



Agricultural Production Policies in Vietnam

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INTRODUCTION

Agriculture plays an important role in the Vietnamese economy and society. Agriculture still employs about half of the population and is the main source of raw materials for the processing industries and a major contributor to exports. In the late 1980s, Vietnam was again exporting rice after years of shortages. Now the country is on the top list of rice exporters. Other farm products including peppers, cashew nuts, cat-fish have also seen remarkable progress in production and exports.

According to statistics of the Vietnamese General Statistic Office (VNGSO), GDP of the country's agricultural sector has been increasing during the period of 2000 to 2012. Its growth rate, however, has experienced a downward trend: 3.81%/year during 2000-2006 compared to 3.26%/year during 2007-2012. Vietnam's agriculture experienced an unsuccessful 2013 with the production value increasing by 2.47% only over 2012. Social investments in agricultural production is still small in comparison with the demand and potential of the sector. New difficulties and challenges in the domestic and international markets require big changes in production agricultural polices, which relied so much on input support in the past.

This article aims to provide a brief analysis of the agricultural production and production polices in this sector of Vietnam, then proposes some main further tasks for agricultural production polices in Vietnam in the coming time.

Key words: agriculture, production polices, Vietnam.

AGRICULTURAL PRODUCTION POLICIES IN VIETNAM

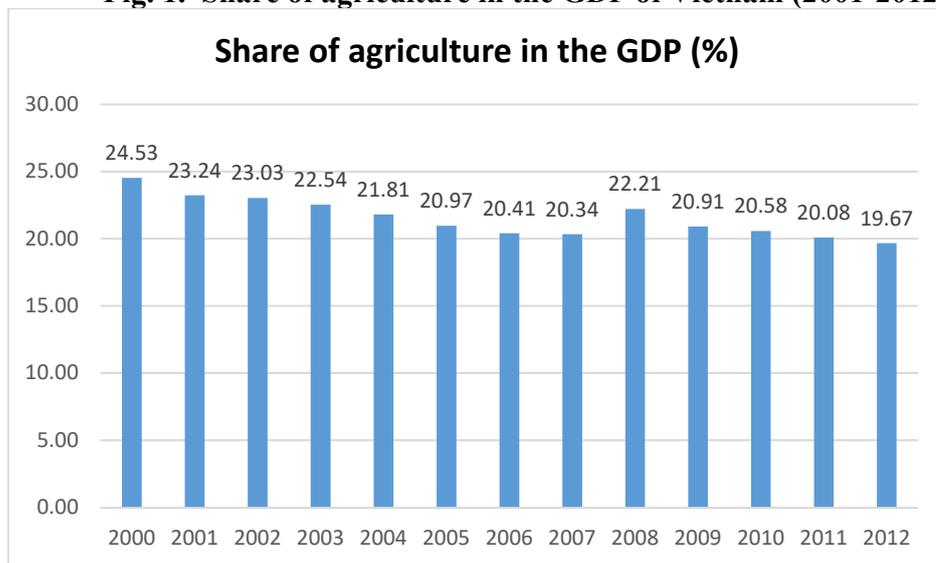
1. Agricultural production in Vietnam

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The primary agricultural areas in Vietnam are the Red River delta, the Mekong River delta, and the southern terrace region. The central coastal land, which is subject to destructive typhoons, is a region of low productivity but now has more potential in terms of fishery. The central highlands area, traditionally one of low productivity, has been intensively cultivated in recent years.

According to the General statistics office of Vietnam (GSO), agriculture (including fishery and forestry) accounts, for about 20% of the country's GDP in 2012, in comparison with a proportion of 24% in 2000.

Fig. 1. Share of agriculture in the GDP of Vietnam (2001-2012)



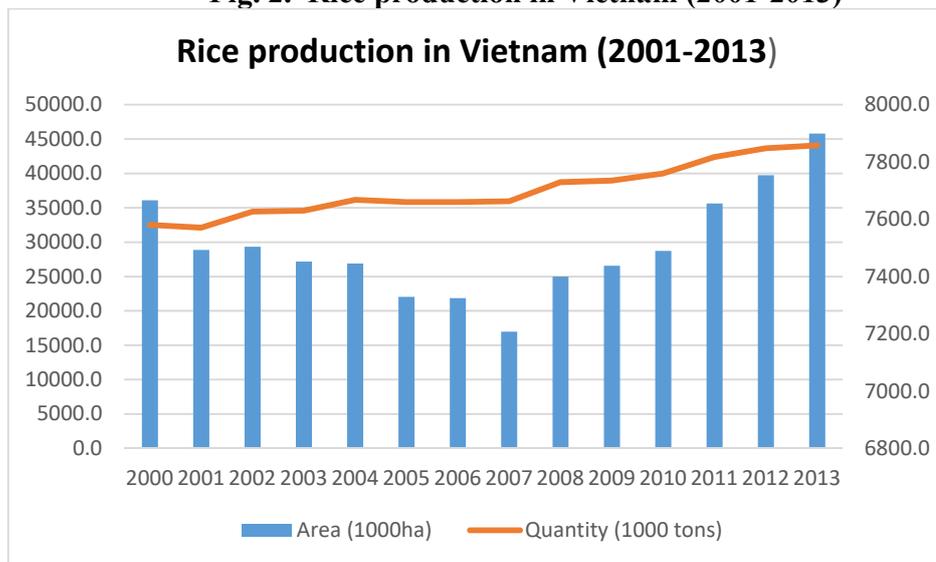
Source: VN GSO (2014)

A structural change has been seen in Vietnam's agricultural sector for the last decade with the increasing proportion of fishery and forestry sectors and the decreasing proportion of agricultural sub-sector. Fishery sector accounted for 21% in 2011 of total agricultural GDP, an increase from 16% in 2000. Thanks to the increase in the production value of aquaculture, though the land for aquaculture decreased slightly recently. In contrast, the proportion of crop production sector decreased from 62% in 2000 to 56% in 2011. The proportion of industrial and fruit crops tends to increase and accounts for one-third of the total production value of the cultivation sector.

In Vietnam, rice production has played a vital role in food and economic growth. According to USDA data, Vietnam stands 5th in global rice production, reaching 27.4 million tons in 2012/2013 after China (142.3 million tons), India (105 million tons), Indonesia (37.4 million tons) and Bangladesh (34.6 million tons).

In accordance with Vietnam’s GSO, rice planted area of the country in recent years (from 2008 – 2013) has been in the range of 7.5 million to 8 million ha, making up about 95% of the total grain planted area. Paddy production of the country has been about 38 – 40 million tons (equal to 19 – 22 million tons of rice). Paddy productivity of Vietnam has tended to rise from 52.3 quintals/ha in 2008 to 56.3 quintal/ha in 2012 and 55.9 quintal/ha in 2013; its average productivity in the period was 54.0 quintals/ha. Currently, Vietnam has exported 6.5 – 7 million tons of rice/year, the rest is for national consumption and storage.

Fig. 2. Rice production in Vietnam (2001-2013)

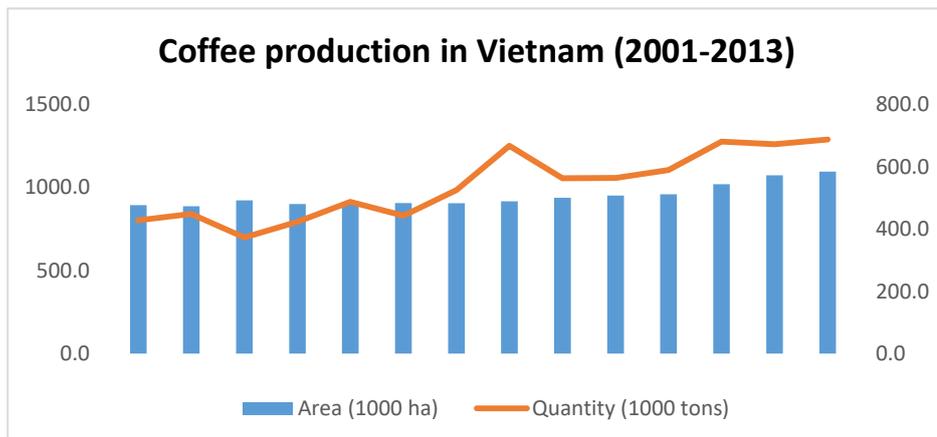


Source: VN GSO (2014)

The Mekong River Delta is the largest rice producing region, making up 54% of the total rice area and 55.6% of the total production of the country which mainly contributed to rice exports (about 90% of nation’s export volume). The Red River Delta is also a main rice producing region, accounting for 14.7% of the total area and 15.7% of the total production, mainly for national distribution channels.

In addition to rice, coffee is also an important crop in Vietnam. Coffee is planted mostly in the central highlands of Vietnam. Area production of coffee increased from 476,900 ha in 2000 to 584, 6000 ha in 2013 while the quantity increased from 802,500 to 1,289,500 tons in the same period.

Fig. 3. Coffee production in Vietnam (2001-2013)

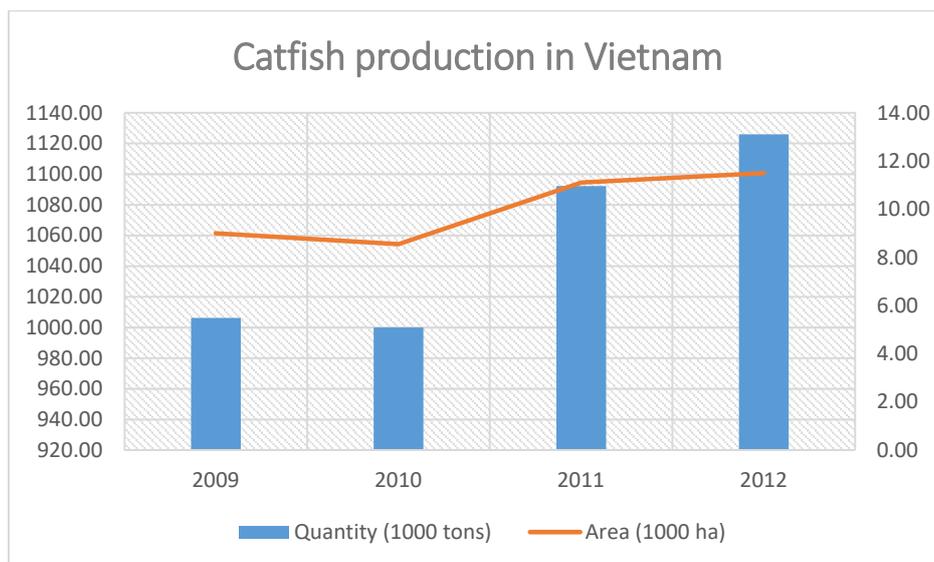


Source: VN GSO (2014)

Compared to other provinces in Vietnam, Dak Lak has the largest coffee-planting area of about 203,000 ha, with average an coffee bean output of 470,000 tons per year. The exported coffee accounts for 80% of its total export value in this province, so the commodity has an important role for improving Dak Lak’s sustainable development efforts.

Vietnam is also one of biggest producers and exporters of catfish in the world. With a total production area of 11,500 ha in 2012, the quantity production is about 1,126,000 tons, which increased from 1,006,300 ha in 2009. With intensive investment, the productivity increased from 9000 tons/ha in 2009 to 11,500 tons/ha in 2012.

Fig. 4. Catfish production in Vietnam (2001-2012)



2. Changes in agricultural production policies in Vietnam

2.1. Main changes in agricultural and rural planning and orientation

To formally determine the primary balance and spatial layout of the main organizations for agriculture in Vietnam, avoiding overproduction and meeting the new requirements of international integration, the “strategic planning of agriculture” has been issued in recent years. On May 02, 2012, the Prime Minister issued Decision No.124/QĐ-TTg approving the master plan to develop agricultural production by 2020, and a vision in 2030 to build an agricultural development comprehensive development towards a modern, sustainable, large-scale commodity production on the basis of promoting comparative advantage, applying science and technology to increase productivity, quality efficiency and high competitiveness, ensuring strong national food security on a short and long term basis while adapting to the diverse needs of domestic and exports, and improving the efficiency of land use, water resources, labor and capital for agricultural production.

In addition, the General planning, component, of which the Government has issued development strategies and development plans for each specific sub-sector as follows:

In order to synchronize the development of forestry management, protection, development, rational use of resource from forest, forest regeneration and improve the efficiency, exploitation and processing of forest products as well as the environmental services and tourism ecology, on May 02, 2007, the Prime Minister issued the Decision No.18/2007/QĐ-TTg approving the forestry development strategy in Vietnam during 2008-2020.

With the objective of enhancing the livestock industry to become a goods manufacturing industry meeting the domestic demand, on 16 January, 2008, the Prime Minister issued the Decision No. 10/2008/QĐ-TTg approving the livestock development strategy by 2020. The decision also encourages organizations and individuals to invest towards developing livestock farms and processing companies.

With the goal of "Developing cultivation towards modern, sustainable, large-scale commodity production, increasing productivity, quality, efficiency and competitiveness in order to meet the diverse needs of domestic and exports; improve the efficiency of land use, water, labor and capital, increase income and livelihood of farmers ", on April 16, 2012, the Ministry of Agriculture and Rural Development has issued the project to develop cultivation industry by 2020, and a vision for 2030. Key measures are approved to promote and apply high yielding varieties and manufacturing process, high quality irrigation system; accelerate mechanization of the production contract; modernize industrial storage, processing , enhance the quality, hygiene and food safety and promote value-added agriculture.

In order to organize the development of sustainable aquaculture in the direction of enhancing the value-added and sustainable development and adaptation to climate change as well as ensuring the environmental and ecological protection of aquatic resources, on August 16, 2013, the Prime Minister issued the Decision No. 1445/QD-TTg approving the master plan for aquaculture development by 2020, and a vision for 2030.

To build and efficient and sustainable irrigation systems, serving agricultural production in the condition of gradually adapting to climate change and sea level rise, on May 25, 2012 the Prime Minister government has signed Decision No. 1397/QD-TTg approving irrigation planning in the Mekong river delta from 2012 to 2020 and orientations to 2050 in relation to the condition of climate change and rising sea levels. The Prime Minister signed also the Decision No.1554/QD-TTg approving irrigation planning in the Red river delta from 2012 to 2020 and orientations to 2050 in relation to the condition of climate change and rising sea levels and the Decision No.1588/QD-TTg approving irrigation planning in the Red river delta from 2012 to 2020 and orientations to 2050 in relation to the condition of climate change and rising sea levels.

Although the plans have been issued, some limitations exists as follows:

(i) The plans lack of enough powerful policies and solutions to develop and implement mandatory; lacking measures to assess and determine the effectiveness of regions, sub-sectors and commodities.

(ii) The dissemination of information on planning for people and stakeholders are not effective, many people do not know about plans, programs and measures for agricultural development at the local level.

(iii) There is no coherence between plans and no links between regions, between sub-sectors.

(iv) From sectoral planning to switch to economic development plan of local social cohesion not having a mechanism , leading to difficulties in switching to the new rural planning.

To deal with these limitations, on June 10, 2013, the Prime Minister of Vietnam issued the Decision No. 899/QD-TTg approving the plan of restructuring the agricultural sector towards improving value-added and sustainable development (Agricultural restructuring plan-ARP). The Plan is aimed at maintaining growth, raising efficiency and competitive capacity through productivity, quality and value addition; meeting better the requirement and tastes of domestic consumers and boosting exports. Objectives are to reach GDP growth of 2.6% to 3% in the 2011-2015 stage and 3.5% to 4% in the 2016-2020 stage.

2.2. Support for agricultural and rural development

Recently, the Government has issued many policies and mechanisms to promote agricultural development, and to reach out to the world. However, the gap between policies and realities has not been reduced.

In response to Resolution No. 14/NQ-CP, the SBV issued Decision No.2015/QD-NHNN on the pilot credit program for the models of linking and applying hi-tech application in service of exportation of agricultural products with various special policies, the aim of which is to encourage enterprises and farmers to engage in new productive models, the first four beneficiary enterprises of the southern province of An Giang signed credit contracts with the State-Owned Commercial Bank for Agriculture and Rural Development of Vietnam (Agribank) and the Joint-Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) on May 29, 2014.

A number of new credit contracts were signed at the head office of the State Bank of Vietnam in Hanoi on July 29 between commercial banks and enterprises in the city of Can Tho and the provinces of Dong Thap, Lam Dong, Nam Dinh, and Nghe An in the second stage of the pilot program of loan extension for agriculture and rural development in the model of a chain of linking production with processing of export agricultural products, and the agricultural production model with hi-tech application in accordance with Resolution No.14/NQ-CP of the Government.

In the second stage, under Decision No.1233/QD-NHNN of the SBV issued on June 28, 6 enterprises belonging to the five aforesaid locations signed credit contracts with Agribank, Vietcombank, the Joint-Stock Commercial Bank for Investment and Development of Vietnam (BIDV), the Vietnam Joint-Stock Commercial Bank for Industry and Trade (Vietinbank), the Mekong Housing Bank (MHB) and the North Asia Joint-Stock Commercial Bank (BacABank). The total credit amount is about VND 2,370 billion to be broken down into VND 80 billion for the province of Lam Dong, VND 75 billion for the province of Nam Dinh, VND 284 billion for the city of Can Tho, VND 1,047 billion for the province of Dong Thap, and VND 542 billion for the province of Nghe An.

This pilot program will contribute to opening up the new economically effective path in production and consumption of agricultural products and promoting the more vigorous and sustainable development of the agricultural and rural sector in the coming time.

2.3. Paddy land policy and new progress in crop diversification

In 2012, the government issued the Decree No. 42/2012/ND-CP on management and use of paddy land which aims to maintain agricultural land. According to the Decree, the Government support paddy farmers 500,000VND/ha/year (about 25 USD/ha/year) for land specializing in paddy production and 100,000 VND/ha/year for other paddy land. While the objective of these policies is to protect and develop paddy land, it is difficult to identify upland rice area in land use planning and the support has low effectiveness because income of paddy farmers has not improved significantly. In recent years, many of them have switched to other crops or to non-farm activities.

In addition, it is not reasonable to maintain or enlarge ineffective rice-growing land, therefore in May, 2014, The Ministry of Agriculture and Rural Development (MARD) organized a workshop to discuss solutions to change the usage of 112,000 hectares of ineffective rice-growing land for other crops in early May in Tien Giang province. Accordingly, the central budget will support farmers with 2 million VND per hectare to buy seeds to change from rice-growing to planting vegetables and crops in spring-summer, summer-autumn, autumn-winter harvests of 2014 and the winter-spring harvest of 2014-2015.

In the recent past, many vegetables and crops such as sweet potato, sesame, corn, tuberos flower, vegetables and water melon brought higher economic efficiency as compared to rice cultivation. However, crops often prevail when they are cultivated in small areas and have low yield, but when cultivated on a large scale, the situation of “bumper crops and low price” can happen and farmers have to bear the consequences. The Government will support farmers to produce vegetables and other crops all-year round, ensuring high productivity and quality. However, where the products are sold, who will buy them and how much they are sold for are beyond the departments' control.

Along with the planting conversion, the Prime Minister has also issued a policy on debt restructuring and rescheduling loan payments for another three years for farmers who are experiencing difficulties in raising shrimps and tra fish. The support policy requires banks to consider new loans to enable farmers to resume production. However, the implementation of the support policy is slow and this has made farmers miss their production opportunities.

2.4. Support to develop infrastructure and irrigation for agricultural production

a) Irrigation:

To assure the water for agricultural production, Vietnamese government has provided strong support for irrigation programmes. The government adopted the Decree No. 67/2012/ND-CP on 10th September 2012 to amend the Decree No.143/2003 and replace the Decree No.115/2008/ND-CP. The Decree No. 67/2012/ND-CP exempts individuals and households from irrigation fee if they use water surface for agricultural purposes. This means a reduction of about 5-10% of production cost for farmers. MARD and MOF submit financial proposal for irrigation fees support and in some occasions, put forward irrigation fees recommendation to the Prime Minister for approval. Annually state budget spends 3000 billion VND and provincial budget 3400 billion VND to compensate for irrigation fee's exemption. Other policies related to irrigation consist of the Decision No. 1580/QD-TTg and the Circular No. 41/2013/TT-BTC guiding implementation of the Decree No. 67/2012/ND-CP.

From 2006 to 2012, total investments in irrigation in the Mekong Delta for the whole period was about 14,870 billion VND (equivalent to around 2,200 billion VND per year). Of which, budget under management MARD is 4,970 billion VND and the remaining is under local management. The fund was chiefly used for the construction of new facilities rather than maintenance. Thanks to accelerated investments in irrigation development, the MRD has so far have five reservoirs; 1,221 pumping stations at large or medium sizes, thousands of small-scale pumping stations, 2,447 culverts, channel systems on 80,000 km (including channel axis, level 1, level 2 and level 3); flood control. The delta also has about 25,900 km of flood protection embankments for SA rice, 460 km of sea dykes, 1,600 km of river dykes and over 200 km of

river dykes to keep the water against fire. The total irrigated area in the design is 3.77 million hectares; the real area is 3.13 million hectares.

However, as a reflection of different locals, irrigation projects are inconsistent and overlapping. The mobilization of private investments in irrigation is limited. Making irrigation free leads to several problems that farmers and businesses have wasted water resources and some businesses have not had incentives to improve the quality of publicly-subsidized irrigation service.

b) Infrastructures:

In addition to the support provided to producers individually, the government also assists agricultural production through public financing on infrastructure building and encouraging the private sector to invest in infrastructure in the rural areas.

It is obvious that the government has made every effort to develop infrastructure in rural areas, especially facilities serving agricultural production. One of the most important facilities is canals and inter- and intra-village roads. According to the Decision No. 13/2009/QD-TTg (on 21st January 2009), rural infrastructure shall be continuously funded by state budget through Vietnam Development Bank (VDB) with the amount in 2009 being 4000 billion VND and those from 2010 onwards 2000 billion VND. After that, the Prime Minister amended the Decree No. 13/2009/QD-TTg by the Decision No. 56/2009/QD-TTg which pays additional focus on water stations in rural areas. To facilitate the credit provision, MOF introduced two policies including the Circular No. 156/2009/TT-BTC on 3rd August 2009, the Decision No. 1058/QD-BTC on 8th May 2013.

Agricultural production infrastructure has been seen as the major concern of the government for a long time. There were two major policies to develop infrastructure a decade ago, namely the Decision No. 66/2000/QD-TTg and Decision No. 132/2001/QD-TTg. Their focal point was to build, maintain concrete canals and rural roads.

According to the Decree No.210/2013/ND-CP (dated 19 December, 2013) which replaced Decree No. 61/2010/ND-CP on policy for encouraging investment on agriculture and rural, the Government supports 20% of land rent, water rent in the first five years after the basic construction, contributing to improving infrastructure for agricultural production and encouraging investors to build infrastructure for agricultural production.

These policies are contributing to improving infrastructure for agricultural production and to maintaining agriculture production. On the other hand, a major risk of this support is the inefficient management of resources and infrastructure because in some localities, the infrastructure management maybe declared “loose” in order to attract business and investment. In contrast, localities lack of incentives (tax, management mechanism) for the socialization of infrastructure investment and management (the participation of private investors is still limited).

2.5. Support to reduce production cost:

Input factors play an important role in agricultural production and processing. Since 2008, the Government has issued many policies to support management and agricultural materials and services. To facilitate the cultivation, livestock and aquaculture production recovery after disease,

natural disasters, the Prime Minister signed the Decision No. 142/2009/QĐ-TTg on December 31, 2009 and the Decision No. 49/2012/QĐ-TTg on November 08, 2012 amending Decision No 142/2009/QĐ-TTg. According to these policies, the central budget supports 80% of input cost for mountainous provinces and the Central Highlands, 70% for other provinces and cities). The level of support is based on the damaged planting area, the number of damaged livestock and the extent of damages. However, the support is still based only on the quantity of inputs but not yet on the quality and the efficiency of the input support. It also lacks regulation for assuring the transparency, and the equality of the support

Regarding cultivation, the Government has supported fertilizers and plant protection chemicals to farmers in some specific cases. For example, according to Decree No. 42/2012/ND-CP on May 11, 2012 of the Government on management and use of land for rice cultivation, in case of rice production losses due to natural disasters, epidemics, the state budget supports fertilizer and plant protection products to farmers to recover their production .

To support fuel, machinery and communications equipment for offshore fishermen, in 2010, the Prime Minister signed Decision No. 48/2010/QĐ-TTg on policies to encourage and support aquaculture and marine services operators for offshore fishermen. The supporting amount ranges from 18.000.000-60.000.000 VND depending on vessel capacity. The Government support also cost of hull insurance, accident insurance for seafarers; funding to purchase communications equipment for ships. This policy has supported fishermen from 1365 ships of 90CV, with the total the amount of about 1.300 billion; and about 7,000 lookouts receivers for fishermen were installed. At the end of 2013, the country installed a satellite device connecting 1,150 vessels and provided associated devices (chips) for 3000 fishing vessels to collect signals from satellites. However, administrative procedures for accessing support are very complicated and inadequate. The level of support is not consistent with the real fuel consumption and there is no difference between ships with large capacity and small capacity vessels of fishermen with low educated level who cannot meet the requirements of complex report schedules, so that many of them could not access the support package. The policy only supports owners of offshore fishing boats, telling them not to fleet and provide them with logistic services for offshore vessels, so that cannot “push up” the whole supply chain.

Regarding the livestock sector, the Government support farmers with veterinary drugs in cases of animal diseases (Decision No. 1681/QĐ-TTg on September 11, 2010 opening national reserves to support local prevention of blue ear disease, Decision No. 1791/QĐ-TTg on October 15, 2011 on mechanisms and policies to support green ear vaccine and hog cholera vaccine).

Furthermore, the National Assembly passed the Law No. 32/2013/QH13 on 19th June 2013, amending and supplementing a number of articles of the Law on Corporate Income Tax. The policy aims to encourage enterprises producing agricultural machineries, thereby enhancing mechanization, improving productivity and quality of agricultural products and raising farmers' income. It provides preferential tax rate of 20% in 10 years, the maximum tax-free for two years and a 50% decrease of the total tax for the next four years for enterprises producing machineries and equipment for agriculture, forestry, fishery and salt production. However, there have been insufficient legal documents guiding the implementation of the Law No. 32/2013/QH13.

In general, these policies have gradually improved agricultural inputs market both in terms of price stability and quality, food safety management, helping to reduce strokes price

shock, provide adequate and timely information for farmers. However, weaknesses in the current policy is not to mobilize the domestic enterprises to develop production and supply of agricultural materials and logistics for agriculture. There are many key sectors such as animal feeds, plant protection drugs, vaccines, which just remain in the hands of foreign enterprises and are at risk of price control. Due to lack of distribution system reliability, the quality of agricultural supplies and prices have not been well controlled. There have not yet been significant breakthroughs in science and technologies policy. Policy on facilitating the autonomy for the institute is backwards, and does not create incentives for scientific research personnel, leading to serious brain drain in many research institutes in Vietnam.

2.6.Policies to ensure the quality of production inputs:

To ensure good seed and animal varieties for agriculture, aquaculture, livestock before the wave of genetically modified products (GMO), on January 21, 2010 the Government issued Decree No. 69/2010/ND-CP on bio-safety for genetically modified organisms. In this Decree, there are regulations on risk assessments of genetically modified organisms, the scientific research and technological development of genetically modified organisms, and safety certification of genetically modified organisms. In addition, the decree also specifies the conditions for genetically modified organisms, which are used as animal feeds.

In addition, in order to enhance quality assurance fertilizer for agricultural production, on June 24, 2010, the Ministry of Agriculture and Rural Development issued the Circular No. 36/2010/TT-BNNPTNT on production rules, business and the use of fertilizer, which rules on disclosure of the applicable standards and certification, conformity announcement of the list of fertilizers and regulations on the production, processing, trading, and import and use of fertilizers.

To ensure good seeds and animal varieties for agriculture, aquaculture, livestock before the wave of genetically modified products (GMO), on January 21, 2010, the Government issued Decree No. 69/2010/ND-CP on bio-safety for genetically modified organisms. In this Decree there are regulations on risk assessments of genetically modified organisms, the scientific research and technological development of genetically modified organisms, safety certification of genetically modified organisms. In addition, the decree also specifies the conditions for genetically modified organisms, which are used as animal feeds.

Policy on animal feeds is also interesting. Since 2008, many policies have been enacted to ensure the supply of feeds both in terms of quality and quantity such as Decree No. 8/2010/ND-CP dated on February 5, 2010 on the management of feed, and Decree No. 8/2011/ND-CP on January 25, 2011 regulating administrative penalties in the feeds sector.

2.7.Credit support for agricultural producers:

There have been numerous policies related to preferential interest rates in different stages of agricultural production.

- *Credit for reducing losses in agricultural production*

In order to reduce post-harvest losses in agricultural production, the government enacted the following policies: Resolution No. 48/2009/NQ-CP on 23rd September 2009 and Decision No.

68/2013/QD-TTg on 14th November 2013 on supporting the reduction of losses after harvest in agricultural production, which replaces Decision No. 63/2010/QD-TTg on 15th October 2010 and Decision No. 65/2011/QD-TTg on 2nd December 2011. The policies focus on all participants in agricultural production, including businesses, cooperatives, households and individuals. In order to be eligible for the support, cooperatives, households and individuals' direct engagement in crop production, livestock production, aquaculture, fishing, agricultural processing and agricultural mechanical services have to be substantiated by commune People's Committees. As for enterprises, they have to sign contracts for production linkages, consumption of agricultural products and usage of agricultural mechanical services with cooperatives, households and individuals. With regard to projects, they have to be approved by competent agencies and have not been funded yet by other policies. Many ministries and ministry-level agencies take the responsibility for implementing the policies. MARD re-plans the storage system and lists machines that will be supported by funds from MOF. MPI presents mechanism to attract foreign investments in machine manufacturing. MOIT orders factories to manufacture machines to serve agricultural production. SBV guides commercial banks to perform the credit support in accordance to these policies.

These policies provide preferential loans to buy machineries and equipment to reduce post-harvest losses. The loans could be up to 100% of the price of machines. The interest payment on loans are waived in the first two years and by half in the third year of the loan term. The support machines stipulated in the Clause 2 of Article 1 under Decision No. 68/2013/QD-TTg have to be new and legally standard. They also offer preferential loans to develop projects of production and storage facilities for such purpose. The loans could be up to 70% of project value and last at most 12 years. The support is the difference of payment between interest rate of commercial loans and that of state credit for development (currently 10.8%/year²).

In addition, SBV introduced the Circular 22/2012/TT-NHNN on 22nd June 2012 to guide the implementation of Decision No. 63/2010/QD-TTg and Decision No. 65/2011/QD-TTg in terms of financial aspect. The support will be channeled through five designated state-owned commercial banks, namely Vietnam Bank for Agriculture and Rural Development, Mekong Housing Bank, Joint Stock Commercial Bank for Investment and Development of Vietnam, Vietnam Joint Stock Commercial Bank for Industry and Trade and Joint Stock Commercial Bank for Foreign Trade of Vietnam.

As of April, 2013, the total preferential interest loans provided by four commercial banks reached only 699 billion VND, which was too small in comparison with the incurred post-harvest losses nationwide. Some major limitations may be unrealistic domestic ratio of machinery production, insufficient medium- and long-term capital, unusually high investment credit interest rate and excessive focus on the Mekong River Delta (MRD). Therefore, Decision No. 68/2013/QD-TTg was introduced to replace Decision No. 63/2010/QD-TTg and Decision No. 65/2011/QD-TTg. MARD is now editing the Circular guiding the implementation Decision No. 68/2013/QD-TTg.

Mechanization in agricultural production has been at a low level and different among various production units, including enterprises, cooperatives and households. In case of paddy

² <http://www.tapchitaichinh.vn/He-thong-van-ban-tai-chinh/Thong-tu-1612013TTBTC-Quy-dinh-lai-suat-cho-vay-tin-dung-dau-tu-tin-dung-xuat-khau-cua-nha-nuoc/37116.tctc>

production, ploughing, watering and transportation have higher extent of mechanization than drying and sowing. In addition, enterprises have the highest level of mechanization, followed by cooperatives and households. About 14.8% of enterprises own tractors and ploughs, 74 times as high as the average of the entire agricultural sector (0.2%). Meanwhile, the figures with regard to engines and generators and water pumps and pesticide sprayers are from 9 to 38 and from 6 to 17 times. The level of mechanization of cooperatives is also higher than the agricultural average. However, the level of mechanization in agricultural production in Vietnam remains low due to large proportion of small size households.

○ *Credit for purchasing inputs.*

Most policies on purchasing inputs for agricultural production (Decision No. 497/2009/QĐ-TTg on 17th April 2009, Decision No. 2213/QĐ-TTg on 21st December 2009 amending Decision No. 497/2009/QĐ-TTg, Circular No. 09/2009/TT-NHNN on 5th May 2009 and Circular No. 02/2010/TT-NHNN on 22nd January 2010) are now expired because they provided only temporary support that often lasted over the year of policy enactment. In fact, these policies had no far-reaching effects because there were many policy gaps, mostly in criteria for beneficiaries. In the coming time, the government should continue its credit support for agricultural inputs but with the quality guarantee of inputs (e.g. machines, varieties, fertilizers and pesticides).

The policies supported credit access and interest rate to producers to buy agricultural inputs. As for machines, the loans could be equal to 100% of the value of goods, but not exceeding 5 million VND in the case of computers. They are exempted from interest payment for at most 24 months. With regard to fertilizers and pesticides, the loans could also be equal to 100% of the value of goods, but not exceeding 7 million VND/ha. The interest rate of the loan would be 4% lower than that of commercial loans. The preferential support lasts for at most 12 months. SBV, MOF, MOIT and MARD guide the implementation and report this to the Prime Minister. Provincial People's Committees perform the support and actively use local budget. In reality, they were not as effective as anticipated in many areas. Numerous farmers cannot access the credit support due to procedural issues. For example, the requirement of submitting bill prescribed by the MOF or ex-warehouse is inappropriate. Requirement of local content of 40% or more of machines is not realistic because of the practical low level of local content. For businesses, the policy requires registration together with the listed prices while market prices always fluctuate.

3. Future tasks of production policies in the agricultural sector in Vietnam

Creating favorable conditions for farmers will boost production and allow them to meet market demand in terms of both quality and quantities.

Production policies should focus on science and technologies application and creating real incentives for production and investments in agricultural production instead of providing direct support by cash or kind to farmers and producers.

It is necessary to consolidate and accumulate land to pushing up the production on large scale and facilitate different production models of each region towards a modern agriculture and implement land planning by region.

CONCLUSION

The government should pay more attention to studying mechanisms, policies and management of land planning by 7 socio-economic regions or 8 ecological regions in order to ensure regional development strategies and overcome constraints of economic space which come as a result of current administrative division. Linkage with other fields such as industry and service to agriculture and between agricultural aspects within a region.

In addition, regulations are to be set up to recognize farmers' households as production units and farm economies with clear definition and identification of farmers who can receive land and non-farmers whose land will be taken back or receive compensation according to the Law on Land. This land will be allocated to farmers who directly and continuously work in agriculture. Restrictions will be applied to those cases where farmers, agricultural and forestry companies have land use rights but are not directly involved in production and are having their lands rented out.

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