



New Policy on Rice Exportation Management in Vietnam

Lê Thanh Y

Vietnam Rural Development Science Association, PHANO

SUMMARY

Decree No. 107/2018 / ND-CP on rice export business, which the Government issued on August 15, 2018, unbinded and opened new directions for businesses and traders in production and export rice paddy in our Vietnam. In the legal perspective, the article suggests some core issues for exchange.

Key words: Rice, exportation policy, Vietnam

INTRODUCTION

Rice production and export play an important role in Vietnam's socio-economic development. In recent years, Vietnam's rice industry has developed impressively, the annual export in 2018 accounts for about 15% of total global exports and is among the top three exporters in the world. In the first nine months of 2018, Vietnam exported about 4.9 million tons of rice with a turnover of nearly US\$2.5 billion, up 6.7% in volume and 21.3% in value over the same period in 2017 (Ministry of Industry and Trade, 2018).

Vietnamese rice has been present in more than 150 countries and territories with a variety of products. Progress in production, seed structure, season together with appropriate cultivation measures has gradually improved the quality of exported rice. High-quality rice varieties, fragrant rice and specialty rice have contributed to improving the high-end market segment, bringing the average export value of Vietnamese rice to the same level of Thailand in 2017 and in early 2018. In 2018, Vietnam's leading market for rice consumption is still China, accounting for nearly a quarter of the country's total rice exports. The price of rice exported to China increased by an average of US\$521.2 per ton.

The success of the rice industry is associated with improving market mechanisms through the legal system towards liberalization. Decree No. 107/2018 / ND-CP issued on August 15, 2018 replacing Decree 109/2010 / ND-CP, effective from October 1, 2018, continues to create an open and prompt environment boosts investment and opens new prospects in rice production/trade production and business, contributes significantly to strengthening links, links production to the market according to the value chain, ensures the quality of export rice and affirmed the prestige of Vietnamese rice brand. From a legal perspective, the article aims to clarify some limitations in Decree No. 109/2010 / ND-CP and the prospect of implementing Decree 107/2018 / ND-CP of the Government.

DECREE NO.109 / 2010 / ND-CP, PROBLEMS OF ENTERPRISES AND EXPORT TRADERS

The business conditions are expressed as main obstacles by many export enterprises. It is easy to see that, in Clause 1, Article 4 of this Decree, the Government stipulates that rice traders must have at least one specialized warehouse with a capacity of at least 5,000 tons of paddy and at least one establishment. The other condition for export enterprise is grinding, milling rice and rice with a minimum capacity of 10 tons of rice / hour in accordance with the general standards issued by the Ministry of Agriculture and Rural Development. These facilities must be located in the provinces and cities where rice and rice products are exported. Exports or international seaports must have rice export activities. These facilities must be owned by business owners (Government, 2010).

In fact, the majority of traders are small business producers, the demand and ability to invest in the construction of warehouses, grinding facilities, and rice mills are still limited, so they cannot meet the prescribed conditions. For commercial merchants, although there are customers and markets, there aren't enough financial capacity, capital or land and human resources needed to operate the warehouse, the rice milling facility that follows the rules or meet the eligibility requirements for certification. From this practice, the strict regulations of the decree become a barrier for businesses when participating in the rice export market.

Concerning the planning of areas to build warehouses, in order to meet the business conditions, the rice grinding and milling establishments must be located in the provinces and cities where rice and rice goods are exported or have national seaports. The company has activities to export rice and rice at the time traders request for a certificate. The regulation of controlling this area also creates inequality among localities, creating barriers for traders to invest in rice exports. On the other hand, this regulation also demonstrates administrative interference with the right to consider and decide the investment location of enterprises.

Regarding the provisions on circulation, Article 12 of the Decree stipulates that rice exporters must regularly maintain the minimum circulation reserve equivalent to 10% of the amount of rice exported by traders in the last six months.

In our country, the rice production is seasonal. In the case of natural disasters and local crop failures, the state reserve rice reserves can be supplied to the market. The regulation raises a large amount of capital and generates a lot of costs for storage and preservation of goods, increasing the burden on enterprises, and directly affecting business performance. This is a practical issue that needs to be considered and supplemented, because in the

implementation process, many problems have been revealed in terms of market, delivery time, selection criteria, the focal point of implementing training contracts. The focal export enterprises have binding responsibility and handling violations and these enterprises are allocated to perform contracts under the export trust mechanism.

DECREE 107/2018 / ND-CP NEW BREAKTHROUGHS ABOUT RICE EXPORT BUSINESS

The Government has issued Decree No. 107/2018 / ND-CP stipulating the export of rice paddy, applied to traders in accordance with commercial law and agencies and organizations responsible for the management of rice export. This Decree replaces Decree No. 109/2010 / ND-CP dated November 4, 2010 and takes effect from October 1, 2018 (Government, 2018).

Compared to Decree 109/2010 / ND-CP, Decree 107/2018 / ND-CP has many new points, especially in terms of rice export business conditions. Unlike Article 4 of Decree 109/2010 / ND-CP, rice exporters must be the owners with at least 1 warehouse of at least 5,000 tons of paddy, one grinding facility, rice husking facility with a minimum capacity of 10 tons of rice/hour that are located in the province of the city where rice is exported; Decree 107/2018 only stipulates that traders need to have at least 1 specialized warehouse for storing rice paddy and 1 rice grain milling and processing facility in accordance with national technical standards and establishments. In order to meet this business condition, the export trader may be own or hire from another organization or individual under a written lease contract.

Some experts said that Decree 107 has eased regulations on storage, milling facilities, and rice processing for rice exporting enterprises as well as simplifying customs procedures for export enterprises. Organic rice, parboiled rice, and fortified rice without a certificate, do not have to carry out storage reserves. The highlight of Decree 109/2010 / ND-CP is the addition of business conditions to organic rice exporters. The difference is that there is no need to meet the conditions of storage and milling facilities, there is no need for a certificate and there is no need to carry out the storage reserve.

This open policy will create favorable business conditions for export enterprises, especially small and medium enterprises to expand their markets without entrusting them to other enterprises, boosting the export of rice types. High-end, specialty rice is in great demand from markets such as China, Europe, Africa, Iraq, Cuba, and the United Arab Emirates.

Unlike Article 5 of Decree 109/2010 / ND-CP, the Department of Industry and Trade of the provinces and cities directly under the Central Government shall preside over the inspection of business conditions within 10 days after receiving the traders' requests Decree 107/2018 / ND-CP which defined that traders should declare their own documents and take responsibility before the law. The Department of Industry and Trade presides over the post-inspection after the merchant receives the certificate and has time to consider licensing from 30 days to 15 days.

Article 12 of Decree 109/2010 / ND-CP stipulates that traders must regularly maintain at least 10% of the volume of rice exported in the previous six months. This level in Decree 107/2018 / ND-CP fell to only 5%, the Decree also abolished Articles 16 and 17 of Decree 109/2010 / ND-CP, stipulating the implementation of centralized

rice export contracts and registering export contracts. Rice is directed by the Ministry of Industry and Trade. In lieu of these provisions, Decree 107/2018 / ND-CP has supplemented the provisions on linking production and consumption, building material areas and ensuring the quality of exported rice and rice. Accordingly, the state encourages traders to export rice to link production and consumption of rice and rice to rice farmers and build material areas under the use and management of traders. A clear responsibility to distinguish between the Ministry of Industry and Trade, the Ministry of Agriculture and the Ministry of Finance for developing the rice export market is a new point stipulated in this Decree.

The policy on concentrated rice export contracts by some main exporters are still considered export clues. The Ministry of Industry and Trade is the organization that appoints a centralized contract trader. Article 19 of Decree 109/2018 / ND-CP stipulates the specific responsibilities of key traders in transactions, negotiation or bidding and signing and organizing the implementation. With new regulations being added, many business barriers for small and medium enterprises, especially for traders exporting high-quality rice, organic rice has been removed when participating in the market.

Decree 107/2018 / ND-CP was issued with many new points, contributing positively to solving difficulties, obstacles and barriers in rice export business of enterprises and encouraging enterprises to focus on advantageous and competitive product business areas in the market. The Deputy Director of the Ministry of Industry and Trade Export Department Tran Thanh Hai said that the Decree facilitates small and medium traders to participate in rice export business. Exports will be more closely linked to the production, procurement, processing, storage and demands of the rice and rice markets. New regulations on business conditions will encourage traders to seriously invest to improve the quality of exported rice, which will make an important contribution to building and strengthening Vietnam's rice brand in the international market. Given the specific impacts of application in the past, we hope that rice export will be available.

WHAT BUSINESSES AND TRADERS NEED TO DO TO SEIZE THE MARKET OPPORTUNITY

Decree 107/2018 / ND-CP has unleashed, opening up opportunities for traders and rice exporters to self-control in production and business. However, the pressure of global competition, especially for rice exporting countries, is increasing.

Vietnam with its unique geographical and climate location, allows the production of many rice crops in the year with many specialty rice varieties that are high quality, but this advantage has not been utilized. In order to sustain rice exports, it is important to improve the quality of goods and products to create many organic products and clean products in accordance with increasing global consumption demand.

In order to make good use of market opportunities, traders need to grasp the information of global rice consumption trends and detail each market type to organize marketing. They need joint ventures, close links with businesses and producers to innovate technology and produce high-quality rice. On the other hand, large traders with financial capacity should focus on investing in building material areas for long-term stable production. In order to do

this job, in addition to commercial business talents, traders who build material areas need to be knowledgeable and have a technical team specializing in rice.

Along with traders, the export of rice should also be extended to rice-growing organizations and farmers like the Hau River Farm used to do. The team of direct rice producers will be the main force to ensure the quality of rice exports. There is a need to foster and have awareness and understanding of the trend of rice and rice markets in the organization.

In the years 2010-2016, Vietnam's rice market share accounted for about 15% of the total export volume of rice worldwide and has been present in more than 150 countries and territories that are constantly competing in both quantity and quality for rice export countries. Vietnam's rice export market is declining in the middle and low-end rice segment and increasing in high-end rice; This is a positive trend for Vietnam's rice brand to rise and compete with the leading regional and international rice exporters.

CONCLUSION

Recently, Vietnam's rice export structure has shifted towards increasing the market segment of high quality rice, reducing the segment of medium and low quality rice. As a result, Vietnam's rice export prices at many times were higher than competitors such as Thailand, Pakistan and India. The domination of the high quality rice segment is a good trend in the context of constantly striving to implement measures to improve the quality of export rice.

Due to the increasing demand of the world market for high quality rice, the agricultural sector has been recommended, flexible seed structure should be arranged according to market signals with the orientation of using high quality rice group around 50% with aromatic rice varieties which accounted for 25%; glutinous rice varieties, local specialties are about 15% and the average quality seed accounts for only 10% of the total cultivated area.

Export of high quality rice brings great profits to rice growers and exporters. However, the price of these kinds of rice is still modest. The problem is how to improve the brand value as well as ensure the uniform quality of the shipment to improve the selling price. In addition to food safety and traceability, Vietnamese enterprises need to pay attention to the export of pure, certified seed rice, and avoid growing and mixing rice often that leads to low rice quality due to cross pollination.

It is important to promote trade and products so that consumers around the world know the brand and use more and more high quality rice. Expanding the market of high-end rice segment will help Vietnam avoid the dependence on traditional markets that has happened to Vietnam's ordinary rice products.

REFERENCES

- Government, 2010. Decree on Rice Export Business. Decree No. 109/2010 / ND-CP dated November 4
- Government, 2018. Decree on rice export business. Decree 107/2018 / ND-CP dated August 15
- Ministry of Industry and Trade, 2018. Opening speech of Vietnam Rice International Conference of Deputy Minister of Industry and Trade Do Thang Hai; Hanoi October 11.

Tran Thanh Hai, 2018. Prospects for development of Vietnam's rice production and export. Presentation at the International Conference on Vietnamese rice products; Hanoi October 10.