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“Resilience of agricultural systems against crises”

Effects of Vietnamese Rice Price Controls Policy on Competition with Thailand

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Abstract

Vietnam and Thailand are the two top rice exporters who contribute more than 50 % of market shares in the international market. Therefore, any changes in their rice policies have a strong influence on the world market.

Currently, the strongest and most frequently impact on the Vietnamese rice industry is the controlled-price policy that regulates the competition in rice market. It restricts the volume of export rice in order to ensure national food security. In terms of economic efficiency, this policy keeps Vietnamese rice production under its full potential compared with the Thai rice industry. Many experts suggest that Vietnam puts more attention on national food security than necessary. This causes market distortion and weakens the Vietnamese competition with Thailand.

In order to examine the effects of the controlled-price policy with a quantitative method, we build and run a spatial equilibrium model with 3 different scenarios: (1) Controlled-price policy updated every week; (2) Controlled-price policy updated every month; (3) Controlled-price policy updated every 3 months. With known production, consumption, domestic price, transportation cost and elasticities of demand and supply function of Vietnamese and Thai rice industry, the model shows that with less changes in the controlled-price policy, the competitiveness of the Vietnamese rice on international markets rises without having negative effects on the national food security goal. Non-rice farmers will be losers due to higher domestic prices for rice, but the majority of the population who are farmers, accounting for more than 70 % of the population, will benefit from the higher volume and turnover of rice export, and so the net social revenue will increase also. Therefore, we highly recommend that the controlled-price policy should not be too often changed in order to achieve a better competitiveness of Vietnamese rice.

Keywords: Rice export, Vietnamese rice policy