



## **Agricultural Marketing Policies in Vietnam**

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### **INTRODUCTION**

Since the important role of the agricultural marketing system in agricultural trade and in determining the prices of farm products, agricultural marketing policies have been among the priorities of policy making in several countries, where agriculture plays a vital role in the economy. Even the performance of the marketing system depends on the structure of the market and on the conduct of the market functionaries (S.S. Acharya, 2003), is also affected by the intervention of Government, through marketing policies in the agricultural sector.

In Vietnam, just in the recent years, marketing policies have received attention of Government and other stakeholders in the agricultural value chain. However, the whole country has not succeeded in establishing an agricultural marketing system. The objective of this article is to review main policies in agricultural marketing in Vietnam, find out success and limitations of these policies, then propose some recommendations to improve the agricultural marketing system for the country in the future.

### **AGRICULTURAL MARKETING POLICIES IN VIETNAM**

#### **1. Agricultural marketing in Vietnam**

According to (S.S. Acharya, 2003), there are three components of an agricultural marketing systems, including: (i) the performance of physical and institutional infrastructure to transfer farm products from the farmers to consumers; (ii) the discovery of prices at different stages of marketing; and (iii) the transmission of price signals in the marketing chain specifically

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from consumers to farmers. Agricultural marketing creates added value for agricultural products through improvement of delivery time, bargaining power in the markets and product diversification. Agricultural marketing also requires infrastructure development both in terms of physical condition and institutional conditions. Physical infrastructure for agricultural marketing may be selling stores, supermarkets or storage structures, roads and transportation facilities, marketing yards, grading equipment, packaging facilities, processing plants, and retail outlets. The institutional infrastructure consists of organizations (public, private or cooperatives) and mechanism for performing various marketing functions.

In Vietnam, as the average farm size is very small (less than 0.5ha/farm), the marketable surplus available per farm are small, requiring the marketing system and infrastructure to accommodate this. With the increase in agricultural production and the tendency towards some degree of specialization according to comparative advantage of various regions within countries, the marketed surpluses, and consequently the demand for marketing facilities, have increased. However, developments in the marketing system have not kept pace with the requirements arising out of developments in the agricultural production system.

Vietnam is on the way to conclude three free trade agreements with the EU, South Korea and the Customs Union of Belarus, Kazakhstan and Russia, which will open up more opportunities for agricultural business and production, but require bigger efforts in agricultural marketing. Many activities, including trade fairs and exhibitions were organized in the first half of 2014 to support local companies to promote their products both in and outside the country. In addition, 12 business trips were held to help local firms promote farm produce exports in potential markets, including the US, Japan, China, Cambodia, Myanmar and Singapore. In the future, exhibitions, trade fairs, business trips, and seminars to connect producers and distributors will be organized so that companies can find new opportunities for businesses. Since the important role of the agriculture in the economic restructuring of Vietnam, the Department of Trade promotion of Vietnam will give priority to the agricultural sector.

## **2. Changes in agricultural marketing policies in Vietnam**

In Vietnam, the Government has relaxed restrictions on the agricultural business and marketing since 1980. More concretely, in 1986, Vietnam launched an innovative campaign of economics innovation (that we call the Doi moi in Vietnamese). The Government has introduced reforms aimed at facilitating the transition from centralized economy to a "market economy socialist orientation". Renewal of economic planning was combined with measures to encourage the free market. The removal of the agricultural trade restriction and price controls on agricultural commodities has allowed farmers to sell their goods in the market. It has also encouraged the establishment of private enterprises and foreign investments, including foreign firms. Agricultural marketing has been realized by both the Government and the private sector, including producers and business.

With the aim of pushing up the export and domestic trade of agricultural products, in recent years, the Government has issued a range of policies to support private sector in terms of marketing for agricultural products, of which three main groups of policies include (i) policies supporting the access and market development for investors and business in agriculture; (ii) supports under the national trade promotions and (iii) support under the national brand and regional brand programmes.

#### 2.1.Support to access and develop market to investors in agricultural sector:

In recent times, the Vietnamese Government has launched some new measures to facilitate the access to commodity markets and support producers, business in terms of trade promotion, According to Decree No.210/2013/NĐ-CP ( issued in 19th Dec, 2013 and effective from 01st Jan, 2014)) replacing Decree No 61/2010/NĐ-CP on policy for encouraging investments on agriculture and rural, the Government will support 50% of the cost of advertising on the mass media; 50% of cost for fair exhibitors in the country; 50% of cost for market information and service fees from trade promotion agency of the State; encouraging investments in agriculture through incentives on advertising, market information access and service from trade promotion agency. However, the policy lacks powerful regulation on supporting producers and/or business of safe/organic or agricultural products based on standards of sustainable production to access markets.

The Government also approved Resolution No.01/NQ-CP (dated 2nd Jan, 2014) on the tasks and solutions to implement plans of economic and social development and state budget. This Resolution gives more priorities for trade promotion activities, especially export promotion of key agricultural commodities such as rice, coffee, pepper, cashew nuts, seafood, and fruits to potential markets.

To enable the market access of farmers, the Prime Minister approved the Decision 62/QĐ-TTg to encourage the linkage in agriculture of Vietnam. Before this policy, the Government had policies for facilitating linkage of 4 partners including the Government, the Farmer, the Scientist and the Business in agriculture. However, lack of market-driven incentives, the policy was not efficient and Vietnam needs a new vision of linkage in agriculture production and business. Therefore, to gather information, feedback from farmers and related partners is necessary for the implementation of new models of linking farmers to the markets. As an official representative of Vietnamese farmers, the Vietnam Farmers 'Union, with the support from Asian Farmers' Association for Sustainable Development (AFA), is carrying out activities to promote the linkage of multi-stakeholders in the value chains of typical agricultural products in Vietnam. These activities are expected to link the farmers and scientists/researchers to the market, through the co-operation with the business and trade promotion agencies.

In terms of export promotion and marketing assistance, Vietnam promulgated a national trade promotion programme through Decision No. 279/2005/QĐ-TTg of 3th November 2005. At

present, the national trade promotions programme is implemented according to Decision No. 72/2010/QĐ-TTg of 14th November, 2010. Since 2007, some policies which are not prohibited in the WTO as subsidies, have still promoted structural adjustment in agriculture.

However, Vietnam lacks legal guidance for exports subsidies permitted by WTO to developing countries to reduce costs of marketing agricultural exports and the costs of international transport and freight. The export promotion for agricultural products is still small in comparison to the needs of the sector. In addition, trade promotion activities have not been really efficient and in some cases, the irrational trade promotion even caused the confusion for the agricultural producers. There has been no link between annual trade promotion plan and the agricultural production plan.

## 2.2. The national trade promotion programme:

The national trade promotion programme granted funds for trade promotion activities, such as the hiring of domestic and foreign experts for advice and assistance on export development or product quality improvements; the organization of trade fairs, and exhibitions. The enterprises were sponsored to participate in several trade events in Vietnam and abroad and to carry out surveys or market investigations. The state funds cover 100% of the expenses for the construction and decoration of pavilions at trade fairs but the hiring of consultants or participation at overseas fairs required co-funding (50%) by the beneficiary enterprises.

According to the Vietnam Business Forum (VIB Forum), the National Trade Promotion Programme was carried out under three phases, consisting of 144 projects deployed by 71 units. The programme focused on supporting leading export industries in Vietnam like fisheries, textile, footwear, agricultural products, food, wooden furniture and handicrafts.

Vietnamese enterprises took part in important trade fairs and specialized trade fairs in China, the US, Belgium, Germany, Russia, Japan, the Republic of Korea, Laos, Cambodia and Myanmar. Many companies also attended reputed trade fairs in foreign nations, mostly to main export markets including China. (Vietnam is aiming to boost exports to this market and reduce the trade gap with its neighboring nations). In addition to overseas trade promotions, every year, a wide range of international trade fairs are organized in Hanoi, Ho Chi Minh City and other major localities, with a primary focus on Vietnam Expo. Vietnam - China rotational border trade fairs were also hosted in Quang Ninh, Lang Son and Lao Cai provinces in 2013. Typically, the 14th International Agriculture Trade Fair (Agro Viet 2014) will be held in Hanoi between November 14-17 to promote sustainable agriculture and high added-value products. The fair provides a chance for agricultural businesses to advertise their products, exchange experiences and gain access to advanced technologies. As an activity of the fair, a seminar on the linkages between production and distribution and sustainable agricultural value chains will be organized, in order to provide information and facts on new production and trade models in the agricultural sector of Vietnam, as well as help participants find partners and investors.

The Governmental agencies and the Vietnamese chamber of commerce and industry of Vietnam (VCCI) and commodities associations also organized specific festivals for some key commodities including tea, coffee, fruit and flower festivals in localities where such commodities were famous for hundreds of exhibitions, based on inter-regional models. Vietnamese goods fairs in the countryside and industrial zones were renovated to attain better results. According to the Ministry of Industry and Commerce, Vietnamese companies signed contracts worth hundreds of millions of US dollars at trade fairs in foreign nations and international trade fairs in Vietnam. At domestic trade fairs, the number and value of contracts signed also increased.

According to the statistics of the Department of Trade promotion, trade fairs and exhibitions belonging to the National Trade Promotion Programme supported 1,834 enterprises in 2013, representing an increase of 34% from 2012, installed 10,623 booths, attracted 1.85 million visitors, witnessed 572 contracts and memorandums of understanding signed with a combined value of over US\$1.4 billion and VND162 billion, and created aggregate sales revenue of VND400 trillion.

Activities of the National Trade Promotion Programme have focused on export-oriented promotion, gives priority to the development of domestic market in border-sharing, mountainous and offshore localities, thus contributing to the success of the “Buy Vietnamese” Campaign which encourages Vietnamese people to give priority to Vietnamese products.

In addition to about 500 promotion programmes certified by the Vietnam Trade Promotion Agency (Vietrade) under the Ministry of Industry and Trade, hundreds of promotion programmes were granted by provincial/municipal Departments of Industry and Trade.

Besides trade fair and festival activities, the national trade promotion programme has effectively implemented tasks including market research and trade promotion delegation to promote exports, improve production capacity of the business community and organize trade promotion activities, supporting enterprises to consolidate their positions in key markets. Thanks to the support from the national trade promotion programme, Many Vietnamese products are now available in many markets, especially traditional markets like the US, EU, Japan and China. In addition, the programme has actively supported exporters to return to traditional markets such as Russia and the former Eastern European countries, expand and consolidate their positions in Laos and Cambodia and develop new markets such as Myanmar, Latin America and Africa.

Since the direction of the Prime Minister to put the agriculture in the center of the economic restructuring process, the Ministry of Industry and Trade decided to give top priority to agriculture, forestry and fisheries products in the national trade promotions programme. In reality, the Department of Trade Promotion has paid special attention to trade promotion activities for agriculture, forestry and fisheries products and focused on promoting agricultural exports to major markets. In 2013, more than 20 trade promotion projects in the national trade

promotion programme were approved for agriculture, forestry and fisheries with a total budget of 28.07 billion VND, accounting for 28.64% of the programme's total budget. As many as 19 trade promotion projects in the national trade promotion programme for agriculture, forestry and fisheries continued to be approved in 2014 with a total budget of 25.64 billion VND, accounting for 36.6% of the programme's total budget.

In the first five months of 2014, units successfully implemented many projects such as participating in seafood exhibition in North America, the global seafood fair, the international fair on food and beverage (Foodex Japan 2014), the international tea fair in Dubai and the International Food Industry Exhibition Seoul 2014.

### 2.3. The national brand programme and regional brand programme:

In the context of international economic integration and fierce competition, the brand is an important element of industry and local businesses. In recent years, the brand development in Vietnam has attracted much attention from the media and the mass public. This has helped raise the awareness of managers, and business people about the important role of branding for their business development.

The National Brand Programme, also known as Vietnam Value, continue to support the involving businesses. It focused on promoting Vietnam Value-certified products. In 2013, the Council for National Brand Programme announced 54 companies to be certified by the National Value in 2012, including 37 companies also winning the title in 2010. The company has won the title three consecutive times.

Each locality has many special conditions and advantages to create specific products, but their products have not gained a good position in the market. Despite advantages in agricultural products, aquatic products, agricultural products of Vietnam's major export is not well known in the international market.

Famous products carrying collective brands and geographical indication certificates are easily counterfeited and imitated. These cause huge losses and disadvantages to Vietnamese products in the international market. The development of national brands, regional brands, and corporate brands lacks sufficient care and legal basis. In the context of deeper international integration, this branding is an important job for authorities and businesses to enhance competitiveness and protect the domestic market

Famous products branded certificate collective and geographical indications can easily be spoofed and imitated. It has cause huge losses and created disadvantages in Vietnam's image in the international market. The development of national brand, regional brand, and the brand of the company did not have sufficient legal basis and care. In the context of deeper international integration, branding is an important task for governments and enterprises to improve competitiveness and to protect the domestic market.

Local and regional branding will help localities and businesses to develop the economy, facilitate the commercialization of local products, and thereby improve living standards of local people. Promoting local brand in the international market will strengthen position of agricultural productions of Vietnam and help attract foreign investment and develop trade in goods and tourism. All these factors not only support the development not only for a locality or a region but also help build a national brand image. This in turn facilitates the penetration of agricultural products in foreign markets.

Regional branding is the essential content in the long-term trade promotion programme but it is still relatively new in Vietnam and the approach is thus not clear. Currently, there are a very few documents about regional branding. Regional branding is only referred to branch of collective branding based on the use of geographic name or geographical indication. This definition should be enlarged. Many localities have started building regional brands but they lack strategies and long-term development orientations to enhance regional competitiveness and sustainability.

As the State budget is limited, localities and industries need to contribute capital or seek from other sources, even international aids. Apart from developing regional brands for economic development, it is also very important to protect local product brands in the domestic market and in the international market, thus defending intangible assets that localities are striving to build. For example, Vietnam will build national cashew brands, register trademark to protect Vietnamese cashew products. According to the Viet Nam Cashew Association (2014), a Viet Nam cashew value programme that targets raising the value of exports, promoting consumption both in the domestic and foreign markets, and build brands for the country's cashew products. It will collaborate with the Global Cashew Council and its nutritional research programme to promote the nutritional aspects of Vietnamese cashew globally. The VND20 billion (\$947,000) programme will build national cashew brands, register trademark to protect Vietnamese cashew products in key markets like the US, China, and EU, and develop new products suitable for different tastes. The programme is expected to improve the situation and enable stable development of the local industry.

### 3. Further tasks:

In order to support the domestic production while respecting all commitments with WTO, Vietnam should add policies on benefiting from exports subsidies permitted by WTO to developing countries to reduce costs of marketing agricultural exports and the costs of international transport and freight.

In the future, the Vietnamese Government should develop mechanism and policy to encourage Vietnamese businesses to do agricultural marketing and directly sell their products in international supermarket chains, diversify products and markets, promote investments in high

value production stages, high quality and limit raw material import. For domestic market, strengthen market control through quality transparency, origin tracking and intellectual property.

More support for investments in marketing infrastructure is required to facilitate marketing activities in agricultural sectors, because the lack of infrastructure, including rural roads, marketing yards, storage, and multipurpose cold storage facilities, grading facilities, quality testing laboratories, food processing units and communication networks is the main reason for the high loss of agricultural production in Vietnam. While the investments are mainly medium and long-term, the public budget is not enough for funding big projects. Therefore, the Government should encourage private sector to invest in such infrastructure and share with the Government in marketing activities. An enabling environment should be created in order to encourage private business to carry out and develop feasible projects for agricultural marketing.

The Government should support developing alternative marketing channels. Linking the farmers and the markets is the important key to reduce losses and marketing costs and thereby increase marketing efficiency. But in addition to the improvement in physical infrastructure as analyzed above, it requires better institutional framework. The role and responsibility of trade promotion agencies and the participation of the private sector in marketing and trade promotion should be consolidated. Some experiences of the institutional reform should be consulted from the case of other countries, whose agriculture is advanced. For example, if farmer group is organized as a company goes forward, the benefits of scale and technology will be flowed to small farmers. A strategic alliance between the small and medium enterprises or farmers' cooperatives and large-scale enterprises can help to reap the benefits of scale and technology in agricultural marketing. There has been a number of such initiatives in several countries for Vietnam to consult and apply.

It is necessary to establish efficient mechanisms and policies from production to market for each group of commodities, link to each region, market and production target to support development of diversified value chain (common product chain, high value product chain, ecological product chain, equal commercial product chain, geographic indication and specialty product chain and sustainable development product chain). It is necessary to form strategic commodity chains with market locations, strong international linkage, global trademarks, high profile in some target markets and high socio-economic influence.

The agricultural marketing policies should be combined with mechanisms and policies to restructure added value to each stage of the whole chain towards higher proportion on Vietnamese territory, of farmers, of science and technology, of trademark, of quality improvement and of good administration. It needs also the transparency, transaction control of quality and prices of agricultural raw material inputs such as fertilizers, animal feeds, trade of domestic agricultural products and import products such as milk, meat and rice to regulate value added, tax, and quality control by origin and agricultural insurance.

In addition, domestic firms need the support of the State, scientists and relevant units to increase market share and improve the position of Vietnamese agricultural products in the global market, through improving the country's competitiveness as a whole and firms' capacity in the international market.

The Government should launch a whole program on supporting private sector in agricultural marketing, including the following:

- Promoting multi-media promulgation on diversification, export oriented production, opportunities for increasing farm income and farmers' management skills; and guides on farmer utilization of market information services;
- Providing information and training materials, and workshops on the role of city and local authorities in improving food supply and distribution systems, including rural-urban marketing linkages; and advice on small-scale agro-industries suitable for meeting urban food needs;
- Facilitating economic and policy studies on agricultural marketing and guidelines on marketing strategy formulation in response to growing globalization of trade
- Helping farmers to access in market services including market research result, market information, and participate in trade promotion.
- Providing training packages for entrepreneurs in agribusiness; support to awareness campaigns on trade promotion, food safety in agricultural processing, trade and marketing; appropriate technologies for agro-industries and post-harvest management; expert consultations; and post-production constraints analysis in selected countries.

In summary, the trade promotion programmes should pay more attention to seeking new export markets for agricultural products. Besides existing trade promotion centres in Hong Kong, Dubai and Russia, a system of overseas trade promotion centres would be set up in the coming time, not only in Asia but also in the Middle East and America, to help agricultural exporters promote their exports.

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