



Rice miracle or mirage: who gains from high prices in Vietnam?

For rice sector growth in Viet Nam to be sustainable, everybody needs to benefit from the increased wealth.

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Expanding rice production has been heralded as the driver of Viet Nam's rapid economic growth over the past two decades. But will we build on these achievements or risk seeing them slip away?

In the face of record-level rice production and export quantities, poverty continues to be a predominantly rural phenomenon. And even though rice growing remains the most popular livelihood in Viet Nam, it is not the main income for the majority of growers. The average income of rice growing households in the Mekong Delta, the region with the best rice growing conditions, is merely VND 535,000 per person (some USD 24.50) per month, which is about half the minimum living wage. From my perspective, it is a cruel irony that people in the countryside are surrounded by the means to produce food and yet go without.

A report released this week by Oxfam and the [Institute for Policy and Strategy for Agriculture and Rural Development](#) (IPSARD), "[Who gains from high rice prices in Viet Nam?](#)" shows that benefits in the rice value chain are distributed unfairly. Rice farmers in An Giang province received only 30 percent the profit in the value chain even though farmers bear 60 to 70 percent of the total production costs. The remainder of profits is split between exporters and intermediaries in the Mekong Delta, where their role of intermediaries does not go unnoticed.

Vietnamese farmer Hoang Kim Vuong at her SRI (system of rice intensification) farm in Dai Phat commune, Van Yen district, Yen Bai province. Photo: Chau Doan / Oxfam America.

Small farm-size, scattered locations, varying timing of collection, and transportation challenges mean that exporters rarely buy directly from farmers. The Vietnam rice export business is concentrated in the hands of a few large companies, mainly state-owned enterprises. The two largest corporations, Vinafood I and Vinafood II, control nearly 50 percent of Viet Nam's total rice exports.

Most rice exporters do not invest in rice growers. About five to seven per cent of rice exporters choose to strengthen closer links with farmers through input supply, technical assistance, and contract farming. However, the remainder of rice exporting companies invest their profits in diverse activities including aquaculture, livestock production, input trade, even industries as far from rice production as car trading and real estate investment.



It is not reasonable that farmers only get a 30 percent profit share, or often less, when they spend the greatest proportion of their incomes and at the same time face multiple risks like weather, natural disasters, pests, and diseases.

Also, rice farmers experience the worst effects of price fluctuations. If global prices go down, their selling price reduces. However, when global prices rise, increases on farm-gate selling prices have been minimal. A lack of good storage capacity means rice quality diminishes rapidly post-harvest and pushes prices down due to supply surplus or a "good-harvest-bad-price" situation in the country that hits farmers the hardest.

The recognition of the value of rice to the country is clear in the Viet Nam government's recent range of policies. But there is a fundamental problem with the policy making process: the farmers they intend to help are not consulted. Consequently, many policies are inappropriate, do not take into account variations in costs of production, and as yet have failed to ensure stable incomes for Viet Nam's poorest people.

The report highlights measures that can improve rice policies in Viet Nam, such as:

- We must recognize that focusing on these farming communities is therefore vital. It is critical that poor and marginalized farmers are kept at the heart of the decision-making process to ensure that growth is sustainable, equitable and resilient. A restructuring strategy that ignores the contribution of small-scale farmers and denies their potential and aspirations will result in cohorts of landless, jobless, and hungry people.
- To improve targeting and impact of rice policies, the rice sector master plan would require differentiating commercial production and small-scale production for self-consumption or sale in local markets. Farmers in non-core rice production should be enabled to diversify.
- Rice production is highly input-intensive and is a high carbon emitter, thus, is extremely costly when all costs count. Farmer-led and climate-resilient practices such as the [System of Rice Intensification should be promoted](#).

For rice sector growth in Viet Nam to be sustainable, everybody needs to benefit from the increased wealth. This future can be achieved only if key stakeholders—particularly the Ministry of Trade and Industry, Ministry of Agriculture and Rural Development, Ministry of Finance, Viet Nam Food Association, and rice farmers' representatives—convene to discuss the proposed approaches and determine the steps and processes to grow a better future.

Read Oxfam and IPSARD's report here, "[Who gains from high rice prices in Viet Nam?](#)"

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