

# Tendency of farmers' selling price in organic rice production in the Mekong Delta

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## Abstract

From 2015 to 2018, the group of scientists from IAS in collaborating with DOST of Tra Vinh province; Oxfam Vietnam's Right to Food and GRAISEA 2 Projects have successfully built organic rice production models in rice-shrimp region in the Mekong Delta provinces. In the beginning time, the companies have set a very high purchase prices, but since 2017, the purchase price of organic rice has decreased markedly. This is a remarkable point to withdraw the experience for production investment in order to reduce costs and increase productivity to increase economic efficiency for farmers and businesses involved in value chain linkage. Although the profitability of organic rice production in later years has decreased (25.98 million VND / ha in 2017, to 20.14 million VND / ha in 2018), the organic rice model still tends to develop widely in region. This proves the effectiveness of the model of organic rice production and at the same time confirms the transformation consciousness and cultivation behavior towards the sustainable production of the farmers.

**Keywords:** Organic rice, Mekong Delta, Rice-shrimp system,

The rice-shrimp system in the Mekong Delta has the characteristics of mutual benefits and can strongly support for organic production [1]. Since 2015, scientists from the Institute of Agricultural Sciences for Southern Vietnam (IAS) in collaboration with the Department of Science and Technology (DOST) of

Tra Vinh province have begun studying the implementation of organic rice production model in Chau Thanh district, Tra Vinh province [2]. Initially, the project team has faced with many difficulties and challenges such as none of production practices, serious shortage of fertilizers and organic pesticides, farmers have not trusted the effectiveness of the model. Moreover, farmers do not believe in the solidity of the linkage (Enterprise-Farmers) due to previous failures because the business side does not keep the credibility or because the farmers broke the linkage contract.

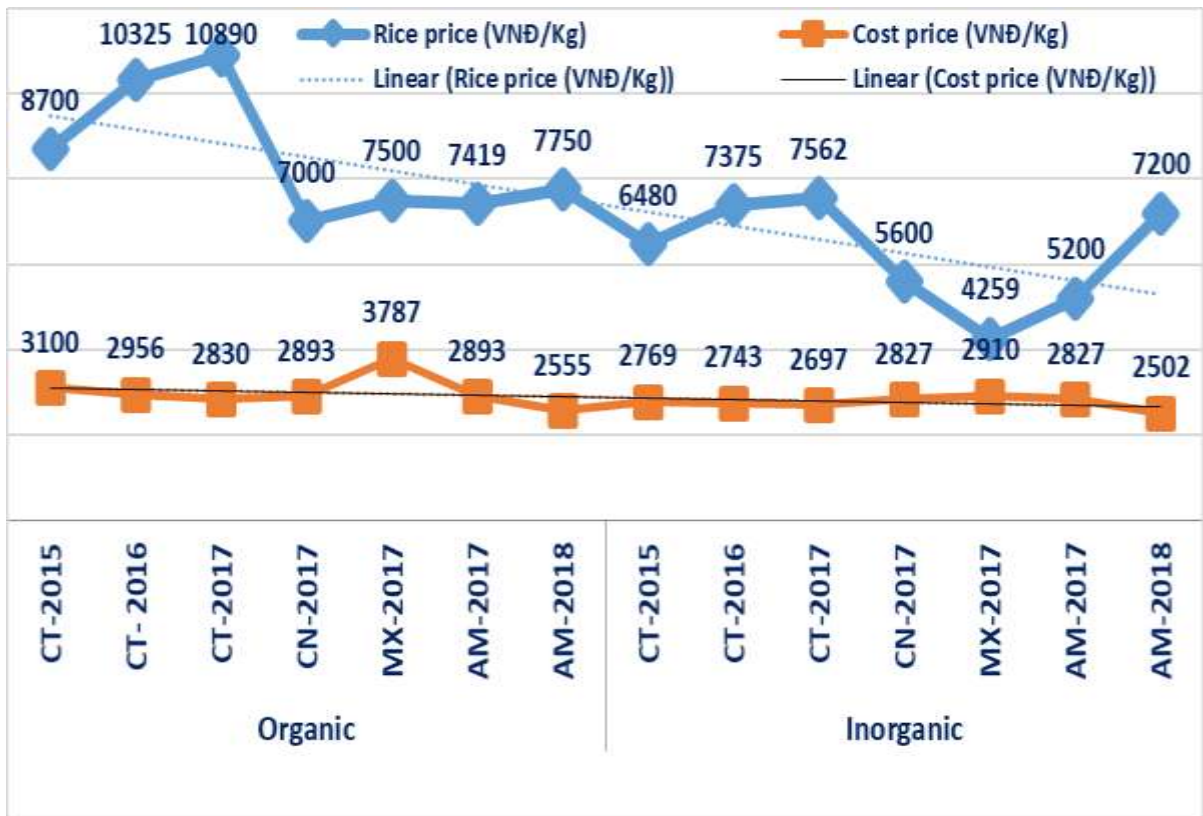
From the first year results achieved, and thanks to the promotion of Oxfam projects in Vietnam such as Right To Food (2017-2018), and policies to encourage organic agriculture of The Government as Decree No. 109/2018 / ND-CP on organic agriculture issued by the Government, effective from October 15, 2016, has stipulated many new policies to encourage organic agricultural development in Vietnam [3]. Derived from government policy, many provinces also have policies to develop organic agriculture of their own policy to support organic agriculture. Therefore, the models of organic rice are continuing to expand and develop in many provinces in the Mekong Delta. Following is short review on the Tendency of farmers' selling price in organic rice production in the Mekong Delta.



Fig. 1: Model of intercropped organic rice and shrimp farming in Chau Thanh district, Tra Vinh province in 2015-2017.



Fig. 2: Organic rice model in An Minh district, Kien Giang province in 2017



Graph 1: Trends of selling price and cost prices of organic rice models in the Mekong Delta from 2015 to 2018

**Note:** Location and years of organic rice model production compared to inorganic control

- CT-2015, CT-2016, CT-2017: Chau Thanh district in 2015, 2016 and 2017

- CN-2017: Cau Ngang district in 2017

- MX-2017: My Xuyen district in 2017

- AM-2017, AM-2018: An Minh district in 2017 and 2018

Analyzing factors of selling price and production cost of organic rice models in localities from 2015 to 2018. Data were synthesized and analyzed from 07 models implemented in 07 Autumn-Winter crops (2015-2018) in Chau Thanh district, Tra Vinh provinces (3 crops); Cau Ngang district, Tra Vinh province (01 crop); My Xuyen district, Soc Trang province (01 crop); An Minh district, Kien Giang province (2 crops).

highest level of 7,562 VND / kg (2018) in Chau Thanh district.

The selling price had a positive effect on the profitability of organic rice production. The very higher profit in organic rice production compared to the conventional production due to additional incentive price by enterprises given for the project participants. But profit in recent years was often not high compared to the first years of building the model because the trend of buying price of enterprises (or selling price of organic rice of farmers) tended to be closer to the real value. This helped consumers have opportunity to access and to buy organic rice for domestic consumption instead of just serving for export. [4]

For cost prices of organic rice:

Statistic data and graphs show a relatively stable cost prices of organic rice production from 2015-2018.



Fig. 3: Organic rice products achieved 3 EU, USDA and JAS certifications from project models from 2015-2018

#### **Regarding selling price of organic rice:**

In the first 3 years (2015-2017) to implement the project for building a model and a process for organic rice production in Chau Thanh district, Tra Vinh province, because it was the new model, full of difficulties and challenges, farmers were very reluctant to participate. For encouraging farmers to participate the model, the enterprises had built the price which can say very high (in 2015: 8,700 VND / kg) and gradually increase for the following years (in 2016: 10,325 / kg and in 2017: 10,890 VND / kg). Since 2017, the selling price of organic rice has declined markedly. In 2016, organic rice price in Cau Ngang district (Tra Vinh province) was 7,000 VND / kg; in My Xuyen district was 7,500 VND / kg. In An Minh district, price of organic rice was 7,419 VND / kg (2017) and a little increase of 7,750 VND / kg (2018). Meanwhile, inorganic rice price was fluctuated from 6,480 VND / kg (2015), and increased to 7,200 VND / kg (2018), reaching to the

Cost prices of organic rice at new production model in Chau Thanh district, Tra Vinh province in 2015 was quite high at 3,100 VND / kg, compared to inorganic control of 2,769 VND / kg; The highest cost prices of organic rice production was in My Xuyen district in 2017 with 3,787 VND / kg, compared to inorganic production of 2,910 VND / kg.

The cost prices of organic rice production was lowest in the model in An Minh district in 2018 with only 2,555 VND / kg compared to inorganic production of 2,502 / kg. It is showing that the cost of organic rice production in this place was nearly equal to the cost of inorganic rice production with the same conditions of variety, season and location. This was a remarkable point to earn experiences for the investment in the production of organic rice to reduce costs and increase productivity to increase economic efficiency for farmers and enterprises involved in the value chain linkage.

Under conditions of high production cost, if productivity is lower than inorganic production, farmers' profits will be low. But the productivity will be increased year after year in organic production due to the accumulation of organic matter and nutrients in the soil [5].

**Important remarks**

Organic rice yield was still lower than inorganic rice but tended to be increased.

kg in 2017 in Chau Thanh district, Tra Vinh province.

The cost prices of organic rice ranged from 2,555 VND / kg to 3,787 VND / kg, while the cost prices of inorganic rice production varied from 2,502 to 2,910 VND / kg. The cost prices of organic rice production was tended to be decreased over time as many reasons such as farmers are familiar with organic farming practices which can find ways to reduce production costs in weeding and fertilizing. This was a remarkable point to earn experiences for the investment in the production of organic rice to



Fig. 4: Oxfam-funded PPP workshops contribute to the replication of organic rice models in the Mekong Delta. (Fig. by Nguyen Cong Thanh, 2018)

The selling price had a positive effect on the profitability of organic rice production. The very higher profit in organic rice production compared to the conventional production due to additional incentive price by enterprises given for the project participants. But profit in recent years was often not high compared to the first years of building the model because the trend of buying price of enterprises (or selling price of organic rice of farmers) tended to be closer to the real value. This helped consumers have access to buying organic rice for domestic consumption instead of just serving for export.

In the first 3 years, organic prices was very high in 2015 the price was 8,700 / kg, then increased, in 2016 was 10,325 VND / kg and the highest was in 2017 with 10,890 / kg. After that, it was increased to 12,000 VND / kg. However, this high purchase price had actually made it difficult for enterprises in consuming, they cannot consume products because they cannot compete with similar organic products in other countries. Meanwhile, inorganic rice price ranged from 6480 VND / kg (2015) to 7,200 VND / kg (2018), there was the highest 7,562 VND /

reduce costs and increase productivity to increase economic efficiency for farmers and enterprises involved in the value chain linkage.

In terms of profit, it was 24,020,000 VND / ha, 36,480,000 VND / ha and 37,880,000 VND / ha for 2015, 2016 and 2017 respectively. Meanwhile, with the same time and same location, the profit in inorganic farming was 20,590,000 VND / ha, 24,320,000 VND / ha and 25,980,000 VND / ha respectively. However, since 2017, other models only had a profit of 19,010,000 VND / ha (2017) and 20,140,000 VND / ha (2018), compared to 11,630,000 VND / ha (2017) and 19,000,000 VND / ha (2018) in inorganic production.

Although the profit of organic rice production for later years had decreased compared to inorganic rice production, the model was still being developed in terms of area, and the number of localities involved. This proved that the spread of models thanks to the participation of State and Government at all levels to enact policies to encourage organic production, especially the investment with social responsibility, community development, safe environment and sustainable production of

enterprises. At the same time, it confirms the transformation of farmers' awareness and cultivation behavior towards to sustainable production. There are some areas where farmers are willing to associate with enterprises even though the buying price of organic rice is only a few hundred VND / kg compared to the purchase price of inorganic rice.

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