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EXPORT OF RICE FROM VIETNAM TO THE EU

DEGREE PROGRAMME IN INTERNATIONAL BUSINESS
2020

Author(s) Dang Thuy	Type of Publication Bachelor's thesis	Date: 4 th Month Year: December 2020
	Number of pages: 36	Language of publication: ENGLISH
Title of publication Export of rice from Vietnam to the EU		
Degree programme International business		
<p data-bbox="312 701 424 730">Abstract</p> <p data-bbox="312 808 1449 913">The thesis carried out with the aim to recommend how to increase the quantity of rice, especially when the EU and Vietnam signed the free trade agreement through analyzing of export of rice from Vietnam to the EU.</p> <p data-bbox="312 954 1449 1099">The qualitative research approach was chosen to carry out the thesis. The theory of international marketing and export, product decision, branding as well as factor hinder and facilitate export presented as the basic foundation to conduct the empirical part of the thesis.</p> <p data-bbox="312 1140 1449 1319">In the empirical part, the process of Vietnamese rice export to the EU, the situation of producing and controlling the quality of rice in Vietnam analyzed. Then, the EU legal requirements, tariff, free trade agreement on Vietnamese rice displayed. Base on that, the potential market in the EU and the hindering, facilitating factors on Vietnamese rice export showed.</p> <p data-bbox="312 1359 1449 1464">Then, the orientation of the market, the recommendation for policy and actives of government and Vietnamese rice exporter to overcome the hindering factor on Vietnamese rice export proposed.</p>		
<p data-bbox="312 1785 456 1814"><u>Key words</u></p> <p data-bbox="312 1821 1449 1854">Export, rice, facilitating factor, hindering factor, situation, process, Vietnamese rice, EU</p>		

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1 INTRODUCTION

Vietnam is an agricultural country and export rice is one of the main activities generating revenue for Vietnam. Vietnam has exported rice to more than 150 nations and territories (Website of Portal of the Ministry of Industry and Trade) including EU. However; there is the fact that Vietnam's rice export market depends mainly on Asian countries such as Philippines, Malaysia, China, etc. In 2019, Vietnam's rice export turnover reached 6.37 million tons, in which exported to Philippines, Ivory Coast, Malaysia, and China over 2.1 million tons, more than 580,000 tons, over 550,000 tons, 477,000 tons respectively. (Tu, Minh, Chau 2020). This is quite risk for Vietnam if these countries do not continue to import Vietnamese rice.

Meanwhile, the EU is a large and potential market for rice exporter but rice export from Vietnam to European countries is very small. The export turnover of Vietnamese rice export has not achieved as high value as Vietnam's long-term rivals namely Thailand and Cambodia when entering the EU market. In 2019, the EU's rice imports turnover worth 1.4 billion euros (Nguyen & Thao 2020), in which the rice import turnover from Thailand and Cambodia to the EU was 203 million euros and 146 million euros, respectively but this figure from Vietnam was only 27 million euro (Data collected from Agri-food trade statistical factsheet of Website of European Commission).

A free trade agreement is established between two or more nations, international trade barriers among them will be reduced (Barone 2020). Since one of the main goals that any trade agreement aims to is to improve market access (Guide to the EU-Vietnam Trade and Investment Agreements, 26). However; the trade agreement between Vietnam and the EU is established, whether it will provide advantages completely for Vietnamese rice to enter the EU market or if there are any hindering elements in the provisions of the trade agreement that Vietnam's rice export has to overcome?

The author who has studied in the international business field in a European country was born into a family of rice farmers in Vietnam and has strong cohesion with rice production activities and Vietnamese farmers. The author hopes that Vietnamese rice successfully enters the EU, surpassing competitors such as Thailand and Cambodia in this market to ensure a stable future for Vietnam's rice export when Vietnam does not need to depend too much on the Asian market.

Therefore, these have become the driving force to the author to carry out research of rice export from Vietnam to the EU.

2 THE PURPOSE, OBJECTIVE(S) AND CONCEPTUAL FRAMEWORK OF THE PROJECT

2.1 The purpose and objective(s) of the project

The purpose of this thesis is to analyze the facilitating and hindering factors of Vietnamese rice Exporting to the EU. Base on that, to answer the question of how to increase the quantity of Vietnamese rice export to the EU, especially when free trade agreement between the EU and Vietnam signed. This can bring benefit for Vietnamese farmers and companies who are cultivating and exporting rice to the EU.

In order to complete and reach the thesis's target, these following questions need to be answer:

- What are advantages and disadvantages of the current situation of export rice from Vietnam to the EU?
- What are factors facilitating and hindering of producing and controlling the quality of rice export rice from Vietnam to the EU?
- How the EU's requirement, tariff and free trade agreement facilitate and hinder on Vietnam's rice export?

- What are recommendation to increase the quantity of Vietnam's rice export?

2.2 The conceptual framework of reference

In this research, the content and relationship of the main concepts of the factors facilitating and hindering related to the Vietnam's rice export to the EU are shown as model below:

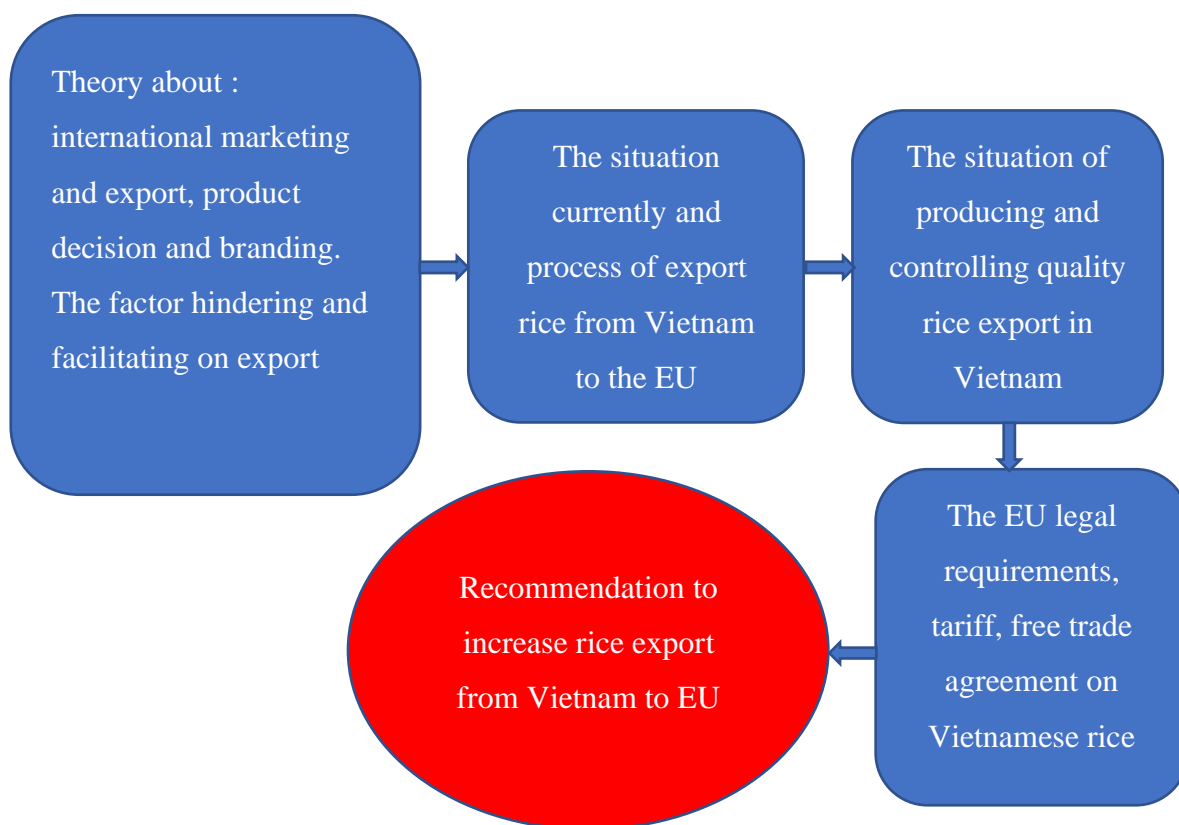


Figure 1. The conceptual framework of the project.

Firstly, the theory about international marketing and export, product decision, branding, the factors hindering, and facilitating on export will be presented. Thanks to the theory, the author will have an overview and the basic foundation of export to analyse and evaluate the issues related to exporting rice from Vietnam to EU more accurate and comprehensive.

After presenting the theory, the current situation and process of rice export from Vietnam to the EU will be analysed. In the current situation of Vietnamese rice export to European countries, the author focuses on studying turnover of Vietnamese rice export, Vietnamese government support, and the process of exporting to point out the advantages and disadvantages on export rice from Vietnam to the EU. In addition, the EU rice market will be described the aim of finding out which are the potential countries to orient market for Vietnamese rice export to the EU.

Next, the factors hindering and facilitating related to rice export from Vietnam to the EU are also shown when analysing the situation of Vietnam's rice export production and controlling quality. The author will apply the theory of international marketing to present and evaluate distribution channels and brand name of Vietnamese rice when researching the situation of rice production in Vietnam. In addition, the evaluation of rice quality control will also be conducted because the rice quality factor has certain effects on rice exported from Vietnam to Europe. It also answers a part of the question why the EU only import small quantity of rice from Vietnam.

The laws and regulations are a crucial part that impacts on export activities. Therefore, after describing the basic picture of Vietnam's rice production and export to the European countries, the EU requirements, the free trade agreement between the EU and Vietnam will be mentioned and evaluated how they affect exporting rice from Vietnam to the EU.

After connecting and evaluating the results of researching the overall picture of the situation of production, quality control with the EU legal requirements, free trade agreement related to Vietnamese rice export, the author will have a comprehensive view and bases to recommend how to increase the quantity of exporting rice from Vietnam to the EU.

3 INTERNATIONAL MARKETING AND EXPORTING

International marketing can be defined as when the good, service, and information marketed across the national border to enter to other countries. Therefore, international marketing and domestic marketing have the same factors such as: planning, distributing, service, etc. (Albaum, Duerr & Josiassen 2016, 17)

3.1 Exporting as a Foreign Market Entry Strategy

Exporting mention about strategy to produce domestic goods or service and sell as well as distribute them to the buyers located in other nations. Exporting as a Foreign Market Strategy often considered by most of companies because exporting is an economic activity that requires limited risks, knowledge about foreign market, expense, exchange transaction. Production activities of focal companies maintained in the home country while marketing, distribution and customer service activities will take place in export markets. For the companies which have the extensive international operation, exporting is also considered as a common entry strategy. (Cavusgil, Knight, & Riesenberger 2017, 376)

Export has three main form:

- Indirect export take place when the exporter through another domestic company such as an export house or trading company in order to sell the product or service to the importer. (Hollensen 2017, 366)
- Direct export means that the products or services sold directly from exporter to the buyer located in foreign countries. (Albaum, Duerr & Josiassen 2016, 321).
- Cooperative export concerning agreements to cooperate with other company in conducting of export function. (Hollensen 2017, 366)

3.2 Export marketing planning and strategy

In order to export successfully and effectively, export marketing planning must be implemented and it has to be connected as well as attended with the strategy and

tactical. The strategy built based on the questions that Which countries are chosen to export, what are the product markets, and target markets? When is the right time to enter the market, what is the model operation? Meanwhile, operational issues related to product positioning, product adaptation, the specific decision of pricing, distribution, etc in a given country belong to the tactical decisions. (Albaum, Duerr & Josiassen 2016, 28).

The Export planning and international marketing planning is illustrated according to the process as picture below:

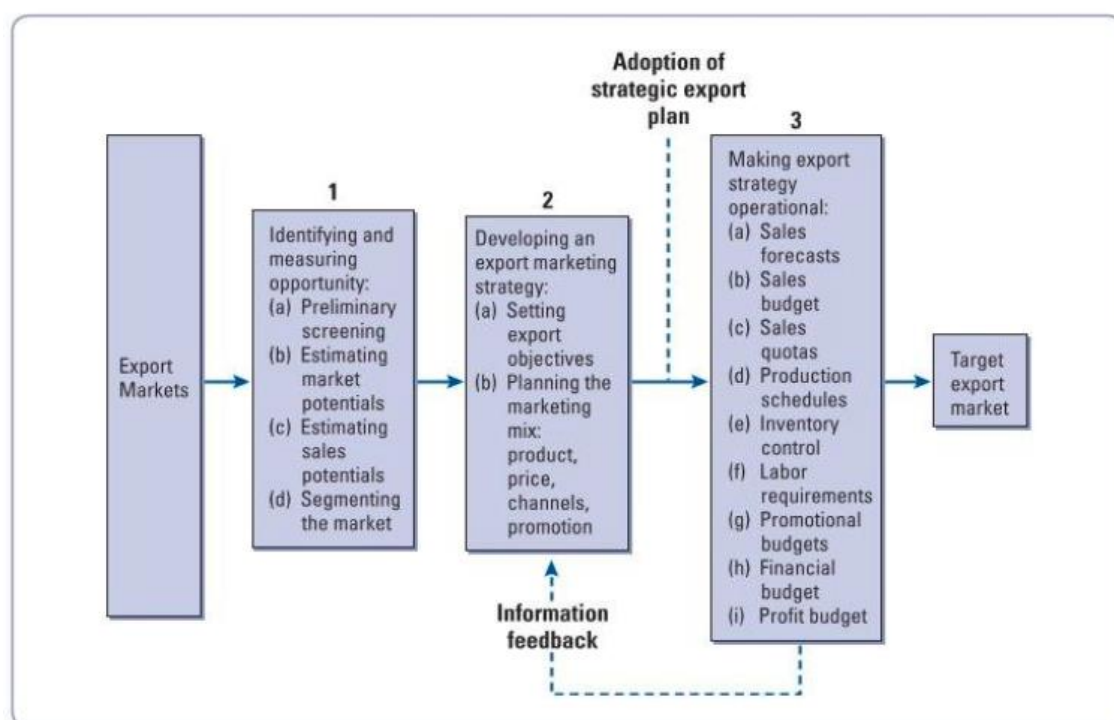


Figure 2. Export marketing planning process. (Albaum, Duerr & Josiassen, 2016, p29)

- As we can see in the picture, there are three main issues in export marketing planning process (Albaum, Duerr & Josiassen 2016, 29):
- 1st The market opportunity will be identified and measured base on the basic of company goals.
- 2nd At strategy and tactical level, the marketing mix: product, price, channels, promotion is developed.

- 3rd The resources are gathered to operate the marketing mix => Making export strategy operational.

3.3 Market selection and produce export product.

To build an international marketing strategy, companies cannot skip a crucial step that is export market selection. In order to select an export market, it is needed to assess the ability of the companies to meet or change the requirements of the potential market placed in a specific context. Besides, in order to select export markets, the company must have an export market orientation. Moreover, the company has to select the market in sequence. This means that the company decides the order of countries and time to enter the market. (Albaum, Duerr & Josiassen 2016, 195)

3.4 Factors related to product decision in exporting

3.4.1 Positioning products

Strategy of positioning products according to foreign market has certain impact on the success of the new product on the market. In a product, a set of different attributes that provide benefits to consumers creating international product positioning because the attribute of benefits of product developed following the segment in the target market that plays a very important role in the perception of the consumers in that market. When the brand of product in the consumer's mind is strong enough, it can defeat other brands in the same product category. Therefore, creating benefit attributes are appropriate for the target segment that related to the core of the product, the package, ancillary services when designing the product is the task to carry out product positioning. (Albaum, Duerr & Josiassen 2016, 421)

3.4.2 Quality management

When the company considers the total quality management as a main strategic, it can not only create good products but also achieve cost-effectiveness (lower cost than competitors). Thereby improving the competitiveness of products on the market compared to other brands in the same product category. If the company wants to be successful in the international market, especially in the EU, it needs to apply the standards of the International Organization for Standardization (ISO) specifically ISO 9000 standards. (Albaum, Duerr & Josiassen 2016, 421)

In order to reach ISO 9000, the company need to meet requirements of customer about quality. Besides that, the company have to constantly improve the quality of its products, customers service, etc. in order to enhance the satisfaction of customers. Moreover, the applicable regulatory requirements also have to be meet by the company. In addition, the performance of the company is improved continuously when it follows these requirements. Besides that, company also should obtain ISO 14000 which related to environmental management and ISO 9000. (Albaum, Duerr & Josiassen 2016, 421, 422).

3.4.3 Packaging

The packaging is not only to protect products but also a means to advertise products to consumers in foreign markets. Buyers may be attracted to the product packaging, which can lead to buying decisions. In each market, the packaging of the product should meet the requirements of the VIEW test (Albaum, Duerr & Josiassen 2016, 441):

According Albaum, Duerr & Josiassen, 2016, p441 VIEW means:

- V – Visibility: Consumers can distinguish products with the products of the same category of other brands easily through the visual competition of packaging.
- I – Information: The buyer can know about the nature of the product quickly based on the packaging.

- E –Emotional impact: The consumer remembers and impressed with product by design.
- W – Workability: Packaging has to protect the product well and be efficient in-home use.

Packaging materials should be noticed by the company. The material of the packaging must be environmentally friendly. Especially in the European market, the packaging of the product must show that it is made of materials that are less harmful to the environment. Consumers can recognize this through eco-label. (Albaum, Duerr & Josiassen 2016, 445)

3.4.4 Branding

A brand can be a logo, symbol, word, mark or sentence that identifies and distinguishes the company's good or service from other. Company can create a brand identity from a combination of one or more those factors. A trademark is the legal protection for a brand name. (Kenton 2020)

Branding is a factor associated with international marketing campaigns. For export products, brands help consumers format the company that owns it. When a branding company is successful, the relationship between the value and the selling price of the product on the market will be more easily determined by the seller and the buyer. Branding is a factor associated with marketing campaigns for products and companies. (Albaum, Duerr & Josiassen 2016, 450)

The company's brand needs to be protected to avoid trademark copying. There are three level of protection of the brand: national level, regional level and international level. Legislation of each country will reflect the nature of the protection of brand in those countries. There are a lot of countries that carry out the right of using the brand according to the 'priority in registration' doctrine. This means that the trademark owner is determined based on the registration date. In addition, more and more countries are exercising their right to use the brand according to the priority of use. (Albaum, Duerr & Josiassen 2016, 450)

When a company's brand enters a foreign market, it can be protected by international agreements such as the International Convention for the Protection of Industrial Property (Paris Union) or the Madrid Agreement. (Albaum, Duerr & Josiassen 2016, 450). Understanding the trademark protection law in the market where the company exports its products is extremely important to protect the brand of the company as well as to avoid trademark infringement.

4 THE FACTORS HINDERING AND FACILITATING ON EXPORT.

Researching and understand both hindering and facilitating factors are important activities to enhance the competitive ability and existence of exporter.

4.1 Hindering factors

4.1.1 Tariff barrier

A barrier to trade is restrictions established by Governments on the flow of import and export goods or international services (Website of The library of Economic and Liberty). In International trade, there are two main type of tariff: import and export tariff, of which import tariff is the more common. (Onkvisit & Shaw 2009, 77).

The governments of an exporting countries impose tariffs on goods exported across its borders because it wants to restrict exports of this commodity, which is often a scarce resource or raw material. (Onkvisit & Shaw 2009, 77).

A tariff is a tax that government imposes on products imported from other countries. Prices of imported goods and services will increase when import tariff is levied. This makes the attraction of imported products to domestic consumers less. The competitive advantage of domestic goods over imported ones may be maintained. Tariffs are imposed with the main purpose of protecting home industries or raising revenue. (Kenton 2019a).

1. When tariffs are levied to protect domestic industries:

Protection of domestic employment

If import goods or service are cheaper than domestic goods, leading to a loss of competitive advantage for domestic goods, it will be difficult for domestic companies. This has led to the fact that these companies may have to hire cheap labor from other countries or lay off domestic workers to cut costs to lower product prices. As a result, the unemployment rate increased. (Radcliffe 2019)

Protection of Infant industries

Infant industries are protected when the government imposes tariffs on imported products especially with import products in the industry that the government wants foster it to grow. Thank to this strategy, the domestic market is created for domestic goods and protects infant industries from price competition. (Radcliffe 2019)

2. When tariffs are imposed to raise revenue

Governments levy tariffs on import products as a measure to raise revenue because they can gain substantial revenue from import tariffs. (Cavusgil, Knight, & Riesenberger 2017, 204)

4.1.2 Non-tariff barrier

A nontariff barrier to trade is the way that government restricts export or import goods and international service in a form other than a tariff such as license, quotas, etc. Non-tariff barrier is conducted as a part of nations' political or economic strategy. (Tarver 2020)

1. A license or permit

The government does not allow all products which imported freely. There are some products that will be restricted from import. Imports are controlled by government

through the licenses or permits. (Onkvisit & Shaw 2009, 84). Businesses that granted import licenses from the government will be able to import certain goods into the country. (Tarver 2020). For the product that the government wants to restrict, the government will not grant or grant limited amounts of licenses for businesses. (Albaum, Duerr & Josiassen 2016, 168).

2. Quotas

Quotas are used to control the quantity of imported product. The provisions of the limited quantity of foreign goods that the company can import are specified in quotas. The purposes of quotas are protecting domestic companies and preserving foreign currency. Quotas include the following three types: Absolute, tariff, and voluntary. (Onkvisit & Shaw 2009, 87).

Absolute quotas

Absolute quotas are the most restrictive in three kinds of quotas. When this quota implemented, amount of the products that can be imported is limited absolutely. (Albaum, Duerr & Josiassen 2016, p169) Once the number of products imported according to provisions of quotas filled, more imports are prohibited (Onkvisit & Shaw 2009, 87). In extreme cases, governments can set zero quotas or embargo. (Albaum, Duerr & Josiassen 2016, 169).

Tariff quotas allow a limited amount of the products imported at low rates of duty. Importers have to be subjected to a higher rate of duty for any number of goods in excess. (Albaum, Duerr & Josiassen 2016, 169)

A formal agreement conducted between countries or countries and industry that aim to protect the domestic firm until regaining external competitiveness called a Voluntary quota (Onkvisit & Shaw, 2009, p88; Albaum, Duerr & Josiassen 2016, 169).

4.1.3 Product requirements

One of the conditions for products to be entered a nation is that they have to fulfil the product requirements of that nation. (Onkvisit & Shaw 2009, 86). Product requirement related to:

Product standards: Protection of the health and safety of domestic consumers is one of the important goals of each nation as it establishes its own product standards. In addition, countries can build these standards " as barriers to prevent or slowdown of importation of foreign goods". (Onkvisit & Shaw 2009, 86)

Packaging, labeling, marking and product testing: Products have to meet the requirements of packaging, labeling, marking simultaneously because these requirements are related to each other. The product packaging must be done properly for buyer's safety and other reasons. (Onkvisit & Shaw 2009, 86). Moreover; product testing also must be performed to identify the level of the product's safety and suitability before entering the market (Onkvisit & Shaw 2009, 86).

4.2 Facilitating factors

4.2.1 Free trade agreement

1. Free trade agreement definition

The Pact signed between two or more countries with the goal of reducing trade barriers for export or import among them called Free trade agreement. There is little or no trade barrier hinder the exchange of goods when Free Trade agreement implemented. The free trade policy with formal and mutual agreement among countries involved is the main one. Thanks to that the products can be imported or exported across the borders easier. Therefore; export may increase when exporting countries reach agreement and sign a free trade agreement with importing countries. (Barone 2020)

2. Free trade agreement between EU-Vietnam

EVFTA is the free trade agreement between Vietnam and the EU, which was signed on June 30, 2019. As the EVFTA into force on 1 August 2020, it will provide opportunities for both Vietnam and the EU to growth, support jobs and increase trade. (Website of European Commission). There are 17 chapters, two protocols and attached

memorandums in EVFA which its main contents cover the aspects followed (Thu 2019):

- Trade in goods.
- Service, investment liberalization and e-commerce.
- Government procurement.
- Intellectual property right.

In addition, the free trade agreement between EU-Vietnam also includes other aspects: Customs and trade facilitation, Rules of Origin, Technical Barriers to Trade, Sanitary and Phytosanitary Measures, Geographical Indications, Cooperation and capacity building, legal-institutional issues and Sustainable development. (Thu 2019)

This agreement marks a historic step in the bilateral trade relationship of Vietnam and the EU. Companies on both side are offered more opportunities from the agreement through (EU-Vietnam trade agreement-Main benefits):

1. Removing tariffs on both side: According the agreement, 99% of all tariffs eliminated. Currently, under the General Scheme of Preferences (GSP), the EU offers trade preferences unilaterally for many Vietnamese products. When the agreement into force, those products of Vietnam is allowed to maintain free enter to the EU market even if the economic situation of Vietnam in the future is inconsistent with the preferential treatment given to developing countries only. For the remaining product, the tariff will be removed gradually. However, for sensitive agricultural products (related to EU's agricultural sectors) such as rice, sweet corn, sugar, etc. the EU will apply tariff rate quotas to limit the amount of Vietnamese products entering its market. (EU-Vietnam trade agreement-Main benefits)
2. Regulatory barriers and overlapping red tape reduced: Vietnam will increase the applying of international standards in its regulation. Vietnam recognizes the certificate of conformity for cars issued by the EU. For nonagricultural products, Vietnam recognizes the "Made in EU" origin marking. The rules of plant and animal health agreed. (EU-Vietnam trade agreement-Main benefits)
3. Geographical indications are protected: On Vietnamese market, 169 traditional food and drinks products of EU will be protected from counterfeiting. The EU

will also protect to distinctive products of Vietnam. (EU-Vietnam trade agreement-Main benefits)

4. Services and public procurement markets opened: Compared to companies from other countries, EU companies have opportunities to access better to Vietnam's public procurement markets. Ensure fair advantage between EU companies and local companies in Vietnam. Copyright protection better for EU artworks, brands, and innovations. EU companies have opportunities to receive the best access to the service markets of Vietnam. (EU-Vietnam trade agreement-Main benefits)
5. Rules are guaranteed that they are enforceable: Compared to the WTO framework, a more efficient and faster State-to-state Dispute Resolution Mechanism established by the agreement. (EU-Vietnam trade agreement-Main benefits)

4.2.2 Government activities and Export subsidies

1. Government activities

Export is more developed through export facilitating activities of Government. These activities related to operating trade development offices oversea and sponsoring trade missions as well as organization or participation in international trade fairs and exhibitions. (Albaum, Duerr & Josiassen 2016, 175). Thanks to export facilitating activities, the local domestic company will be provided and consulted information about the international market. In addition, companies have opportunities to introduce their product or acquire export experience by exchange with potential buyer in direct way and reduce cost to look for buyer in overseas market. (Albaum, Duerr & Josiassen 2016, 177)

2. Export subsidies

The government's subsidies for domestic companies is implemented to help them improve their competitive advantage compared to foreign competitors by producing products at lower prices. Thereby promoting the capabilities and export demand of domestic firms. (Smriti Chand). For example: Chinese government often offers free loans or free land for domestic companies. As a result, these companies' operating costs are reduced and product selling prices will be lower. Therefore, companies can occupy a bigger market share of the global market as well as increase export demand. (Smriti Chand)

4.2.3 Cost of labour

All of the amounts of money such as employees' wages, cost of employee benefits, and payroll taxes that the employer pays called the cost of labor (Investopedia Staff 2020). If the country has lower costs than other countries, the country will have a competitive advantage in the market for the price of the product. The cost of the product will be cheaper when the labor cost is cheap. Thereby, companies can sell products at lower prices compared to competitors in the same product line. This also contributes to increase the product's competitiveness when entering the new market. Therefore, exports can also be boosted. For example, China has become one of the most competitive countries in the world base on its low labor costs. (Bhasin 2018).

5 RESEARCH METHODS

5.1 Research approaches

The use of theory is a crucial part of research project. When designing the research strategy, the extent to which the research project related to the theory testing or theory building will become the key to researcher use the appropriate research approach. (Saunders et al., 2019, 152)

Induction is an appropriate approach to exploring a topic and developing theory. Inductive researches, the researchers use qualitative methods. (Saunders et al. 2019, 154, 155). The author used the inductive approach in research, following the order: Relying on the existing theory about the international marketing and export, the factor hindering and facilitation on export, legal document, the author wants to explore how the factors affect the export of rice from Vietnam to Europe through analysis of the export and production situation of Vietnam's rice export to the EU. Then to compare the analysis results to draw conclusions about whether Vietnam's export rice has been developed in accordance with the theory's direction. Thereby proposing recommendations to increase the exporting rice from Vietnam to European countries.

5.2 Methodological choices, data collection and analysis

To carry out this research project, the author utilizes qualitative research approach by combining desk research and farmers' interviews. Desk research is a low-cost research method and it allows researchers to collect data from available sources such as data on the internet, data published by governments or organizations. (Website of Management study guide). The background theory of this study was collected from magazines, websites, books, report in the field of international marketing, and import-export...In addition, the author study the EU legal documents, regulations on rice import, export, and free trade agreements between Vietnam and Europe from the internet. Moreover; the documents and data on rice production, processing, and export from Vietnam's agricultural organizations, economic report, etc. also researched.

In desk research, the statistical information about rice production in Vietnam. Vietnam, Vietnam's rice exports, European rice markets, etc. are gathered and analyse in order to present and explain more clearly, deeply about the topic.

In this study, the author focuses on secondary data collection rather than primary data. The author conducted video-call interviews with 8 Vietnamese farming families, of which 2 families are in the South and 5 families, author's family as well in the North of Vietnam in September 2020. These are rice-growing families with over 25 years of experience. The farm's area per family is about 10.000 square meters, the average yield is 6 tons / 10000 square meters / crops. The interview includes 10 questions which

related to rice seed, planning rice, using chemical fertilizers, pesticide, where to learn cultivation technique, rice export standards, harvest and selling rice after harvesting, cost of labour. The interview carried out to understand the process of produce rice of farmers as well as understanding the extent to which Vietnamese farmers know about the rice export standard in reality. From that, the author can propose recommendations in a better way.

Data of Vietnamese rice produce and export turnover to the EU, European rice market, etc will be collected from economic report, website of General Statistics Office, Vietnam Food Association, etc.

6 THE SITUATION OF RICE EXPORT FROM VIETNAM TO THE EU

6.1 Overview of the EU rice market

In this section, the author will analyze the situation of the EU-27's rice imports to assess the European Union rice market to provide a better overview of the rice market for Vietnamese rice exporters who exported and will export rice to the EU. From there, select the target market in the European region more exactly.

The European Union currently consists of 27 countries and its population is nearly 447.7 million (First population estimate...2020). The GDP of EU were 13 900 billion dollars in 2019 (Website of Eurostat). It can be said that the most considerable economy, which constitutes 15 % trading goods of the world is the EU-27. (Website of Eurostat Statistics explained) Moreover, the EU is the greatest buyer and seller of produced goods and services in the world. In addition, there are 80 nations that consider the EU as the most significant trading partner. (Website of European Commission)

The official diplomatic relationship between the European Union and Vietnam was established in 1996. Since then, the bilateral trade and investment links between the

two sides have been steadily strengthened. (Guide to the EU - Vietnam trade and investment agreements, 12). The EU is the second greatest market for Vietnam's export products. In addition; the EU is also the number one destination for many major exports of Vietnam such as footwear, cashew nuts, coffee, telephone set, and components, etc. (Guide to the EU - Vietnam trade and investment agreements,13)

During the period time from 2016 to 2019, the EU's rice imports from non-EU countries have a raising tendency as the figure 3 &4 below. In 2016, the rice imported from non-EU countries into the European Union was 199,060 tons worth over 1 billion euro. In 2017, this figure was rose 7,7 % compared to 2016, reaching 2,152,659 tons. In the year of 2018, the rice imports to the EU was 2,073,484 tons which decrease by near 3,7% compared to 2017. In 2019, the EU rice imports increased by 13,5% compared to 2018, reaching 2,353,039 tons worth more than 1,4 billion euro.

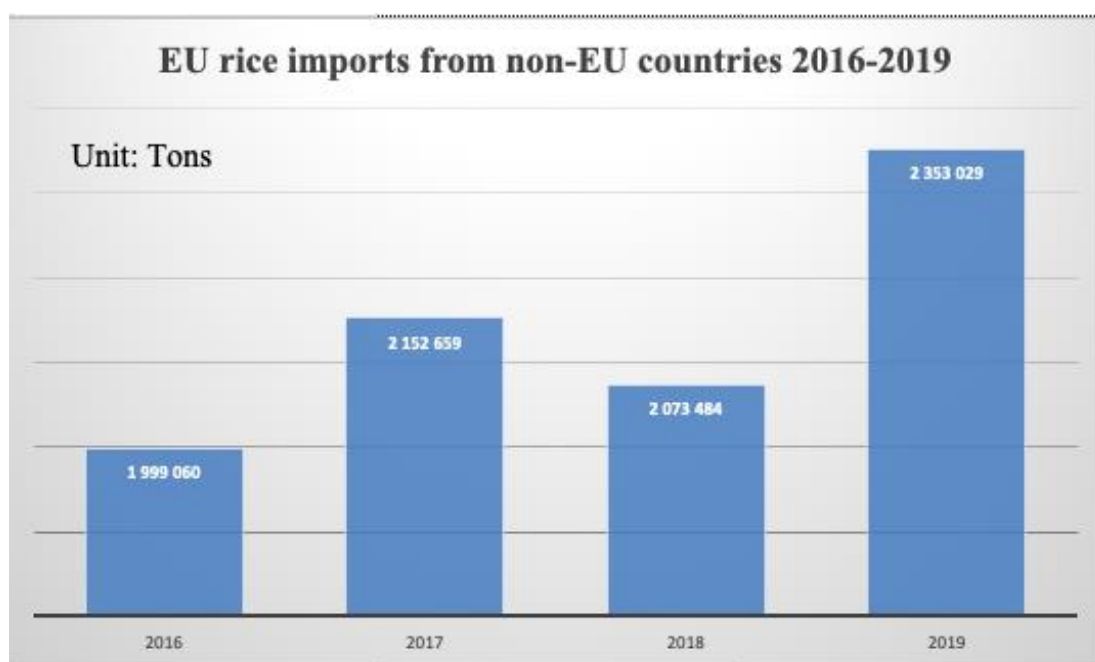


Figure 3. The quantity of EU imported rice from 2016 to 2019 (Website of Access2markets).

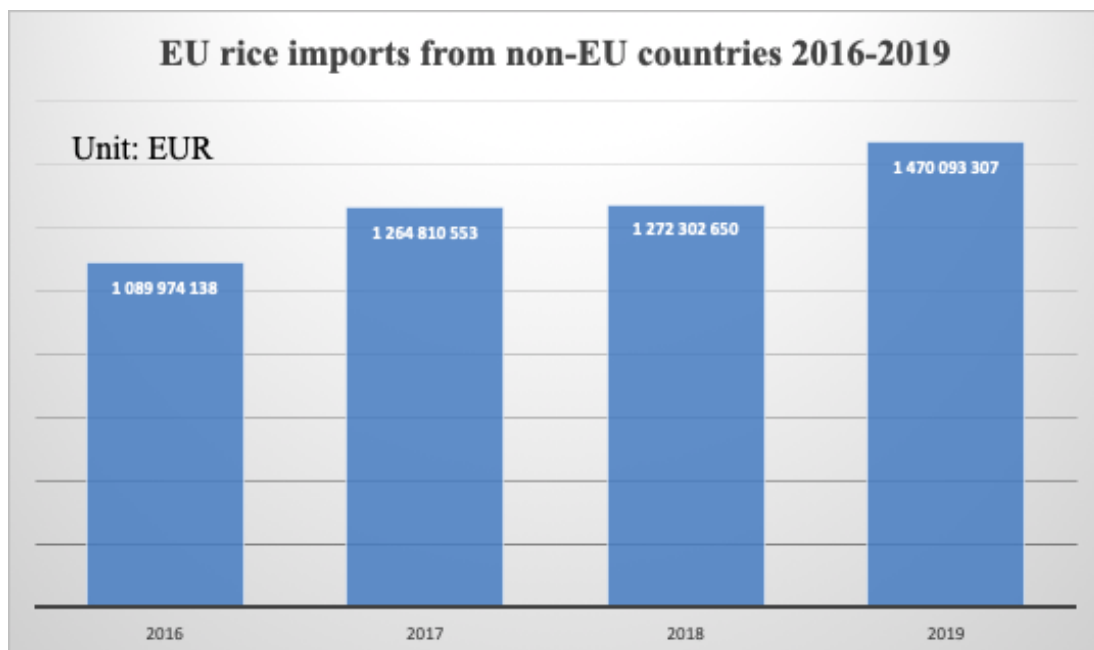


Figure 4. The EU rice imports turnover from 2016 to 2019 (Website of Access2markets).

As the Figure 5 below displays, during the period of time from 2015 to 2019, the UK has always been the leading country in importing rice in European Union with an average volume of over 600,000 tons per year. France is the second-largest rice importer of the EU rice with an average annual volume of over 570,000 tons. Following is Belgium, it imported 489,784 tons of rice in 2015. In 2019, there were 526,700 tons of rice imported into this country. Speaking of Germany, the volume of imported Germany rice was relatively stable, not much changed between years. Germany imported 442,497 tons of rice in 2015 and 469,627 tons in 2016. In the year of 2017, 2018, 2019, Germany imported 442652, 441537, 403247 tons of rice correspondingly. Next position was Netherlands with over 300,000 tons in 2019. The last position in the top 6 importing countries of rice in European Union is Italy. On 31 January 2020, The United Kingdom left the European Union. (Website of European Union) Therefore the figure will look different starting from the year 2020.

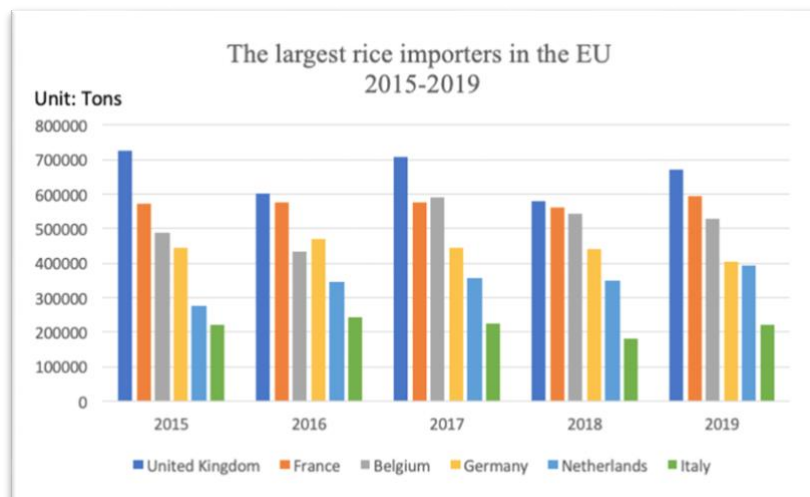


Figure 5. The major rice importing countries in the EU from 2015 to 2019 (Website of ITC trade map)

Asian countries exporting rice to Europe are mainly India, Thailand, Pakistan, Cambodia, and Myanmar. The Figure 6 shows that in the year 2017, the volume of rice export from India to the EU worth 443, 925,864 euro. Following was Thailand, Cambodia, Pakistan, Myanmar with 185,338,183 euro, 154,134,181 euro, 140,523,287 euro, 113,732,305 euro respectively. In 2019, the rice exports from Pakistan to the EU worth 360,215,318 euro, this figure was higher than the turnover of rice export from India, Thailand, Cambodia, and Myanmar. Thailand reached 246,373,115 euro when export rice to the EU in 2019. India, Myanmar and Cambodia obtained 223,058,937 euro, 160,995,596 euro, 155,054,889 euro correspondingly.

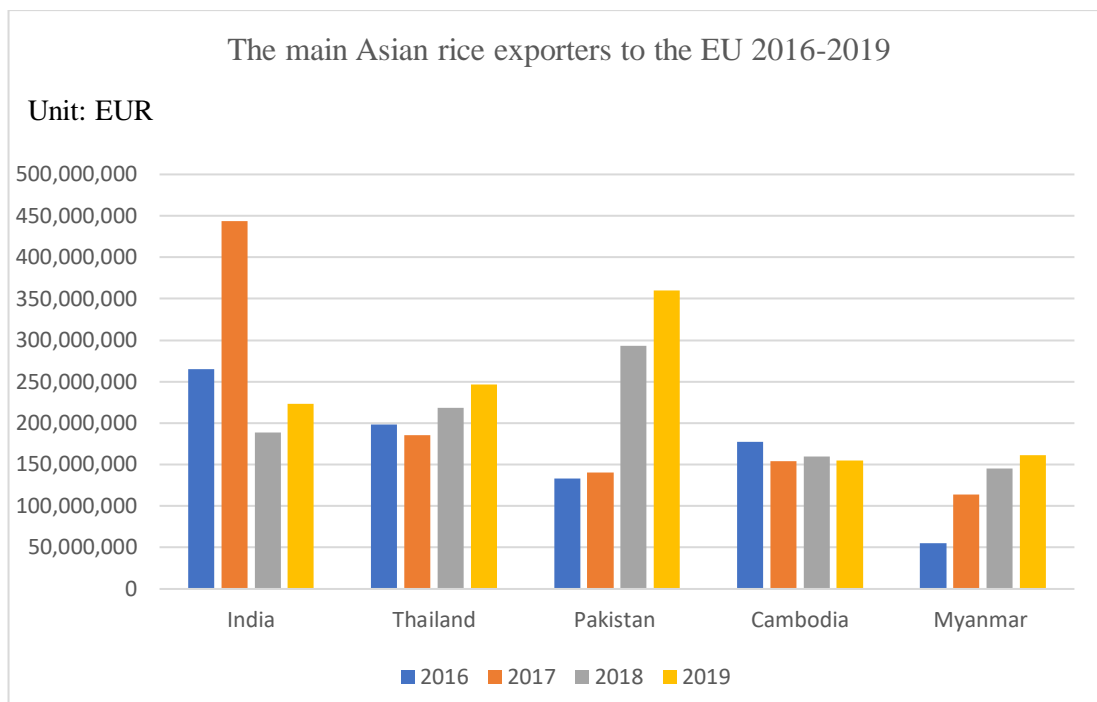


Figure 6. The main Asian rice exporters to the EU from 2017 to 2019 (Website of Access2markets).

6.2 Vietnam's rice export

Vietnam is the world's third-largest rice exporter after India and Thailand (Minh 2020). In 2017, Vietnam exported about 6 million tons of rice (Vietnamese rice earn...2018). Compared to 2017, Vietnam's rice export increased by 5.7%, reached 6,15 million tons in 2018 (The year 2018 review...2018). In 2019, the quantity of rice export increased by 6.37 million tons, rose 4,2 % when comparing with 2018. (What are the prospects...2020)

The Figure 7 below displays the international rice price in USD in which Vietnamese rice prices fluctuated considerably through the period of time from 2015 to March 2020. From June 2017 Vietnamese rice price increased drastically and reached the highest price in June 2018. After that, it decreased and hit a low price in October 2019



Figure 7. The chart of International rice price in USD/ tonne from Sept 2015 to March 2020 (Rice market situation. Website of European Commission)

The Figure 3 and 4 above and figure 8 and 9 below show that generally, Vietnamese rice exports to the EU tended to increase from 2016 to 2019. However Vietnamese rice export only accounts for a very small proportion of the total amount of EU rice imports. For example, in 2018, there was 23,519 tons Vietnamese rice entered into the EU worth 13,013,032 euro. These figures were 48 533 ton and worth 27,373,281 euro in 2019. Meanwhile, EU imported 2,073,484 tons of rice worth 1,272,302,650 in 2018. In 2019, there were 2,353,039 tons of rice which worth more than 1,4 billion euro entering into the EU.

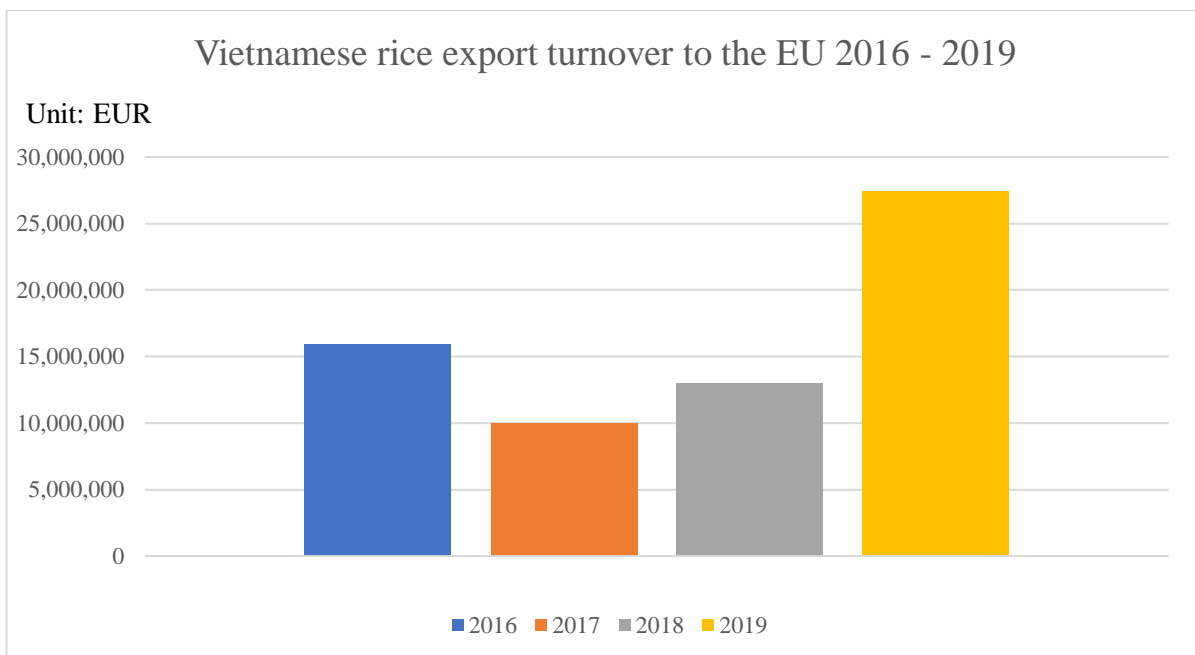


Figure 8. Turnover of Vietnamese rice exported to the EU from 2016 to 2019 (Website of Access2markets)

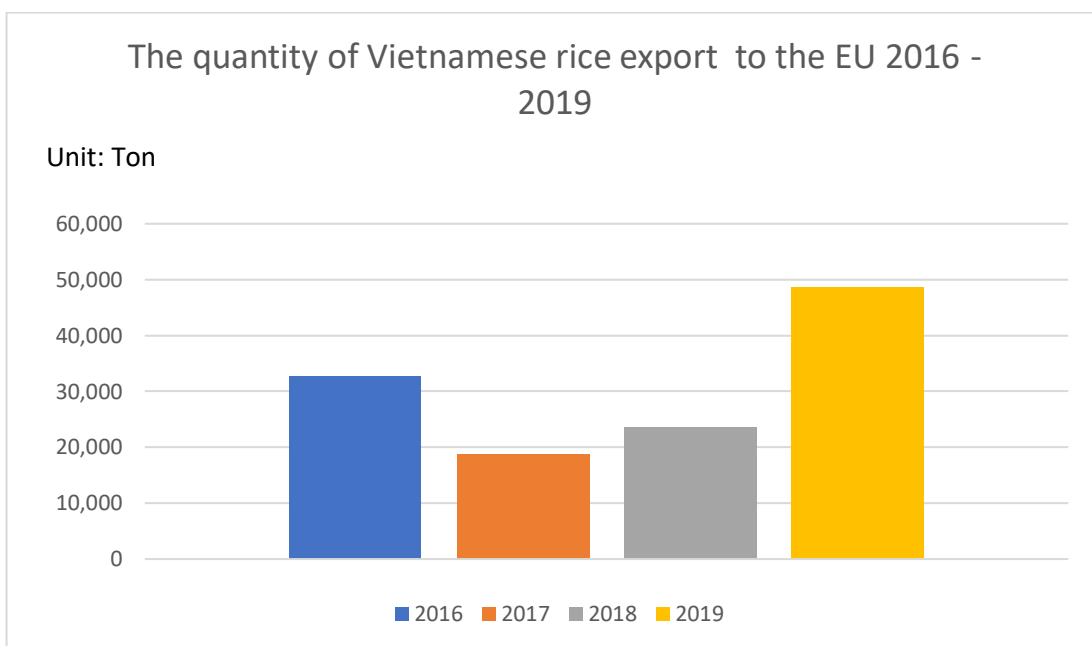


Figure 9. The quantity of Vietnamese rice export to the EU (Website of Access2markets)

6.3 Export process from Vietnam to the EU

Companies that want to export rice must meet storage and factory requirements. They must have at least one specialized store with a minimum capacity of 5,000 tons of rice as well as at least one grinding grain and rice factory with a capacity of 10 tons of rice per hour. These requirements are stipulated in the decree No 109/2010/CP of government. This decree was issued by Vietnamese government with the goal of improving the competitiveness and price of rice exporters compared with foreign competitors. (Tran & Dinh 2015)

Vietnam's rice export process also goes through the basic steps of the process of exporting a product to foreign countries, including:



Figure 10. Vietnamese rice export process. (Adapted from Website of Exporthelp)

- Vietnamese rice exporter prepare and research market for exporting, negotiating and obtaining the export order.

Researching export markets to select rice export markets. After that, developing the marketing, distribution, export plans suitable for each specific market (Website of Exporthelp). Next, the Vietnamese rice exporter connected with customers and received rice export orders in accordance with the production capacity and rice quality of the business. Then, the Vietnamese exporter sign the rice export contract. (Adapted from Website of Exporthelp)

- Registering export procedures Vietnamese Law and producing product and handling export logistic, export documentation:

“In order to be able to export rice, after signing the export contract, Vietnamese enterprises must submit dossiers to sign export contracts with the Vietnam Food Association under Decree 109/2010 / ND-CP on business. rice export, Circular 44/2010 / TT-BTC detailing a number of articles of Decree 109/2010 / ND-CP.

A dossier of registration for a rice export contract comprises:

1. Application form for enrolment of rice export contract.
2. The original or valid copy of the rice export contract already signed.
3. The report on the company's rice product, clearly stating the volume of rice in the enterprise's warehouse and its address.
4. If companies register their export contract for the first time, they must attach a valid certificate of eligibility for the rice export business.” (website of Cuocvanchuyen.vn)

After registering the export contract, the Vietnamese exporter will prepare the quantity of rice according the rice contract. Then, exporters carry out quality inspection of rice and packaging as well as choose transportation to deliver rice from Vietnamese rice exporter’s factory to the buyer. (Adapted from Website of Exporthelp)

In Vietnam, the companies must submit the required documents for the customs authorities to make clearance of rice. The required documents include: the business registration certificate and the business code registration certificate of rice exports. (Your simple guide...2020). In addition, companies must have an " Electronic Declaration form (E-Form HQ/2015/XK), Bill of lading, Certificate of origin of rice, Permit of export, Contract/agreement, Commercial invoice, Packing list, Health and technical certificate, Terminal handling receipts". (Your simple guide...2020)

- Vietnamese exporter ask payment:

After delivering rice, the Vietnamese rice exporter will then send a set of documents to the buyer to ask the buyer for payment. When the buyer completes the payment, the contract will be finished.

6.4 Vietnamese Government support to rice export

The Government supports the input costs for agricultural activities in order to improve Vietnam's price competitiveness for rice. In addition to improving the quality of Vietnamese rice, the government has also implemented policies to support reduce costs on cultivated land and rice seed. (Tran & Dinh 2015)

The government supports the companies to access and develop the market. Firms can advertise on mass media with 50% of the cost of support from the state. The government of Vietnam also creates opportunities for businesses to access market information and services from trade promotion agencies with a 50% discount fee. The national trade promotion program is conducted with the aim of promoting the Vietnam trade development. In this program, experts will be hired to advise on improving product quality and methods for developing exports. Moreover, this program also sponsors companies to attend domestic and foreign trade events to survey the market. (Tran & Dinh 2015)

6.5 Evaluation of situation of Vietnamese rice export to the EU

The European Union has a long-term bilateral trade relationship therefore, the EU is always ready to cooperate with Vietnam to promote trade development and create conditions for Vietnamese businesses to have opportunities to enter the EU. European rice market is relatively large and stable. This is opportunities ensure the stable future for Vietnamese rice export to avoid depending on Asian market heavily. Vietnam's rice export capacity can meet a large quantity of rice to export. In addition, Vietnamese exporters have always been interested and supported by the Vietnamese government. This is also become the advantaged competitive for Vietnamese rice exporter.

In order to expand the export market of rice to Europe, Vietnam has to compete with countries such as India and Thailand, etc. which are big rivals with tradition and excellent production capacity for rice export. Therefore; Vietnam has to cope with a lot of difficulties to overcome these competitors. In the real situation, Vietnam's rice export process has many weaknesses related to the complicated system of legal documents. Vietnam's export laws sometimes inconsistency among legal documents,

making it difficult for export companies to comply with state export regulations. In addition, there is an undeniable fact that the clearance of exported goods including rice, is not easy because of complex customs procedures in Vietnam, sometimes Vietnamese employees of customs authorities lacks professionalism and skills to conduct customs operation cause the rice to be stuck and cannot export to the buyer on time, affecting the quality and reputation of the rice exporting company (Minh & Tu 2020).

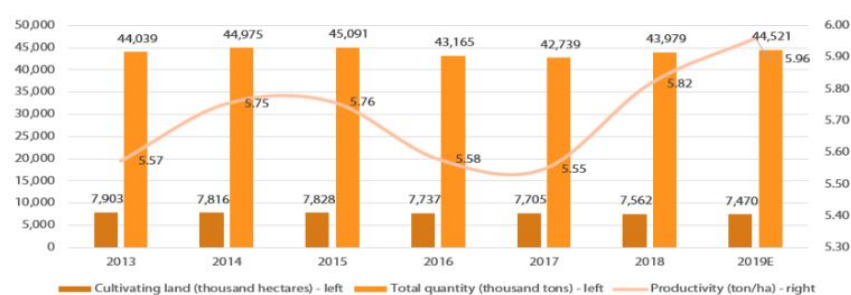
7 THE SITUATION OF PRODUCING AND CONTROLLING THE QUALITY OF RICE IN VIETNAM

7.1 The situation of producing rice in Vietnam.

1. Production situation

During the period from 2013 to 2019, Vietnam's rice area and productivity have undergone many changes. In which, the rice-growing area tends to decrease. In 2013, Vietnam had 7,903 million hectares of land to grow rice but by October 2019 this figure was 7.47 million hectares. The cause of the decrease in the cultivated area is that farmers have changed their purposes of using land such as aquatic or fruit cultivation. The productivity of rice over the years has fluctuated due to changes in the area of cultivated land. (Nguyen 2019)

The chart below displays the changes in rice cultivated land from 2013 to 2019



Source: General Statistics Office of Vietnam, Rong Viet Securities

Figure 11. The changes in cultivated land and productivity of rice in Vietnam (Nguyen 2019)

7.1.1 Distribution channel

There are two forms of distribution channel: direct and indirect distribution. If consumer can buy goods directly from manufacture, that is direct channel. If product bought by consumers through wholesaler or retailer, we call this is indirect channel. (Kenton 2019b)

Currently Vietnam rice is mainly distributed indirectly. Even in the domestic market, final consumers rarely buy rice directly from producers (farmers). The author interviewed several farmers who produce rice in Long An province of the south of Vietnam, in Nam Dinh province in North Vietnam, and the author's family about the distribution of the rice which they produce. All of whom responded that they sell rice to intermediaries. These intermediaries will then sell rice to rice processing companies again. In addition, Vietnamese rice depends on international wholesaler because the Vietnamese companies still lack export capacity related to distribution channel and warehouse (Chua khi nao...2020). This has resulted in a low price of rice when the farmers sell to a lot of intermediaries merchant and price of Vietnamese rice export lower than others countries but when it comes to final buyers, the price has risen significantly.

7.1.2 Consumer's recognition about Vietnamese rice export

When thinking of Jasmine rice, consumers often remember about Thai Jasmine. If consumer want to buy basmati rice, they will choose Indian Basmati rice. Speaking of Vietnam, although it is one of the leading rice exporting countries in the world and also has variety kind of rice such as: ST 125 fragrant, jasmine, etc., but rice export from Vietnam is unfamiliar with international consumer.

The cause of this problem is Vietnamese rice exported to other countries under the most generic names such as: 5% or 25% broken rice and these names indicate low-grade rice (Tuyet 2015). Vietnamese rice export does not label Vietnam or Vietnamese enterprises when it reached by consumers (Tran 2019). There are many rice experts who confirmed that supermarkets are selling a lot of rice, but customers cannot find any brands of rice from Vietnam in the European market. To enter into the supermarket

in foreign countries, Vietnamese rice export has to attach the label or borrow the name of other brand of the importing country (Phuc 2020).

7.2 The process of producing price

Currently, Vietnamese rice companies mainly buy rice from farmers from different provinces in Vietnam to re-process and then enter the market. Manufacturing and processing companies rarely own their own fields.

The procedure below is based on the process of rice production in the author's family and interviews with several rice farmers in the south and north in Vietnam:

Currently rice production in southern Vietnam includes three crops: "Dong Xuan", "He Thu" and "Mua". In northern Vietnam, farmers have two crops of rice: "Xuan" and "Mua". In the rice production process, the seed will either come from the rice of the previous crop. If they do not have seed from the previous crop, the farmer can buy the seeds from the co-operative, the seed selling establishment. In fact, farmers often do not have much knowledge about the types of seeds and techniques of caring for each of them as the theory of choosing seeds introduced in the process of producing rice on the internet. They choose a variety of seeds based on personal experience or advice from the seller or the recommendation of other farmers. The land will be turned over the soil and plowed, fertilized before planting. Seeds will be soaked and germinated. Then take the seeds to plant during the process of caring for rice, farmers will apply fertilizers and pesticides to rice to increase productivity and kill pests and weeds. When the rice is ripe, the farmers will harvest and dry it in the sun and sell it to intermediary merchant. They mainly plan and take care of rice by themselves, do not need to hire regular employee. In addition, employee work in farm receive low salary. Therefore; cost of labor of producing rice is low. This is advantaged of producing rice in Vietnam.

7.3 Controlling quality of rice

In fact, Vietnam's rice quality is not guaranteed right from the stage of planting and caring. The farmers have used a lot of pesticides and fertilizers to increase rice yield

but they do not know clearly how the quality and health of consumers will be affected. For example, Mr. Hai Thach who is a farmer has 1.5 hectares of land for rice cultivation in Hau Giang province. He works 3 crops per year. Depending on weather conditions but on average, he uses 500-600 kg of fertilizer, 0.5 kg of powdered pesticide and, 2-3 liters of liquid pesticide /hectare (10000 square meters)/crop. According to Mr. Truong Thanh Binh - Chairman of the People's Committee of Dai Hai commune (Ke Sach district, Soc Trang province, the south of Vietnam), farmers buy and decide on the pesticide dosage by themselves, the authorities only warn the harm. (Dan, Nam, Tan, Dau & Manh 2018).

In addition, all of farmers who author interview answered that they use pesticides and fertilizer base on their experience or ask others. It is rarely to receive instruction from expert, farmer union or any agricultural organization. The process of harvesting and drying rice is done by farmers in a rudimentary manner, without much intervention of machines and techniques according to international standards. It leads to rice is easily mouldy which greatly affected the rice quality. Most farmers sell rice to intermediaries rather than to rice export company. They do not connect to rice export company. Even after that, rice will be sold through many intermediaries, not just one. Therefore, the farmers do not know the requirement of national and international rice quality standards needed to meet for export. They only assess the quality through experience based on the appearance of the grain of rice.

7.4 Evaluation of producing and controlling quality of Vietnamese rice.

Vietnam's natural conditions are suitable for growing rice. The cultivated area is relatively large and the yield per hectare is high. Rice cultivation is a traditional economic activity of Vietnamese people, Vietnamese farmers have much experience in rice cultivation, hardworking and careful. Rice production is the main economic activity of Vietnam. Hence, it receives a lot of care and support policies from the government to develop.

Currently Vietnamese farmers tend to switch crops or other occupations to increase income because of falling rice prices. This will affect Vietnam's future rice production

as well as rice supply for export. Farmers grow and produce rice mainly based on their experience, lack of guidance, and connection from agricultural organization, authority and export companies. Therefore, the process of rice production and quality management has many weaknesses. Farmers have the habit of using fertilizers and chemical pesticides in rice production, which makes the quality of Vietnamese rice unsafe and unsatisfactory for quality standards of major markets, including the EU market. Hence, Vietnam's exported rice can be rejected to enter into the EU market. Farmer do not know or be very little aware of the European standard of rice exports.

Consumers' recognition of rice from Vietnam is still very low in the foreign market when the buyer imports Vietnamese rice in bulk and want 50kg packaged under their name without brands of Vietnamese rice, Vietnamese producer and Vietnamese exporter name (Nguyen 2019). This effects on development of the value and price as well as the quantity of Vietnamese when customer do not recognize rice from Vietnam and choose rice from other countries.

8 EU REQUIREMENTS, TARIFF, AND TRADE AGREEMENT ON IMPORT RICE

8.1 EU requirements

Like other foods, rice imported into Europe must meet the following requirements:

1. Control of contaminants in foodstuffs

Food entered into the market must be safe for consumers' health as well as not containing contaminants at the level of threatening human health. For food come to the end consumers, food must go through a long process from production to final distribution with different stages such as production, packaging, transportation ... At all these stages, food can be contaminated. The contamination environment also can make food contaminated. The EU will reject the importation of food containing contaminants in excess of the permitted level. (Website of European Commission)

2. Control of pesticide residues in plant and animal products intended for human consumption

With the goal of ensuring the safety of consumers' health, plant products must not contain pesticide residues or pesticide residues that exist according to the EU pesticide maximum residue levels and positive EU list which are included in the EU Pesticide Database. (Website of European Commission)

3. Labelling & Packaging

For rice to enter the European market, it must meet European labeling requirements designed to help consumers make informed choices when buying food. (Website of European Commission)

Packaging materials must be environmentally friendly and comply with specific regulations to ensure consumer safety (Website of European Commission)

8.2 Tariff

Before signing a free trade agreement with Europe, rice exported from Vietnam to the EU was imposed on very high taxes, which made the price of imported rice from Vietnam high. The price of rice export has been pushed up, affecting the price competitiveness of Vietnam's exported rice compared to foreign competitors. Vietnam's rice exported to the EU market was subjected to very high tax rates of 5-45% or up to 100%. For example, the price of ST20 fragrant rice exported to the EU market is 700 USD / ton. After subjecting 45% of tax rate the price increases to 1000 USD / ton. Meanwhile, Cambodian rice exports are tax-free when entering the EU market. (Nguyen 2020) This is also one of the reasons importers are not interested in Vietnamese rice.

8.3 Free trade agreement between Vietnam and EU

When the EU-Vietnam trade agreement comes into force 99% of all tariffs eliminated. For sensitive agricultural products such as rice, sugar, etc. those products are subjected tariff rate quotas.

Vietnam rice exports are subject to tariff quotas when EVFTA comes into force as follows (Guide to the EU - Vietnam trade and investment agreements, 27):

- Milled rice: 30,000 ton
- Husked rice: 20,000 ton
- Fragrant rice: 30,000 ton
- Broken rice: The tax 50% will be reduced and then will be reduced linearly over 5 years

8.4 Their effect on the quantity of Vietnam's exported rice

It can be said that the requirements of EU imported products are extremely strict. Currently Vietnam's rice exports do not meet these standards or meet very small quantities.

As analyzed above, Vietnamese rice is grown and cared for with a lot of fertilizers and pesticides, and farmers do not know how to choose kind of fertilizer and adjust the amount of them as these requirements of the importer. This is one of the reasons for being rejected to import by the EU market.

Regarding the rules of labeling and packaging, Vietnamese rice almost exported under brand of buyer. Therefore, to export rice with own packages and brands according to EU standards will be a challenge for Vietnam when Vietnamese rice exporter lack of both capacity, knowledge and experience about this matter. If Vietnamese rice exporter can meet labeling and packaging requirement, Vietnamese rice cannot enter into EU market.

In previous years, the EU imposed a high tax on rice imported from Vietnam. Thus, European importers will focus on choosing other exporters with more optimal prices.

When the free trade agreement is effected, it becomes a golden opportunity for Vietnam's exports, improved competitive advantage in price compared to long-time rivals such as Thailand and Cambodia when exporting to the EU.

9 CONCLUSION AND RECOMMENDATION

Through this research, the author has a valuable opportunity to review and combine the knowledge to present the theory of international marketing and market selection. In addition, the author has a chance to approach the concept of export, issues related to exports such as tariff and non-tariff barriers, etc.

Moreover, when analyzing the European rice market, Vietnam's rice production situation, the interview with Vietnamese farmer and issues that facilitate, hinder Vietnam's rice export to Europe, the author can better understand the situation of Vietnam's rice exports to Europe and answer the question why Vietnamese rice is not as popular in this market as Thai or Cambodian rice. From that, the recommendation proposed to increase Vietnam's export rice volume entering into the EU.

In order for Vietnamese rice to meet the quality requirements of the EU, Vietnamese authorities, rice exporting companies and farmers need to establish strong relationship. In which, Vietnamese governments should carry out policies to assist farmers in accessing new information on the quality requirements of imported rice of EU countries. These policies also have to support farmers in rice cultivation and tending techniques because now Vietnamese farmer produce rice base on mainly their experience. Improve farmers' understanding of paddy rice production to meet the export's requirement. Vietnamese authorities need to orient farmers to use biological products that are safe for the environment and human health as EU requirement. In addition, governments and export rice companies need to research high-yielding, insect-resistant rice varieties to reduce the number of pesticides and fertilizers used. Furthermore, Vietnamese rice export companies need to interact directly with farmers,

provide information, and monitor the rice growing process from seed selection to harvest avoiding intermediary purchasing to ensure rice meet EU standards.

The branding must be a top priority of the marketing strategy for Vietnamese rice products which suitable for the European market and increase EU consumer's recognition of rice brands from Vietnam. In addition, Vietnamese rice products need to be invested in packaging as well as logos as these are factors that attract customers to choose products. The European market has five main rice importing countries: France, Belgium, Germany, Netherlands, Italy. Vietnam needs to orient which countries become its target market. In addition, Vietnam should develop the type of variety of rice which subjected tariff quotas according to the free trade agreement. Vietnamese rice exporters need to research the demand, psychology, and consumer habits of the EU market related to rice consumption from which to build an international marketing campaign for export rice as well as the distribution channel.

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APPENDIX 1

Interview questions.

1. Where do you buy the rice seed? How do you choose the varieties of rice?
2. The basic process of grow rice and how many crops?
3. Where do you learn cultivation techniques?
4. Do you use chemical fertilizers in the process of caring for your rice plants to increase yield?
5. Do you use pesticides to kill pests during the care of rice plants?
6. Do you receive instructions from an agricultural engineer when using chemical fertilizers and pesticides?
7. How do you harvest and dry rice?
8. Do you know the standard of rice for export?
9. Who do you sell after harvesting rice?
10. Cost of labor to plan rice.