

PROMOTING THE EXPORT OF VIETNAMESE RICE TO INDONESIA

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Abstract

Vietnam has long been one of the world's leading exporters of rice. In recent years, Indonesia has emerged as a key importer of Vietnamese rice. In 2023, Indonesia became Vietnam's second-largest rice importer, purchasing over 1.1 million tons, which generated more than USD 640 million. This marks a dramatic increase of 878% in volume and 992% in value compared to 2022 (Ministry of Industry and Trade, 2024). However, alongside this remarkable growth in rice export turnover, Vietnamese enterprises face several challenges in exporting rice to this market. This article analyzes the status-quo of Vietnamese rice exports to Indonesia, identifies the opportunities and challenges enterprises encounter, and proposes some solutions to enhance rice exports from Vietnam to Indonesia in the future.

Keywords: Vietnam, Indonesia, rice exports.

Thúc đẩy xuất khẩu gạo Việt Nam sang thị trường Indonesia

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Tóm tắt

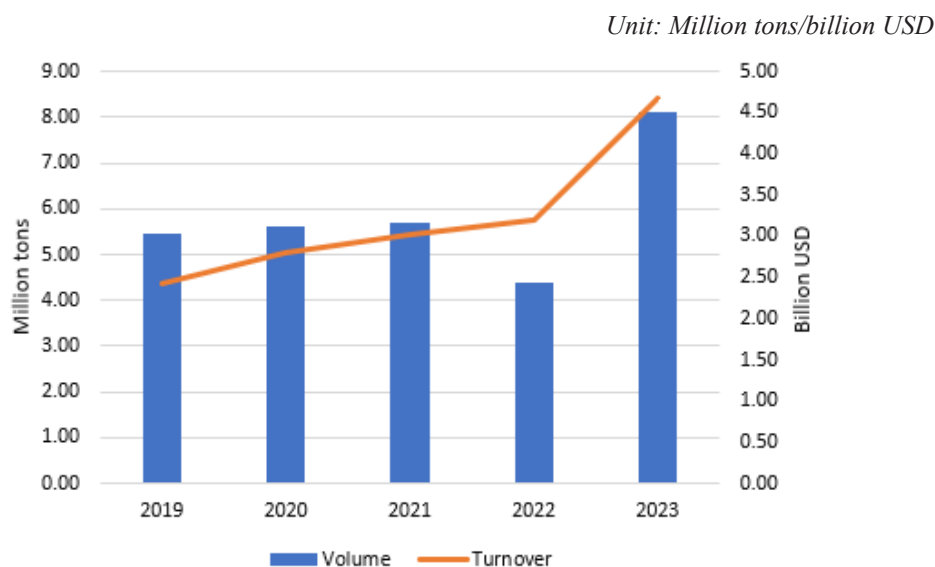
Việt Nam từ lâu đã trở thành một trong những nhà xuất khẩu gạo hàng đầu trên thế giới. Trong những năm gần đây, Indonesia là một trong những quốc gia chủ lực nhập khẩu gạo từ Việt Nam. Năm 2023, Indonesia đã vươn lên trở thành nhà nhập khẩu lớn thứ 2 của Việt Nam với sản lượng hơn 1,1 triệu tấn, thu về hơn 640 triệu USD, tăng mạnh 878% về lượng và tăng đến 992% về trị giá so với năm 2022 (Bộ Công thương, 2024). Tuy nhiên, cùng với sự tăng trưởng đột phá trong kim ngạch gạo xuất khẩu, các doanh nghiệp Việt Nam cũng phải đối diện với một số thách thức khi xuất khẩu gạo sang thị trường này. Bài viết phân tích thực trạng xuất khẩu gạo Việt Nam sang Indonesia, những cơ hội và thách thức mà doanh nghiệp gặp phải, đồng thời, đề xuất một số giải pháp nhằm thúc đẩy xuất khẩu gạo từ Việt Nam sang Indonesia trong thời gian tới.

Từ khóa: Việt Nam, Indonesia, xuất khẩu gạo.

1. Vietnam's Rice Export Turnover to Indonesia

Vietnam has consistently ranked among the top three largest rice-exporting countries in the world, alongside India and Thailand.

Each year, between 6 and 8 million tons of rice to global markets, with Vietnamese rice currently being shipped to more than 150 countries and territories.

Figure 1. Vietnam's Rice Export Volume and Turnover from 2019 to 2023

Source: Trade Map

Vietnam's rice exports in the 2019-2023 period have experienced significant growth in both volume and value, despite fluctuations in the global market. The total export volume increased from 5.46 million tons in 2019 to a record 8.1 million tons in 2023, representing an increase of more than 52%. After 34 years of participation in the global market, Vietnam's rice industry has achieved record levels in both volume and value. This demonstrates that Vietnam has not only maintained but also strengthened its position among the leading rice-exporting countries worldwide.

This growth was partly driven by increased global demand for rice, influenced by factors such as the Russia-Ukraine conflict and droughts in some major exporting countries. Concurrently, large markets like China have also increased their purchases, creating favorable conditions for Vietnamese rice to penetrate and expand in these markets. Additionally, the government's initiatives to enhance rice quality, simplify administrative procedures, and diversify export markets also played an important role.

In 2022, although there was a decrease in export output to 4.38 million tons due to the impact of some factors such as fluctuations in world rice prices, disruptions in the supply chain, and limited supply, Vietnam's rice export prices

increased, so the export value still increased to 3.19 billion USD. Thus, from 2021 onwards, the export value has recovered and grown continuously, especially exploding in 2023 when the export turnover reached 4.68 billion USD, an increase of 38.4% compared to 2022. In general, the prospect for Vietnam's rice exports in the coming years remains very positive thanks to high market demand and support measures from the government and businesses.

2. Competitiveness of Vietnamese Rice in the Indonesian Market

The competitiveness of Vietnamese rice in the Indonesian market is influenced by several factors, including product quality, the ability to meet demand, and the preferential trade conditions established through trade agreements.

Rice Quality

Vietnamese rice is famous for its high quality, diverse varieties, and suitability to the needs of many different markets. Rice varieties such as Jasmine, ST24, and ST25 have been recognized worldwide for their quality and flavor. In particular, ST25 won first prize in the World's Best Rice Contest in 2019. Stable rice quality and ensuring food safety are strengths that help Vietnamese rice compete well in the Indonesian market, where consumers are increasingly concerned about food quality and

safety. However, Thai rice, especially Hom Mali rice (Jasmine rice), has long been known for its excellent quality and flavor, building a solid reputation in the global market. Indian rice, meanwhile, is famous for Basmati, a long-grained and aromatic rice that is popular in many countries. Vietnam, thanks to continuous quality improvements, is gradually narrowing the gap and even surpassing in some segments, but Thailand and India still hold strong positions thanks to long-standing brand recognition.

The diversity of rice varieties helps Vietnam meet the needs of many different market segments, from daily consumption to high-end products. Currently, Vietnamese rice not only dominates the world market in terms of output but also leads the world in terms of selling price. This is a clear shift from "quantity" to "quality", a mark of the rice production industry in the development process towards high quality, following a closed value chain, taking green growth as the foundation, ensuring food security, safety and adapting to climate change.

On November 27, 2023, Decision No. 1490/QĐ-TTg approved the Project "Sustainable development of one million hectares of high-quality, low-emission rice cultivation associated with green growth in the Mekong Delta by 2030". By 2030, the amount of exported rice with high-quality, low-emission brands will account for more than 20% of the total rice export volume of the entire specialized cultivation region.

While Thailand and India still maintain a strong position thanks to their long-standing brands, Vietnam is gradually asserting its position through remarkable strides in product diversification. With perseverance and the right development strategy, Vietnamese rice is gradually building a strong brand and capturing international market share, ready to compete with countries with long-standing traditions in the rice export industry such as Thailand and India.

Ability to Meet Demands

Vietnam has a large rice production capacity, with stable and continuously growing annual rice output. During the period 2019-2023, Vietnam has demonstrated its ability to

supply rice in a timely manner and meet the large import demand from Indonesia, even in the context of international fluctuations and challenges from epidemics and natural disasters. Stability in production and continuous rice supply are key factors helping Vietnam maintain and expand its market share in Indonesia

Specifically, in 2023, global rice supply will no longer be abundant as India - accounting for 40% of global output - reduced output by 4 million tons compared to the previous year, to only 132 million tons. Other markets such as the Philippines, Indonesia, Cambodia, Thailand, etc. are also forecast to reduce output due to the impact of the El Nino phenomenon and climate change.

On the Vietnamese side, according to the Ministry of Agriculture and Rural Development, the country's rice output in 2023 reached 43.5 million tons, up 1.9%, due to an increase in area of 10,600 hectares (up 0.1%) and productivity of 6.1 tons/ha, up 1 ton/ha (up 1.7%). With the above output, Vietnam has met the domestic consumption, processing, animal feed needs and has surplus for export. In 2023, rice exports will reach a record high of nearly 8.3 million tons to earn 4.78 billion USD, up 38.4% compared to 2022. In 2024, with an area of 7.1 million hectares of cultivation, the agricultural sector will intensify to increase productivity so that rice output reaches 43 - 43.5 million tons.

Vietnam's ability to respond to market demand, especially in the context of global supply shortages, has helped strengthen its competitive position. Flexibility in production and a strategy to expand cultivated areas, along with measures to increase productivity, have helped Vietnam not only maintain stable output but also improve product quality. This has allowed Vietnam to continue to meet Indonesia's import demand, ensure uninterrupted rice supply, and maximize export opportunities when the world market fluctuates.

Brand and Reputation

Brand and reputation are important competitive factors in the rice export market. However, the recognition of Vietnamese rice

brands in the Indonesian market is not really clear. In many Indonesian supermarkets, Thai rice has a recognizable brand for consumers, thanks to promotional strategies and a long-standing presence in the market. Strong Thai rice brands such as Hom Mali have built trust and popularity among Indonesian consumers, something that Vietnamese rice is still struggling to achieve.

3. Opportunities and Challenges for Vietnam's Rice Exports to Indonesia in the Current Context

The Indonesian government decided to increase the rice import quota in 2024 by 1.6 million tons due to a shortage of domestic rice production due to the delay in planting the main crop of the year due to a lack of water for cultivation, affected by the El Nino phenomenon in 2023 (WTO center, 2024). With this additional amount of imported rice, the total rice quota that the Indonesian government has decided to import in 2024 will be 3.6 million tons. This could be an opportunity for Vietnamese businesses to continue exporting rice to a market of nearly 280 million people. Vietnamese businesses should regularly update market information and gain opportunities to promote exporting rice to the Indonesian market.

Additionally, India - one of the world's largest rice exporters, has restricted rice exports due to the impact of climate change and drought, creating a gap in the international market. India is a major rice supplier to many countries, including Indonesia. India's decision to extend its export restrictions in 2024 has forced Indonesia to look for alternative sources to ensure food security. Vietnam, with its abundant and high-quality rice production, can take advantage of this opportunity to expand its market share in Indonesia. The shortage of supply from India has put great pressure on the global rice market, causing rice prices to rise. Vietnam, as one of the world's leading rice exporters, can meet this demand and supply rice at more competitive prices, thereby increasing its ability to penetrate and expand its market share in Indonesia.

4. Challenges in Exporting Vietnamese Rice to the Indonesian Market

Although Vietnamese rice has established a foothold in the Indonesian market, the policy of ensuring food security from domestic rice sources and maintaining a strict import management policy on rice will cause Indonesia's rice import demand to decrease in the coming time. The Indonesian government always prioritizes protecting the domestic agricultural sector, especially rice, to support the livelihoods of about 14 million rice farmers. Protecting the rice sector through measures such as maintaining high import tariffs and implementing import restrictions will continue to be a major barrier to Vietnamese rice.

Specifically, Indonesia has excluded rice from its tariff elimination commitment under the RCEP Agreement, continuing to apply a 30% tariff on imported rice. This tariff is higher than the 25% tariff applied under the ATIGA Agreement (WTO center, 2024).

Moreover, Indonesia's import policy does not stop at high tariffs but also includes non-tariff measures such as import quotas, strict quarantine requirements and regulations on imported rice quality. These measures increase import costs and time, creating additional barriers for Vietnamese rice exporters. Enterprises face higher costs and more complicated procedures to ensure that their rice meets Indonesia's strict standards.

Finally, competition from other rice exporting countries such as Thailand and India is also a significant challenge. These countries not only have large rice production but are also trying to improve the quality and reduce the cost of their products to attract the Indonesian market. Thailand, with its long experience in the rice industry, has always been a strong competitor and is considered to have an advantage over Vietnamese rice in some aspects.

5. Recommendations for Promoting Vietnamese Rice Exports to Indonesia

Suggestions for Businesses

To enhance quality control, businesses should establish a comprehensive quality inspection system that covers every stage of

production and the supply chain. A robust quality inspection system, such as Total Quality Management (TQM) or Hazard Analysis and Critical Control Points (HACCP), is essential. TQM promotes the continuous improvement of products, processes, and services with the active participation of all members of the organization. Meanwhile, HACCP is a management system that ensures food safety by analyzing and controlling hazards throughout the production, distribution, and consumption stages.

Using modern technology and equipment is crucial for improving quality control. Businesses should invest in automated machinery and sensor systems to measure key quality indicators, ensuring accuracy and consistency. This investment strengthens the precision of the inspection process, providing reliable quality assurance.

Additionally, businesses must focus on training their employees. Staff should be equipped with the necessary knowledge and skills to carry out quality inspections effectively. Providing regular training on quality standards, inspection techniques, and the use of modern equipment is a key element of ensuring product quality.

Collaborating with reputable quality inspection and certification organizations is also recommended. These partnerships not only ensure that products meet international standards but also enhance transparency during the inspection process, boosting customer trust and strengthening relationships with business partners.

Investing in research and development for high-quality rice varieties is a vital strategy. Businesses should focus on developing new rice strains that meet the requirements of demanding markets like Indonesia. This can be achieved through independent research or partnerships with domestic and international research institutions, such as the International Rice Research Institute (IRRI).

Improving production and processing practices is equally important. Businesses should adopt international standards in their production and processing procedures to ensure consistent quality that meets Indonesia's food safety regulations. Certifications such as HACCP,

ISO 22000, and GlobalGAP are critical for ensuring that rice products comply with stringent international safety and hygiene standards. Simultaneously, applying TQM helps businesses continuously improve their processes, ensuring high and consistent product quality.

Careful attention must also be paid to contract negotiations and handling disputes. Such disputes can have far-reaching consequences, impacting not only individual companies but the entire industry. Therefore, businesses should conduct thoroughly research their partners and market conditions, as well as draft clear and detailed contracts. If disputes arise, businesses must consult relevant authorities and avoid actions or statements that could harm the reputation of Vietnam's rice industry as a whole. Solidarity and ethical competition among exporters are crucial to maintaining the industry's reputation and preventing external groups from exploiting conflicts to the detriment of Vietnamese businesses.

To enhance the position and value of their brands, Vietnamese businesses need to invest in marketing and product promotion. Professional campaigns across various platforms, including television, newspapers, social media, and other digital channels, are necessary to raise awareness of Vietnamese rice. Businesses can create websites, YouTube channels, TikTok, and Instagram accounts to share videos highlighting the production process and cultural stories behind their rice products, connecting more effectively with younger consumers. Meanwhile, traditional advertising methods, such as television and radio, can target older audiences who prefer these channels. Participating in international agricultural and food fairs also helps businesses promote their products directly to consumers and business partners.

A compelling brand story is another critical element. Businesses should craft a story that highlights the origins of their rice, the production processes, and the cultural values attached to the product. For example, emphasizing Vietnam's long history of rice cultivation, traditional farming methods combined with modern technology,

and a commitment to quality and safety can differentiate Vietnamese rice from competitors.

Suggestions for the Government

Improving the institutional framework is essential for supporting the rice industry. The government should focus on promoting research and development through agricultural research institutes such as the Mekong Delta Rice Institute or the National Agricultural Promotion Center. These institutions can work on developing high-yield, pest-resistant rice varieties suitable for specific climatic conditions in different regions. Additionally, they should encourage private enterprises to invest in advanced processing technologies to produce high-value rice products, such as parboiled rice, organic rice, rice flour, and other value-added items. For example, the success of ST24 and ST25, two globally recognized Vietnamese rice varieties, demonstrates the importance of continuous investment in research and innovation.

Restructuring the rice industry and diversifying products is another vital approach. By improving production efficiency through the adoption of advanced farming techniques, mechanization, and better post-harvest processes, the industry can enhance rice quality and value. Establishing consistent quality standards, promoting large-scale production, and implementing strategic marketing will help increase the competitiveness of Vietnamese rice while strengthening its reputation globally.

Creating policies to support farmers and traders is crucial for expanding the rice value

chain. The government should encourage integration into global value chains by supporting the establishment of raw material zones, production and processing chains, and branded Vietnamese rice products. These efforts will strengthen Vietnam's position in international distribution systems and help establish a strong global presence for Vietnamese rice.

Addressing trade defence measures and protectionism is necessary to safeguard the export market. The government should establish an early warning system to notify businesses of potential trade defense cases, enabling them to take proactive measures. This system should include a database of international trade practices and provide analytical support through trade organizations and legal experts.

Raising awareness among exporters about trade defence policies and best practices is also a priority. This includes providing education on responding to anti-dumping investigations, safeguard measures, and other trade defence mechanisms. Additionally, the government must strengthen enforcement mechanisms to combat trade fraud and origin-related violations, ensuring compliance with international commitments and protecting Vietnam's rice exports from potential anti-circumvention claims.

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