same objective, MOF introduced the Circular No. 89/2011/TT-BTC on 17<sup>th</sup> June, 2011, on determining floor prices of export rice. It guides rice-exporting enterprises to calculate production costs and export prices of rice to gain a reasonable profit margin. VFA plays a key role in this circular. Specifically, rice-exporting enterprises determine their floor prices based on guidance by MOF and then report to VFA. Afterwards, VFA relies on the submitted floor prices of enterprises to determine the average floor prices of export rice.

Decision No. 311/2013/QĐ-TTg and the Circular No. 50/2013/TT-BTC Providing 100% of interest on enterprises' loans for rice procurement for storage with the maximum period being 3 months, from 20<sup>th</sup> Feb, 2013 to 20<sup>th</sup> May, 2013

These policies tend to ensure a certain amount of profits for farmers; mitigating price squeeze in bumper crops and to support enterprises engaged in rice procurement to ensure a profit of at least 30% for rice farmers.

However, in practice, the support could not spread because the floor price is price paid by enterprises. However, enterprises often do not buy rice directly from farmers. They usually buy from traders or assemblers. For example, only 30% of rice/paddy of rice exporters in An Giang province was procured directly from farmers in 2012<sup>[2]</sup>. That is why exporters do not care about the price paid to farmers. It is difficult to ensure 30% margin for farmers in accordance with the Decree No. 63/NQ-CP:

- The way to calculate rice production costs may not take into account all components such as household labor cost, land lease fees and loan interest. This may not be accepted by farmers in different provinces, so if enterprises base on that production cost to determine procurement price, it may face disagreement from farmers.
- It is unfair to apply the same production costs for an entire ecological region as there are many differences among provinces in the same region, leading to big differences in production costs.
- The floor purchasing price must be given at the beginning of each crop under the regulation but in fact MOF that is responsible for determining and circulating the price is always late in doing so.
- The purchasing price under the Decree should be farm-gate price but in practice, farmers have to pay additional transportation fee for delivering paddy to exporters' storage and production costs of course do not take the transportation fee into account.

### 3. Specific policies on developing rice value chain

#### 3.1. Policies on developing linkage in rice production and consumption

To encourage the cooperation between stakeholders and investments in large-scale agricultural production, on October 25, 2013, the Prime Minister signed Decision no. 62/2013-QĐ-TTg on policy to encourage linkage between production and consumption of agro-products and establishment of large fields. According to this decision, preferential and support policies on large-scale production development for enterprises include preferential on land use charges, land rentals and priority on implementing agro-product export contracts or temporary storage programs of the government; support on a part of expenditure for infrastructure in the project; support on training expense for farmers in projects). For representative organizations of farmers (in addition to above preferential), there are also support on a part of the expenses for plant protection chemicals, labor cost, expense for hiring machinery, etc. ). For farmers, supports focus on training and guiding production techniques, expenses for seeds and storage at enterprises.

##### **Contents of support for farmers:**

The Government will give one-time support for a maximum of 30% expense for buying high-grade seeds (certified seed) and support 100% of storage expense at enterprises for a maximum period of 3 months.

The support conditions are that farming households must commit to implement the production and sales of agro-products in accordance with signed contracts. Enterprises, farming households and representative organizations of farmers who receive subsidy from the State, but breach signed contracts with partners with no legitimate reasons will be revoked with subsidies and receive no subsidy consideration in the following year.

However, the support has not been deployed on a large scale because the levels of subsidies are decided by the local authority and largely depend on the budget balancing capacity of the local authority or the capacity of developing programs and projects of the locality. There are difficulties in implementation, especially in collecting the expenditure which has been subsidized for farmers when they do not implement their commitment.

##### **Contents of support for enterprises:**

Different support will be offered to enterprises, including (i) exempting land use charges or land rents to build milling plants, warehouses and houses for workers serving the large field project.; give priority on implementing export contracts and agro-product temporary storage programs; Giving a part of expenses for upgrading infrastructure serving the large field project; Supporting 50% of expenditure for training farmers.

Advantages of this policy are to encourage enterprises to implement the linkage with farmers through incentives and conditions: (i) Enterprises must have direct contracts or connect to other enterprises to supply input materials serving production and procurement demand of farmers in large field project; (ii) have material zones to ensure at least 50% of the material demand, have a system of drying, warehouse and milling establishments to ensure business in accordance with contracts.

Thanks to these policies 43 provinces and cities, such as Mekong River Delta, Ha Tinh, Thanh Hoa, Thai Binh, Nam Dinh, Hanoi, etc. have developed "large field" model with about 100,000 ha of paddies.

*However, this policy still contains some limitations as follows:*

- Support land use charge for constructing milling establishments, storage warehouses while requiring enterprises to already have warehouses and milling establishments prior to enjoying preferential; therefore, enterprise will have to borrow money to lease or buy land and construct warehouses, which accounts for the largest expense before receiving support.
- Support a large of expense for upgrading infrastructure serving the large field model, but specific supports have not been prescribed (as being decided by the local authority). There may be wrong-doings because there have not been uniform regulations and the waiting period of enterprises will be longer.

#### **Contents of support for cooperatives**

- Exempt land use charge and land rents for large field project.
- Give priority to implement export contracts and temporary storage program for agro-products.
- Support plant protection chemicals, labor costs, and machinery rentals.
- Support a maximum of 50% expenditure for organizing training for cadres and joint cooperatives in terms of management, economic contracts, etc.
- Support 100% expense for training farmers.

The advantages of this policy are giving out binding conditions, including having contracts, implementing input material supply for production or consuming agro-products for member households and farmers.

However, in the deployment process of this policy, there may be cursory implementation, particularly in coaching and training for farmers.

#### **3.2. Policies to improving capacity of exporting enterprises, linking with the sustainable development of rice sector**

On August 28, 2013, the Ministry of Industry and Trade promulgated Decision no. 6139/QĐ-BCT on approving the planning on rice exporting enterprises, accordingly (i) By 2015: Reinforce and stabilize the number of rice traders, ensuring at least 150 hubs; attach the operation area of traders with large commodity rice production areas; step by step improve and develop production and business capacities for rice exporters in depth and efficiency for export. (ii) From 2015 onward: Adjust the number of hubs and operation areas in accordance with objectives and principles on rice export from 2015 onward: Adjust the number of hubs and operation areas in accordance with the objectives and principles on rice export monitoring and developments of production and consumption markets; focus on developing and improving competitiveness and efficiency of business and production of rice traders.

The Plan also sets out three criteria for being granted with Certificate on qualifying to trade and export rice, specifically:

Criterion 1: Meet sufficient business conditions in accordance with Decree no. 109/2010/ND-CP and guiding documents.

Criterion 2: Have warehouses and milling establishments to serve the business conditions in accordance with Decree no. 109/2010/ND-CP in 13 centrally-run provinces and cities in the Mekong River Delta, Ho Chi Minh City and a number of provinces, including Thai Binh, Hung Yen and Tay Ninh.

Criterion 3: Give priority to traders with material zones or cooperate, order or coordinate with rice farming households. To receive priorities, traders must have written confirmation from provincial People's Committees on having material zone, or cooperating, coordinating or ordering from rice farming households.

To orient enterprises in purchasing and exporting rice, in 2011, the Ministry of Finance promulgated Circular no. 89/2011/TT-BTC guiding method of determining the floor price of export rice, accordingly, rice traders have to calculate and determine floor price of export rice of their units and report to the Vietnam Food Association to summarize; and periodically and annually send reports on price of export rice to the Vietnam Food Association for summarizing and submitting to the Ministry of Finance.

These policies is pushing rice traders to support and re-invest in the rice sector, instead of caring only about the export. By that way, other stakeholders in the value chain including farmers can benefit more from export and have more incentives to improve the rice production and trade.

#### **CONCLUSION AND RECOMMENDATIONS**

In conclusion, although Vietnam has favorable natural conditions for growing rice, a low starting point with land fragmentation, poor systems of business, financial and technologies remain big difficulties for the development of the sector. In that context, policy initiatives have contributed a lot to push Vietnam from a rice shortage in the country to become a rice exporting country.

However, the sustainable development of the rice sector requires further efforts in improving institutional policies, the development of cooperatives, farmer-linked businesses, market development. This will be the main focus of Rice Restructuring Plan of Vietnam towards improving the competitiveness and sustainable development.

The export of rice from Vietnam ranks second in the world but our goal in the future is to increase the income of rice farmers, raise value-added and products and protect the environment. It is our main direction for the rice policies in the future.

---

[1] Institute of Policy and Strategy for Agriculture and Rural development of Vietnam

[2] Field survey in 2012 by IPSARD (2012)

Date submitted: April 11, 2015

Reviewed, edited and uploaded: April 13, 2015

[back](#)

Copyright © 2013 FFTC. All rights reserved. Email: [info@fftc.agnet.org](mailto:info@fftc.agnet.org)

5F.14 Wenchow St., Taipei 10616 Taiwan R.O.C. Tel: (886-2) 2362-6239 Fax: (886-2) 2362-0478