

Rice export: exports up, value down

Vietnam's efforts to export rice have not been duly compensated: though export volume has increased significantly this year, export revenue has not followed suit.

According to Huynh Minh Hue, Secretary General of the Vietnam Food Association (VFA), though Vietnam exported 4.450 million tonnes in the first eight months of the year, an increase of 46 percent over the same period of last year, export revenue was \$1.9 billion only, a decrease of four percent.

Hue said that VFA plans to export six million tonnes in 2009, or one million tonnes higher than the previously set plan.

"It is not a difficult task for us in terms of export volume, since we will have to export only 400,000 tonnes a month," Hue said.

The problem that has caused headaches for exporters is export efficiency. Hue said that the rice price has dropped sharply with the average rice price down by 200-300 dong per kilo over July 2009. If Vietnam does not take drastic measures to boost exports and collect rice from farmers, the rice price will drop further and farmers will suffer losses.

Vietnam's rice export price is now the lowest in the world. Previously, Vietnam's rice was just \$30-40 per tonne lower than Thailand's rice, while the gap has reached \$100 per tonne now. The current export price is sometimes even lower than Pakistani rice, which is considered as having lower quality.

VFA believes that in order to maintain the firm export price and ensure export efficiency, it is necessary to better undertake trade promotion activities.

There are currently two groups of rice export markets. The first one, called 'concentrated markets', includes the markets to which rice is exported under negotiations at government levels. As for these markets, importers define one key importer. The first group of markets is now consuming 50 percent of Vietnam's rice exports. The group of markets plays a very important role in commercial transactions with the second group of markets – the commercial markets.

Nguyen Thi Tam, Deputy General Director of the Northern Food Corporation, said that while Vietnam's rice still does not play the decisive role in the world's market, Vietnam still needs to strive to obtain the percentage of exports under concentrated contracts at 50 percent of total exports. The price obtained on the concentrated market will serve as the benchmark for Vietnamese rice exporters to negotiate commercial contracts with foreign partners.

Hue said that Vietnam does not have concentrated contracts at this moment and it has to rely on commercial contracts from now to the end of the year. This has given foreign partners a 'rod' to force prices down. They do not negotiate based on the world's prices, but on domestic prices.

VFA said that it is still trying to find new export channels and promote trade in potential markets, but rice exporters still hope that Vietnam will obtain concentrated rice export contracts, which can ensure safety for Vietnam's rice export price.

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