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SOLUTIONS FOR BUILDING VIETNAMESE RICE BRANDS

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ABSTRACT

Since the promotions of rice brands are not fully paid attention, Vietnam does not have many outstanding rice brands in the international market. This paper focuses on clarifying the cause and proposing some solutions to help Vietnam build rice brands in both domestic and international markets. These solutions are: (i) Improving mechanisms and policies for Vietnam's rice industry; (ii) Changing awareness and leadership mindset in implementing rice brand promotion activities; (iii) It is necessary to have close coordination between businesses and brand promoters; (iv) Renewing structure of rice production; (v) Application of technology of output; (vi) Protection of ecological environment.

Keywords: Brand, Rice, Vietnam, Rice Brands

INTRODUCTION

Vietnam is an agricultural country and develops from a farming tradition. Rice production plays a decisive role in the economic development of rural agriculture in Vietnam. After more than 30 years of reform and opening up the economy, Vietnam has been one of the largest rice producers and exporters in the world. However, Vietnamese rice is only exported in the form of "bulk cargoes" without any brands.

According to the General Department of Vietnam Customs, in 2019, the Philippines ranked first among the rice consuming countries of Vietnam, reaching 2.13 million tons, worth \$ 884.95

million, accounting for 33.5% of the total volume and accounting for 31.5% of the total rice export turnover of the country; export prices decreased by 8.1%, reaching USD 415.1/ton (VITIC, 2020a). Ivory Coast ranks second in the rice-consuming countries of Vietnam, accounting for over 9% of the total volume and total turnover, reaching 583,579 tons, equivalent to \$ 252.63 million, up 111% in volume and increasing 61.4% of turnover compared to the previous year; export prices rose 23.6%, reaching 432.9 USD/ton (VITIC, 2020a). China ranked third among the rice consuming countries of Vietnam, plummeting over 64% in both volume and turnover compared to 2018, reaching 477,127 tons, equivalent to 240.39 million USD, accounting for 7.5% of the total volume and accounts for 8.6% of the total rice export turnover of the country; Export prices also decreased by 1.7%, reaching an average of 503.8 USD/ton (VITIC, 2020a). Thus, in 2019, rice exports to most markets increased in both volume and value compared to 2018; however, rice export prices to all markets decreased compared to the previous year (VITIC, 2020a). These figures show that Vietnam is exporting to low-cost markets such as Africa and Asia without accessing high-value rice markets such as the EU and North America. Meanwhile, two rivals of Vietnam, Thailand, and Cambodia, have captured these potential markets by building big rice brands. The rice branding in Vietnam has not received attention, so these brands are not only unfamiliar to foreign consumers but also domestic consumers (VCCI, 2018).

Vietnam, in recent years, is actively participating in free trade agreements with major partners in the world. Therefore, building reputable rice brands would help Vietnam's rice industry achieve new strides. However, to the best of our knowledge, there has not been any study focusing on this issue in Vietnam. Hence, in the first place, the research "*Solutions for building Vietnamese rice brands*" aims to fill that void with the following specific objectives: (i) *Assess the current situation of Vietnamese and world rice brands*; (ii) *Offer solutions for building Vietnamese rice brands*. To achieve these goals, the research team will answer three specific research questions as follows: (i) *What is the current situation of rice brands in the world rice market?* (ii) *What is the current situation of Vietnam's rice brands?*; (iii) *What solutions could be effective in the process of branding Vietnamese rice?*

LITERATURE REVIEW

Ba et al. (2019) proposed that the needed solution to improve the quality of Vietnam's rice value chain was to upgrade the production system together with the strict control of the government leading to an increase in rice yield as well as to promote the signing of contracts between farmers, cooperatives and cooperatives. Besides, the authors also described the traditional rice value chain in the Mekong Delta as characterized by many intermediaries with little horizontal and vertical coordination among value chain stakeholders. Therefore, exporters often have difficulties in finding sources of high-quality rice with a high degree of purity. Consequently, contract farming is emerging as a useful purchasing tool for sourcing high-quality rice or dominating its production.

Demand for food and other agricultural products is forecast to increase by 50% between 2012 and 2050 (FAO, 2017). Such demand increases due to changes in population structure, population growth, urbanization, and natural resources for agriculture are increasingly exhausted. Besides, the side effects of using chemicals in crop production are becoming more and more apparent and causing sustainability concerns. Meanwhile, the population of Vietnam

is 96,622,411 people (United Nations, 2019), equivalent to 1.27% of the world's population and ranks 15th in the ranking of the population of countries and territories, as of September 4, 2019. Population growth will drive demand for food, even in a modest economic growth scenario (De Clercq et al., 2018). Specifically, Cuong et al. (2017) revealed that the demand for rice is increasing due to the increase in the global population. However, constraints such as water scarcity, pest infestation, inadequate fertilizer use, and low-yielding varieties have limited yield growth. At the same time, Hôi (2015) indicated that the fact that Vietnam has participated in free trade agreements such as TPP, EVFTA not only brings both positive and negative impacts on Vietnam's rice market. To take advantage of the positive effects, the author suggested Vietnam needs to build reputable brands by improving all stages of rice production, i.e. from rice planting to harvesting and processing. Besides, it is necessary to have the linkage between the four stakeholders (namely: the state, scientists, enterprises, and farmers). With respect to branding rice, Trung (2014) wrote that Vietnam needs to perfect the rice export organization system, invest in synchronizing science to modernize production, develop and build target markets, and promote advertising. Besides, Thành et al. (2016) revealed that it is time for Vietnam's rice industry to gradually reduce rice production and produce rice in sufficient quantities to ensure domestic food security, should ignore export targets in terms of quantity. Instead, Vietnam should move towards improving the quality of rice grains while building a Vietnamese rice brand for the Vietnamese people. These will be the solid foundations to raise Vietnamese rice in the international market.

Thus, these studies mainly focus on solutions to improve the Vietnamese rice value chain, and increase the value of export turnover, but not on solutions to strengthen Vietnam's rice branding. This is the reason why the research team focuses on the research goal of offering specific solutions to build Vietnamese rice brands. In the next section, this study shows the current situation of rice brands in the world and Vietnam as well as provides an overview of the world rice market.

Some Popular Rice Brands in The International Market

Thailand has always been the leading country and a rival of Vietnam in exporting rice because they have built well-known brands of high-quality global rice such as Jasmine, Tam Rice, Thai Fragrant Rice. Thai rice has branded all over the world, so if the same quality rice product has the same price between Vietnamese rice and Thai rice, customers will surely choose Thai rice because of its prestige and brand name. Five standards make Thai rice different among others, name brand name, purity criteria, and barcode (Vietnamnet.vn, 2015).

Cambodian, in recent years, has become a supplier of high-grade rice to the world market (An, 2019b). To achieve this achievement, Cambodia's farming system uses less fertilizer and chemicals. Besides, Cambodia focuses on producing long-term rice varieties with a harvest time of up to 6 months. This farming method is in line with world trends, resulting in the popularity of Cambodian rice, and the selling price is much higher than Vietnamese rice.

India and Pakistan are also two of the major rice exporting countries and compete with Vietnam. India is forecasted to be the largest rice exporter for the 9th consecutive year (Workman, 2019), the main types of rice are aromatic basmati, rice, and white rice with medium quality. Meanwhile, Pakistan usually exports white rice and some fragrant basmati rice, mainly competing with India. The leading consuming markets of these two countries are Africa, the Middle East, and neighboring countries (VITIC, 2020b).

Experience in Building Rice Brands of Some Countries around the World Campuchia

Currently, Cambodia has over 70 enterprises involved in rice export activities, exporting to nearly 60 countries around the world (Chan, 2016). Moreover, Cambodian fragrant rice is ordered by many developed countries around the world, especially European countries and China (Pisel, 2020). Typically, in 2009, the Cambodian Agricultural Research Institute selected Phka Romdoul - a rice variety with an exceptionally delicious quality of rice, which was brought to international competitions by the Cambodian government. For three consecutive years (from 2012-2014), Phka Romdoul rice has won the world's best rice award (Chan, 2016).

To achieve this result, the Cambodian government has adopted various policies (Chan, 2016). First, the Cambodian government constantly encourages farmers to produce rice for organic farming. Second, Cambodia has established the Rice Association which links the State and the private sector to ensure unity and synchronization in rice production and business, in May 2014 (Thông & Sang, 2017). Third, Cambodia regularly creates conditions for businesses to participate in promoting rice products to the world.

Thailand

Thai agricultural products, especially rice, have always had a high position in the world market. That is because Thailand has always attached great importance to improving the quality of goods along with developing brand names (VietnamNews, 2020).

Specifically, thanks to the right and consistent strategies in building agricultural brands of the Thai government, farmers pay more attention to ensuring international standards of food safety, traceability, and environmental integrity, social responsibility and labor regulations. Besides, they know to grasp and apply modern technologies to the production and processing of agricultural products.

Current Situation of Rice Branding Activities of Vietnam

Over the past ten years, Vietnam has continuously been among the top rice exporting countries in the world, but its export turnover remains low (Workman, 2019). However, in recent years, Vietnamese rice has had many opportunities to improve its position in the world market in terms of both export volume and economic value.

Recently, Vietnam's ST25 rice, a specialty rice variety of Soc Trang, a province in the Mekong Delta of Vietnam, won the highest ranking in the world for the first time, in 2019. This is an opportunity for Vietnam to promote branding rice with good quality. Currently, ST25 rice is packaged in a single package with a weight of 5 kg/package and sells for 36,000 VND/kg. It is expected that by the end of 2020, Vietnam will supply about 30,000 tons of ST25 rice to the market (VCCI, 2020). Besides, in 2017, ST24 rice won the top 3 of the world's best rice varieties in Macau. This rice variety can adapt well to weather conditions, so its yield is stable. Currently, ST24 rice has three prices, depending on the production process.

Ngoc Troi Thien Long rice grain, which is a type of rice from the sacred dragon rice variety of Loc Troi Group, won the title of the top 3 most delicious rice varieties in the world in 2015. It is cultivated on a concentrated raw material area with a closed production and processing process that meets hygiene and safety management standards. Its lowest selling price in 2020 is 17,000 VND/kg, and the highest is 18,000 VND/kg.

Some typical types of rice in Vietnam have gradually affirmed their brands in the world market. However, Vietnam's rice export market still only increases in volume and decreases in value

(An, 2019a). The main reasons leading to this situation are due to the unsustainable rice branding process. Specifically, the new rice branding and building program was approved in 2015, so the coordination mechanism is not precise, leading to the loose linkages between businesses, farmers and researchers. Also, Vietnamese rice has not yet ensured food safety due to residues of plant protection substances and chemical fertilizers in rice. Besides, too much emphasis on increasing output leads to the low quality of Vietnam's rice exports, and the export market is concentrated in a low segment, creating pressure on the whole domestic demand to reduce prices. Finally, the trend of building raw material areas is now done in a "forced" way because businesses mainly rely on the available supply in the market, leading to uncompetitive export products.

Solutions to Build Vietnam's Rice Brands

Without asynchronous coordination of elements and resources of businesses, people and government, it is not easy to bring maximum business efficiency to the rice industry. Therefore, the practical promotion of the rice brand requires synchronous coordination between farmers, owners of businesses, business partners and authorities in each locality. In the coming time, companies and localities could take some of the following recommendations into accounts:

Improve mechanisms and policies for the Vietnamese rice industry. Branding Vietnamese rice not only makes economic sense but also affirms the brand and position of our country's rice grain in the international market. Therefore, the state should continue to renew the land policy mechanism for the rice industry and at the same time, promote the development of supporting industries for production and processing such as fertilizer production, plant preservatives. Besides, the government should pay attention to policies to attract both domestic and international investment capital for rice industry projects.

Change awareness and leadership thinking in implementing rice brand promotion activities. Localities and businesses need to choose the most typical and outstanding rice to develop a brand for their local specialty products. Since then, building programs to promote this brand strongly and widely in the market. Suppose the specialty rice products of the locality are known and selected by a large number of consumers. In that case, development opportunities will open up with many other types of local agricultural products.

Coordination between businesses and brand promoters. Through reports for specific companies in the period of economic development or reports on local sites, television and press makers can introduce local specialty rice products and businesses, thereby increasing the efficiency of brand promotion for products. Besides, it is necessary to promote advertising on the mass media that is currently interested by consumers, such as on agricultural product exchanges, on websites selling rice online. Businesses also need to create strong cohesion in the industry environment by joining rice processing associations and in this way, can promote their brands to develop strength in building and promoting brand development for Vietnamese rice.

Renew rice production structure. It is necessary to focus on planning to form several concentrated and large-scale raw material production areas and expand the form of purchase-sale through contracts to create a stable source of raw materials for production. At the same time, it is necessary to actively invest in building infrastructure for the transition areas, especially in irrigation; to increase support to farmers in breeds, capital, materials, and techniques to create high-quality products qualified for specialty goods.

Apply technology in production. Absorbing advanced scientific and technological achievements in rice production and processing will create a large number of products, with high productivity, good quality, thereby reducing costs and diversifying brands leading to increased competitiveness in the market. Moreover, with the application of technology, farmers will be proactive in production, reducing dependence on weather and climate due to the expanded production scale.

Ecological environment protection. The Protection of the ecological environment in the rice production industry is to protect water resources, protect biodiversity, prevent soil degradation and erosion, and reduce the greenhouse effect. The government encourages local people to limit using chemical fertilizers instead of using organic fertilizers and to use natural enemy methods instead of plant protection drugs.

DISCUSSION AND CONCLUSIONS

Currently, Vietnam has successfully signed the Pacific Agreement, the EU-Vietnam Free Trade Agreement and Vietnam is now the chair of ASEAN. Although the Covid-19 pandemic had complicated developments in most countries around the world, Vietnam was in reasonable control. This is one of the opportunities for the development of Vietnam's rice brand. However, Vietnam is currently mainly focusing on quantity instead of concentrating on rice quality. Therefore, Vietnam is gradually losing large and potential markets such as countries in Europe and America to competitors such as Thailand, China or India.

Recently, some famous Vietnamese rice varieties such as ST25, ST24 and Ngoc Troi Seeds are gradually becoming popular in the international market due to gaining the title of delicious rice in the world. However, even these types of rice have not been effectively branded due to the inconsistency in the government's rice policies, the lack of business interest and the loose association. Therefore, the research team offers solutions to promote the branding activities in Vietnam such as (i) Improving mechanisms and policies for Vietnam's rice industry; (ii) Changing awareness and leadership mindset in implementing rice brand promotion activities; (iii) It is necessary to have close coordination between businesses and brand promoters; (iv) Renewing structure of rice production; (v) Application of technology of output; (vi) Protection of ecological environment.

This paper supplies information on some major rice brands in the world without analyzing the difficulties that Vietnam faces when competing with them. Therefore, further papers can build a SWOT assessment framework to give more specific and practical solutions.

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