

CHAPTER V

MARKET CONDUCT OF GLUTINOUS RICE TRADER

This chapter the conduct of the glutinous rice market in the Mekong Delta will be analyzed. Conduct in the market refers to the set of competitive practices and strategies traders use in their business activities. In the conduct analysis of the market system, we focus on various aspects of trading strategies such as purchasing, selling, transporting, storing, informational and financial.

The structure of this chapter will follow; firstly we analyze the purchasing and selling strategies that trader has applied. And then, we analyze some marketing functions such as transportation, storage, processing, negotiating, and financing.

5.1 The buying and selling strategy of glutinous rice traders

5.1.1 Assemblers

The assemblers purchased from the farmers, others assemblers and others such as relatives, friends etc. Depending on the scale level assemblers and capital owned, the total volume of purchasing was about 300 tons to 2,962 tons, averaging about 1,372 tons per year. Maximum amount of purchasing by assembler is 2,962 tons per year. However, the main source for the assemblers is the farmer with an average volume per year of 1,313 tons. Others sources were amounts smaller than 19 tons per year. The assemblers want to buy directly from the farmers because they want to buy glutinous paddy at the lowest price. They only buy from other traders when they need large amounts to supply the customer. Normally, when they buy from other traders the price will be higher than those of the farmers. The assemblers sell their products to dryers, millers and other assemblers but the main customers are millers with an average amount of 1,172 tons per year. After that the dryers and others assembler are 187 tons and 13 tons per year, respectively (table 5.1).

Table 5.1: Source and volumes of paddy purchased and sold of assemblers per year

Items	Unit: Tons/year			
	Mean	Max	Min	Standard Deviation
<i>I. Purchased</i>	1,372	2,962	300	
1. Farmers	1,313	2,450	300	483
2. Other traders	39	308	0	83
3. Other	19	204	0	90
<i>II. Sold</i>				
1. Dryers	187	414	45	88
2. Millers	1,172	2,181	180	464
3. Other assemblers	13	156	0	32

Source: Survey, 2006

The assemblers in this area are buying and selling at the local assembling markets at 100% (the local market less than 10km), and 91% of them are purchasing and 96% for selling in the local markets more than 10km in distance. Because if they go to purchase the product somewhere more than 10km away they have heavy competition from others assemblers in the local areas, and it also increases the marketing cost because of increasing transportation costs. When they sell their products; 60% of assemblers sell in other provinces within a distance less than 100km and 36% of them sell in other provinces more than 100km in distance. There are only 15% and 6% of them purchasing in other provinces with a distance less or more than 100km, respectively. There are some large scale businesses of assemblers with large volume paddy purchasing and selling per year (table 5.2)

Table 5.2: Location of assemblers purchased and sold

Items	Place for purchasing		Place for selling	
	Number of response	% of total	Number of response	% of total
1. Local area (< 10 km)	47	100	47	100
2. Local area (> 10 km)	43	91	45	96
3. Other provinces (< 100 km)	7	15	28	60
4. Other provinces (> 100 km)	3	6	17	36

Source: Survey, 2006

Note: One respondent may have more than one answer

All assemblers do not use contracts when they purchase and sell their products. This is a high risk for business because problems about buying and selling will not be protected by law (because of no evidence). The local market will be dominated by the local assemblers, who run their business with each other by trust without business contracts. But sometimes they are faced with some problems and cannot resolve these problems, especial for large scale business transactions with a lot of suppliers and buyers. In some areas in the Long An province and Tien Giang province the assemblers support good seed for farmers after harvest and the farmers will call assemblers and negotiate about the selling price based on market prices. Normally, one assembler invests about 200ha to 550ha, which is based on good relationships in business, and both will benefit from this cooperation. Now, this type of cooperation has become popular in the Long An and Tien Giang provinces. Some of assemblers use advanced technological methods for their business such as telephone and the internet and also from the help of relatives and friends. They will introduce them to the suppliers and assemblers who will go to the field to negotiate the buying price. The percentage of assemblers using these methods is about 53% and 21% for purchasing and selling, respectively (table 5.3).

Table 5.3: Common types of contracts used when assemblers do business

Items	When purchasing		When selling	
	Number of response	% of total	Number of response	% of total
1. Contract	0	0	0	0
2. Non-contract	47	100	47	100
3. Other ^(*)	25	53	10	21

Source: Survey, 2006

Note: (*) buy or sell by telephone or internet,
One respondent may have more than one answer

5.1.2 Dryers

The dryers not only purchase paddy at the factory but also buy it in the field and have the same role as the assemblers. In the Mekong Delta, the dryers want to have wet paddy for maximum capacity for the dryer. The product source of the dryers is the farmers, assemblers and others (friends and relatives), but the major source is the assembler who collects paddy from the farmers and transports it to the factory; selling the product to the dryers at a little higher price. Normally, one dryer will have two to five regular assemblers. The assemblers will supply the dryer an average volume of 1,290 tons per year, the dryer also purchases from the farmer and others an average amount of about 210 tons and 74 tons per year, respectively. The customers of the dryer are the millers' factory (both private and government) and other traders. However, the main customers are private millers with an average amount of 1,339 tons per year; the government miller and other traders purchasing only 107 tons and 68 ton per year, respectively (table 5.4)

Table 5.4: Source and volumes of paddy purchased and sold of dryers per year

Items	Unit: Tons/year			
	Mean	Max	Min	Standard Deviation
<i>I. Purchased</i>				
1. Farmers	210	423	55	98
2. Assemblers	1,290	2,465	380	576
3. Other*	74	360	0	115
<i>II. Sold</i>				
1. Millers factory of government	107	750	0	185
2. Millers factory of private	1,399	2,291	500	514
3. Other traders	68	350	0	123

Source: Survey, 2006

Note: (*) from friends and relatives

The markets for dryers purchasing and selling are local and other provinces, but the main market is the local area, some of them will expand to other provinces (table 5.5).

Table 5.5: Location of dryers purchased and sold

Items	Place for purchasing		Place for selling	
	Number of response	% of total	Number of response	% of total
1. Local area (< 10 km)	39	100	39	100
2. Local area (> 10 km)	30	77	35	90
3. Other provinces (< 100 km)	22	56	26	67
4. Other provinces (> 100 km)	9	23	20	51

Source: Survey, 2006

Note: One respondent may have more than one answer

Table 5.5 shows that 100% of the dryer's purchasing and selling is done in the local market (with distance less than 10 km) and 77% and 90% of dryers bought and sold in the local market with distance more than 10 km. Some of dryers do their business in another province (distance less than 100 km) with 57% and 67% for purchasing and selling, respectively, only 23% of dryers purchase in other provinces with a distance more than 100 km.

Table 5.6: Common types of contract used when dryers business

Items	When purchasing		When selling	
	Number of response	% of total	Number of response	% of total
1. Contract	0	0	0	0
2. Non-contract	39	100	39	100
3. Other ^(*)	12	31	20	51

Source: Survey, 2006

Note: (*) buy or sell by telephone and internet

One respondent may have more than one answer

The same weaknesses attributed with the contracting process of the assemblers can be said for the dryers who do not use a contract when they make business transactions with buyers and sellers. There are 31% and 51% of the dryers who use the telephone, internet or through introductions of relatives and friends when they perform their purchasing and selling. This is a new trend for business in the market (table 5.6).

5.1.3 Millers/polishers

Both private and state owned GR millers play an important role in the market. They have the same role as assemblers in purchasing paddy and same as the dryers in drying paddy and also as processors that convert paddy to rice.

The main source providing glutinous paddy for millers are farmers, dryers and other traders. The total volume that millers bought from farmers, dryers and others is 3,844 tons, 6,456 tons and 850 tons, respectively. The major flow is from dryers with the largest volume. The customers of the miller are state owned enterprises, wholesalers and retailers. The main purchaser is the wholesaler with an average amount of 9,424 tons per year; after that is state owned enterprise (1,088 tons per year) and the last one is the retailer (638 tons per year) (table 5.7).

Table 5.7: Source and volumes of paddy purchased and sold of millers per year

Items	Unit: Tons/year			
	Mean	Max	Min	Standard Deviation
<i>I. Purchased</i>				
1. Farmers	3,844	8,880	504	2,726
2. Dryers	6,456	15,000	3,060	3,458
3. Other	850	2,205	108	633
<i>II. Sold</i>				
1. State owned enterprise	1,088	4,900	0	1,116
2. Wholesalers	9,424	19,750	3,738	5,191
3. Retailers	638	2,000	0	532

Source: Survey, 2006

Table 5.8 it is shown that the millers bought glutinous paddy and GR locally 100% (less than 10km) and 83% (more than 10km), in other provinces at 71% (less than 100km) and 29% (more than 100km). In general, the large-scale millers will have large markets to do purchasing and selling. The location for selling is larger than the buying market, because all of them want to have more costumers.

Table 5.8: Location of millers purchased and sold

Items	Place for purchasing		Place for selling	
	Number of response	% of total	Number of response	% of total
1. Local area (< 10 km)	24	100	24	100
2. Local area (> 10 km)	20	83	21	88
3. Other provinces (< 100 km)	17	71	19	79
4. Other provinces (> 100 km)	7	29	11	46

Source: Survey, 2006

Note: One respondent may have more than one answer

When millers purchase products, 100% of them did not use a contract, but when selling 21% used a contract. All of the contracts were used when they did business with the state owned enterprise. The percentage of millers using purchasing and selling methods by telephone or internet was about 17% and 13% respectively. These are the advanced methods that make business activities more comfortable (table 5.9).

Table 5.9: Common types of contracts used when miller does business

Items	When purchasing		When selling	
	Number of response	% of total	Number of response	% of total
1. Contract	0	0	5	21
2. Non-contract	24	100	19	79
3. Other ^(*)	4	17	3	13

Source: Survey, 2006

Note: (*) buy or sell by telephone or relatives or friends

One respondent may have more than one answer

5.1.4 Wholesalers

The wholesalers bought glutinous rice from the government miller factory, private miller factory and other traders. They do not have a fixed relationship with any source supply; they can buy products from wherever the price is cheaper but of the same quality. The main source of the supply of glutinous rice for them is private millers with an average amount of 14,035 tons per year. According to wholesalers, they like to do business with the private miller because of the easy procedure. The regular costumers of wholesalers are state companies who have a quota to export, retailers in the retailer market and other traders such as the flour factory, cake factory etc. However, the main customer is retailers with an average volume of 11,771 tons per year (table 5.10).

Table 5.10: Source and volumes of paddy purchased and sold of wholesalers per year

Unit: Tons/year

Items	Mean	Max	Min	Standard Deviation
<i>I. Purchased</i>				
1. Miller factory of government	98	892	0	287
2. Miller factory of private	14,035	22,202	5,200	5,205
3. Other	294	1,248	0	460
<i>II. Sold</i>				
1. State companies	1,765	4,347	520	975
2. Retailers	11,771	20,184	4,576	4,841
3. Other traders	892	1,840	104	462

Source: Survey, 2006

The wholesalers will purchase anywhere if the price is cheaper, but some small-scale businesses have limited transportation so they only purchased in the local areas (less than and more than 10 km) (table 5.11).

Table 5.11: Location of wholesalers purchased and sold

Items	Place for purchasing		Place for selling	
	Number of response	% of total	Number of response	% of total
1. Local area (< 10 km)	18	100	0	0
2. Local area (> 10 km)	18	100	3	17
3. Other provinces (< 100 km)	15	83	18	100
4. Other provinces (> 100 km)	7	39	18	100

Source: Survey, 2006

Note: One respondent may have more than one answer

The table 5.11 presented that 100% of wholesalers bought locally, and 83% and 39% of them performed business in other provinces (less and more than 100km). When they sell the product, 100% of them sell outside the province, while only 17% sell in local areas (more than 10km), normally to retailer shops at the market in the city or another province that cannot grow glutinous rice but has a high consumption of this product.

Table 5.12: Common types of contracts used when wholesalers do business

Items	When purchasing		When selling	
	Number of response	% of total	Number of response	% of total
1. Contract	0	0	4	22
2. Non-contract	18	100	14	78
3. Other ^(*)	9	50	11	61

Source: Survey, 2006

Note: (*) buy or sell by telephone or relatives or friends

One respondent may have more than one answer

The data investigated in table 5.12 showed that all of the wholesalers also did not use a contract when purchasing products, but 50% used telephone or internet as a means of purchasing. However, when selling the products, 22% of the wholesalers used contracts and 61% used advanced communication systems for selling (telephone and internet).

5.2 Transportation and storage activity

Most of the GR traders in Mekong Delta used a truck (van) or a boat to transport their products. Some of them will hire a transportation service, but in the long-run this is not a good way to increase economic efficiency because of inconvenience and high cost. There were 11 assemblers who (total 47 assemblers) owned transportation means, in that four assemblers owned boats and seven assemblers owned a truck. The capacity of transport ranges from 8 to 18 tons (boat) and from 4 to 12 tons (truck). The average transportation cost about 45,000 – 70,000VND per ton depending on the means used. If they transported by boat it was cheaper than truck but some locations cannot use a boat. Some of the assemblers had no means of transportation, so they had to rent it or use the transportation services at a price higher than if they did it by themselves (table 5.13).

Seven of the dryers (total 39 dryers) owned a form of transportation; there were three dryers owning a boat and four dryers who owned trucks, the average capacity of transport ranges from 15 tons to 20 tons (with boat) and from 8 tons to 12 tons (with trucks). In general, they want to have small transportation means suitable with the location and that is accessible wherever. The average cost of transportation cost per ton is from 39,000 VND to 60,000 VND, depending on boat or truck, if they carry by boat, the cost will cheaper (table 5.13).

There are eight millers (total 24 millers) who owned their own means of transport. Three of them had a boat and five owned trucks the capacity of transportation means ranges from 15 tons to 25 tons and from 12 tons to 18 tons for

boat and truck, respectively. The transportation cost was the same as the dryers; this is about 39,000 VND to 63,500 VND per ton (table 5.13).

Table 5.13: Average transportation cost for different glutinous rice traders

Items	Unit	Assemblers	Dryers	Miller/ polishers	Wholesalers
1.No. of respondents who have transport facility	(No. per total traders)	11/47	7/39	8/24	18/18
2.Mean of transport	(No. of responses)				
Boat		4	3	3	4
Truck/van		7	4	5	18
3.Capacity of transport	(Tons)				
Boat		8-18	15-20	15-25	25-40
Truck/van		4-12	8-12	12-18	5-15
4.Transport cost	(Dong/ton)				
Boat		45,000	39,000	39,000	47,000
Truck/van		70,000	65,000	63,500	72,000
5.Loading cost	(Dong/ton)	4,085	7,718	5,875	8,540
6.Unloading cost	(Dong/ton)	5,106	8,538	5,708	7,680
7.Others cost	(Dong/ton)	4,250	2,200	2,000	6,500

Source: Survey, 2006

All wholesalers owned transportation means because with the trader the most important part of marketing function is transportation. Generally, they owned a truck and some larger scale operations had not only a truck, but also a boat (about four wholesalers). The average capacity of transport was about 25-40tons (boat) and 5-

15tons (truck) and the average transportation cost about 47,000VND and 72,000VND per ton. When compared with other traders, this is the highest cost because the wholesaler had the longest distances to transport their product.

Another important function of GR traders is storage. With storage, the traders try to bridge current glutinous paddy/rice production with future consumption and equalize the supply of seasonally grown crops throughout year. All glutinous rice traders in Mekong Delta have storage except assemblers (table 5.14).

Table 5.14: The main reasons for storing paddy/rice by different glutinous rice traders

Items	Unit: %		
	Dryers	Miller/ polishers	Wholesalers
Percentage of traders stores	100	100	100
<i>The main reason for storing</i>			
1. Run business continuously	41	38	28
2. Speculative purpose	31	42	56
3. For mixing with lower quality levels	0	8	0
4. Storage due to lack demand	28	12	16

Source: Survey, 2006

Table 5.14 indicates that the most important reason for storage among the dryers (41% of total dryers) is running a business continuously. The dryers who invest a lot of capital into their business (most of the investment capital is borrowed from banks) want to maximize machinery utilization. After that, speculative purposes are the second most important reason for dryer's storing their product with 31% total of dryers. The storage due to lack of demand is 28% of the total dryers. With the millers and wholesalers the most important reason is speculative purposes with 42% and 56%, respectively. Generally, they have good capital and they want to maximize the economics efficiently. The second main reason for storage of millers and

wholesalers is to run the business continuously with 38% of total millers and 28% of total wholesalers. Only some of the traders are thinking about storage due to the demand with, 12% of millers and 16% of wholesalers. There is 8% of the total millers' who store their products for mixing with lower quality level products. Traders owned warehouses which were constructed by heavy materials. Capacity of warehouse ranges from 117 m² (wholesalers) to 416 m² (millers), depending on the need of the business (table 5.15)

Table 5.15: Information about storage by traders

Items	Unit	Dryers	Miller/ Polisher	Wholesalers
1.No. of respondents who have own warehouse	(No. per total traders)	39/39	24/24	18/18
2.Type of warehouse	(No. of responses)			
- Construct by light material		0	0	0
- Construct by heavy material		39	24	18
3.Capacity of warehouse	(m ²)	402	416	117
4.Storage's length time	(months)			
Mean		3.6	3.4	1.6
Max		5	5	2
Min		3	2	1
Standard Deviation		0.75	1.01	0.49

Source: Survey, 2006

Table 5.15 shows that all of the traders if they store their products, own a warehouse constructed by heavy materials. The average capacity of the warehouse is 402m², 416m² and 117m² for assemblers, dryers and millers respectively. Because the dryers and millers need to have a big warehouse for storage because they store products not only for themselves but also for other traders who do not want to send their products until they want to mill or sell it. This is one kind of good cooperation

with others, both of whom benefit from this collaboration. In addition, this also is a good way for the dryers and millers to maximum capacity of their drying and milling machine. Some of traders have no need to invest in a warehouse. The average storage's length of time of traders ranges from 1.6 months (wholesalers), to 3.4 months (millers) and 3.6 months (dryers). Normally, they will store due to waiting for the peak season.

5.3 The negotiation process of glutinous rice traders

In the negotiation process, the traders usually pay attention to such factors as: regular customers, good price, quality products delivered on time and fast and easy contact when the traders want to negotiate with suppliers and buyers. Some key issues are regular clients, high price, obtaining payment easily, good products and fast and easy communication. The results will present in tables 5.16; 5.17; 5.18 and 5.19.

In the case of the assemblers, the most important factor when they negotiate with suppliers is being offered a good price with average score of 2.81 and the second is regular clients with 2.21 average score. Next, is having good products delivered on time (average score is 1.30). Fast and easy communication is not a key issue with a 0.96 average score (table 5.16).

When the assemblers bargain with the buyers, the most important factor they pay attention to is obtaining money easily with a 2.64 average score. When assemblers sell their products to the dryers and millers; they will pay the money back to the assemblers after one or two weeks, so this factor has more attention. The high price is the second key issue of the assembler (average score is 2.62). After that is regular customers (with average score is 2.06), the last one is fast and easy connections with a 0.53 average score. Nowadays, there is good communication everywhere, so that factor is not an important key issue (table 5.16).

Table 5.16: Main issues that assemblers pay attention to when they perform business negotiations

Main issues	Number of response on different levels (n=47)				Weighed average score
	Not important	Less important	Important	Very important	
<i>I. Negotiating with supplier</i>					
1.Regular supplier	1	8	18	20	2.21
2.To be offered a nice price	0	0	8	39	2.81
3.To be delivered good product and in time	9	18	17	3	1.30
4.Fast and easy contact	22	7	16	2	0.96
<i>II. Negotiating with buyer</i>					
1.Regular clients	2	9	20	16	2.06
2.To be offered a nice price	0	3	12	32	2.62
3.Easy get money	0	4	9	34	2.64
4.Fast and easy contact	24	21	2	0	0.53

Source: Survey, 2006

Note: Average score was calculated based on number of response on different levels and by using Weighed Average method.

Score for different levels:

Not important:	= 0 score
Less important:	= 1 score
Important:	= 2 score
Very important:	= 3 score

Example: Regular clients Table: $\frac{(1 \times 0) + (8 \times 1) + (18 \times 2) + (20 \times 3)}{(1 + 8 + 18 + 20)} = 2.21$

Table 5.17: Main issues that dryers pay attention to when they perform business negotiations

Main issues	Number of response on different levels (n=39)				Weighed average score
	Not important	Less important	Important	Very important	
<i>I. Negotiating with supplier</i>					
1.Regular suppliers	3	7	17	12	1.97
2.To be offered a nice price	0	1	15	23	2.56
3.To be delivered good product and in time	4	17	12	6	1.51
4.Fast and easy contact	13	19	5	2	0.90
<i>II. Negotiating with buyer</i>					
1.Regular clients	6	5	11	17	2.00
2.To be offered a nice price	1	4	12	22	2.41
3.Easy get money	6	19	7	7	1.38
4.Fast and easy contact	15	20	3	1	0.74

Source: Survey, 2006

Note: Weighed average score was calculated same assemblers

Table 5.17 it was shown that the dryers pay the most attention to being offered a good price when they perform business negotiation with suppliers and buyers (average scores are 2.56 and 2.41, respectively). Secondly, the regular clients are a key issue with 1.97 average score (with supplier) and 2.00 average score (with buyers). Next, delivering good products on time with a supplier and easy access to money with buyers are 1.51 and 1.38 average scores, respectively. Normally, the dryers will sell their products to the miller because of their good relationship. This means they do not have to worry about getting the money after selling. Same as with

the assemblers, the dryers do not care about fast and easy contacts with a low average score.

The millers usually pay attention as to when to perform business bargaining with suppliers, which the first is high price (2.42 average score), the second is regular clients at about 2.21 average score, the third is delivery of good quality products on time and the last is fast and easy methods of communication. The priority of paying attention to when they bargain with buyers is same with the suppliers (table 5.18).

Table 5.18: Main issues that millers pay attention to when they perform business negotiations

Main issues	Number of response on different levels (n=24)				Weighed average score
	Not important	Less important	Important	Very important	
<i>I. Negotiating with supplier</i>					
1.Regular supplier	2	2	9	11	2.21
2.To be offered a nice price	1	2	7	14	2.42
3.To be delivered good product and in time	6	7	8	3	1.33
4.Fast and easy contact	13	9	1	1	0.58
<i>II. Negotiating with buyer</i>					
1.Regular clients	1	2	8	13	2.38
2.To be offered a nice price	0	1	4	19	2.75
3.Easy get money	1	2	10	11	2.29
4.Fast and easy contact	14	8	1	1	0.54

Source: Survey, 2006

Note: Weighed average score was calculated same assemblers

Table 5.19: Main issues that wholesalers pay attention to when they perform business negotiations

Main issues	Number of response on different levels (n=18)				Weighed average score
	Not important	Less important	Important	Very important	
<i>I. Negotiating with supplier</i>					
1.Regular supplier	7	6	3	2	1.00
2.To be offered a nice price	4	8	2	4	1.33
3.To be delivered good product and in time	8	7	1	2	0.83
4.Fast and easy contact	6	9	2	1	0.89
<i>II. Negotiating with buyer</i>					
1.Regular clients	1	1	10	6	2.17
2.To be offered a nice price	4	8	2	4	1.33
3.Easy get money	1	2	5	10	2.33
4.Fast and easy contact	7	8	1	2	0.89

Source: Survey, 2006

Note: Weighed average score was calculated same assemblers

The table 5.19 presented that the key issue that the wholesaler pays attention to is when they perform business with suppliers as to obtain the best offered price (1.33 average score). The second key issue is regular clientele with 1.00 average score, whereas good products and fast and easy contact with 0.83 and 0.89 average scores, respectively. Easy access to money and regular clients are the first and second most important issue when wholesalers negotiate business with buyers, average score are 2.33 and 2.17, respectively.

5.4 Glutinous rice processing

In the Mekong Delta, the glutinous rice millers are also polishers and invest in the milling and polishing systems with others. Their machine systems are only used for glutinous rice (GR) milling and polishing. The average years of experience in GR business for the miller is 11 years with a maximum of 17 years, and a minimum of five years. The number of average milling and polishing machines owned is 1.5 (with a maximum of two and minimum of one machine). The capacity of this machine is from four tons per hour to 20 tons per hour, averaging 10 tons per hour. When compared with other millers in this area, this is medium scale millers. All millers have a warehouse for storing their products in which capacity is about 200 m² to 800 m² (average 416 m²). The permanent workers average three laborers who usually hold the important position in the factory such as accounting, product manager etc. The family laborers involved in the business also are three members. They are the director of milling factory or business manager who has a very important role in the factory. The businesses has good results or financial loss depending on them (table 5.20).

Table 5.20: General information of the glutinous rice millers

Characteristics	Unit	Mean	Max	Min	STD ^(*)
1. Average years experience in GR business	(Year)	11	17	5	3.22
2. Number of mill/polish machines	(Number)	1.5	2.0	1.0	0.51
3. Milling/polishing capacity	(Tons/hours)	10	20	4	4.39
4. Storage capacity	(m ²)	416	800	200	165.92
5. Permanent workers	(Number)	3	5	1	2.57
6. Family labor involved business	(Number)	3	4	2	1.76

Source: Survey, 2006

Note: ^(*) is Standard Deviation

The procedure of glutinous paddy processing in the Mekong Delta has been described in the chapter 4 (figure 4.1). In the figure 5.1 below it demonstrates in more detail the process of milling and conversion ratio from glutinous paddy to white glutinous rice. In general, the average conversion ratio is 67%, but different crop and varieties will have a different return ratio, meaning that if we are milling 100 kg glutinous paddy we have 67 kg white glutinous rice, in which 53 kg is unbroken GR and 14 kg broken GR. Depending on the requirement of customers they will mix a percentage between unbroken GR and broken GR. In 100 kg of glutinous paddy milling, they also receive 22 kg of husk as the fuel which will be used for their own dryer or they will sell the husk to other dryers at a low price.

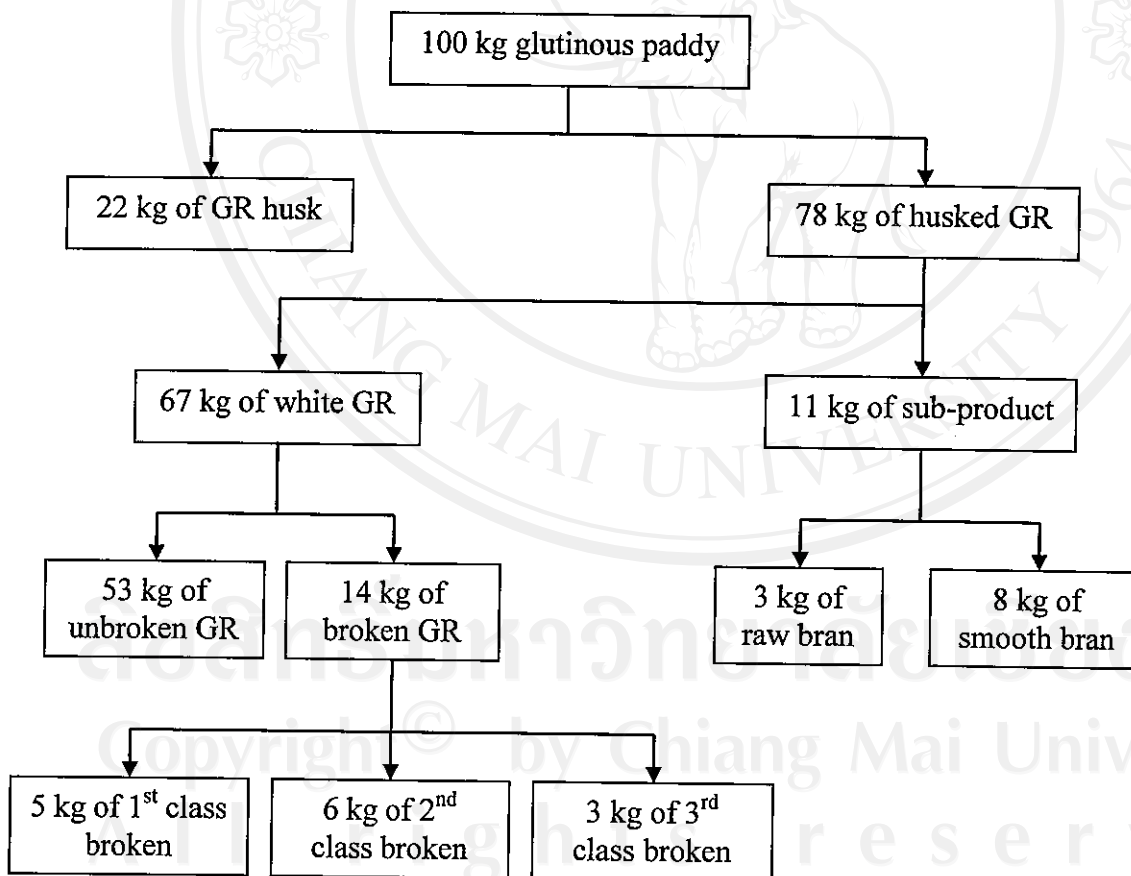


Figure 5.1: Milling process and conversion ratio from paddy to glutinous rice white

Source: Survey, 2006

Figure 5.1 also shows that the millers will have 11 kg of by-product from milling 100kg of glutinous paddy, which they use for livestock or sell it to farmers who raise poultry. Of the 14 kg of broken GR, they divide into three kinds; the first class and second class for mixing with unbroken GR, and the third class they usually sell for making glutinous flour at the factory.

5.5 The credit of glutinous rice traders

For business operations, credit is very important in influencing the result of the business. In the Mekong Delta, the traders can borrow capital from state commercial banks such as the agriculture bank, commercial bank, Non-state commercial banks and private moneylenders. Different sources have different lending conditions and monthly interest rates (table 5.21).

Table 5.21: Sources of credit for glutinous rice traders

Source	Unit: %			
	Assemblers	Dryers	Miller/ polishers	Wholesalers
1. State commercial bank	82.98	84.62	75.00	83.33
2. Non-state commercial bank	10.64	17.95	25.00	16.67
3. Moneylenders	53.32	64.10	50.00	50.00
4. Friend and Relatives	21.28	30.77	37.50	22.22
5. Others	23.40	25.64	12.50	5.56

Source: Survey, 2006

Note: traders could borrow from more than one source

Table 5.21 data shows that 82.98% of assemblers, 84.62% of dryers, 75% of millers and 83.33% of wholesalers borrowed capital from the state commercial bank. The non-state commercial bank has a small market share of GR traders in the Mekong

Delta, only 10.64% of assemblers, 17.95% of dryers, 25% of millers and 16.67% of wholesalers borrowed money from this bank. The second main source of funding is moneylenders, they provided for 53.32% of assemblers, 64.10% of dryers, 50% of millers and 50% of wholesalers borrowed capital. Others sources are friends and relatives and others (this mean they can borrow from traders and then will sell their products for traders who provide capital).

Depending on the trader's business and capital requirements, they have a difference in the total amount borrowed. Normally, the miller has the biggest borrowed capital, after that the wholesalers are second and the last one is the assemblers (table 5.22).

Table 5.22: Amount borrowed by traders

Sources	Unit: 1,000VND			
	Assemblers	Dryers	Miller/ polishers	Wholesalers
1. State commercial bank	112,760	138,205	254,583	247,222
2. Non-state commercial bank	15,957	32,051	92,917	50,000
3. Moneylenders	51,702	54,615	54,167	55,556
4. Friend and Relatives	13,043	22,368	38,750	15,536
5. Others	15,217	14,103	6,250	5,585

Source: Survey, 2006

Table 5.22 the researcher found that the average capital the millers borrowed was 254,583 thousand VND; 92,917 thousand VND; 54,167 thousand VND; 38,750 thousand VND and 6,250 thousand VND from state commercial bank, non-state commercial bank, moneylenders, friends and relatives and others, respectively. The assembler borrowed an average of about 112,760 thousand VND from state commercial bank; 15,957 thousand VND from non-state commercial bank; 51,702 from moneylenders; 13,043 thousand VND from friends and relatives and 15,217

thousand VND from others. Normally, when the assembler has not enough capital, they go to dryers and millers to borrow the needed capital. After one day of purchasing the assemblers comeback to sell their product to the millers or dryers. This is one new type of cooperation with other intermediaries in the Mekong Delta. The assembler does not need to borrow a lot capital from the bank, but they continue to run their business. The dryers and millers also try to collect the products, until they have enough material for running their business because they have regular suppliers.

The monthly interest rate for borrowing from the state commercial bank and non-state commercial bank is the same (about 1.15% per month), but for some traders the non-commercial bank gives a little lower monthly interest rate to dryers and millers. According to traders, the non-commercial bank recognized that the dryers and millers are the potential customers; this means they want to promote business for them. The monthly interest rate of friend or relative is not so different than with the bank. So this means traders have received assistance from a friend or relative who thinks that, if they have surplus money, they will lend to a friend or relative same as the loans from bank, but a lot of money from this source is not available. The highest monthly interest rate is from moneylenders who have personal capital and business capital, (monthly interest about 4.05% to 5.40%) and depending on the customer and the length of time of repayment determines a different interest rate (table 5.23).

Table 5.23: Monthly interest rate of money borrowed by difference sources

Sources	Unit: %			
	Assemblers	Dryers	Miller/ polishers	Wholesalers
1. State commercial bank	1.15	1.15	1.15	1.15
2. Non-state commercial bank	1.15	1.05	1.05	1.15
3. Moneylenders	5.40	4.30	4.15	4.05
4. Friend and Relatives	1.20	1.10	1.10	1.25

Source: Survey, 2006

Why, although monthly interest rates are high, does the moneylender up until now has the second biggest amount of market shares in the Mekong Delta? The answer is; because the conditions for borrowing from them are very easy. In the table 5.24 presents information about some of the conditions for borrowing capital from different sources such as having assets as collateral, a good business plan, high potential repayment, long - term relationship with bank and profitability.

Table 5.24: Conditions for borrowing

Conditions	Number of response on different conditions			
	SCB	NSCB	M	F & R
1. Having asset as collateral	56.32	41.23	12.31	2.30
2. Good business plan	31.18	43.67	5.57	4.51
3. High potential repayment	7.62	12.40	26.72	35.90
4. Long-term relationship	2.34	1.12	51.19	42.70
5. Profitability	2.54	1.58	4.21	14.59
Total	100	100	100	100

Source: Survey, 2006

Note: SCB: State Commercial Bank, NSCB: Non-State Commercial Bank, M: Moneylenders, F & R: Friend and Relatives

The results show that the condition for borrowing is much more flexible when compared among banks and moneylenders. Most of the state and non-state commercial banks require having assets as collateral and a good business plan with 56.32%; 31.18% for state commercial bank and 41.23%; 43.67% for non-state commercial bank respectively. But the moneylender and friend and relative only needed a long-term relationship as the most important condition (51.19% and 42.70%).