

THE FRAME OF AGRICULTURAL POLICY AND RECENT MAJOR AGRICULTURAL POLICIES IN VIETNAM

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Why green? Because we love peace and we work for green growth

Presentation structure

- ❖ Topic statement
- ❖ Objectives
- ❖ Scope and methodology
- ❖ Review of agriculture and agricultural policies in Vietnam
- ❖ Further tasks.

Objectives:

- (i) Provide a brief review on the situation of agriculture and agricultural policies in Vietnam.
- (ii) Identify key policy and regulatory gaps and further task of agricultural policy of Vietnam in order to obtain a sustainable growth and improve the competitiveness of Vietnamese agricultural products.

Main policy groups

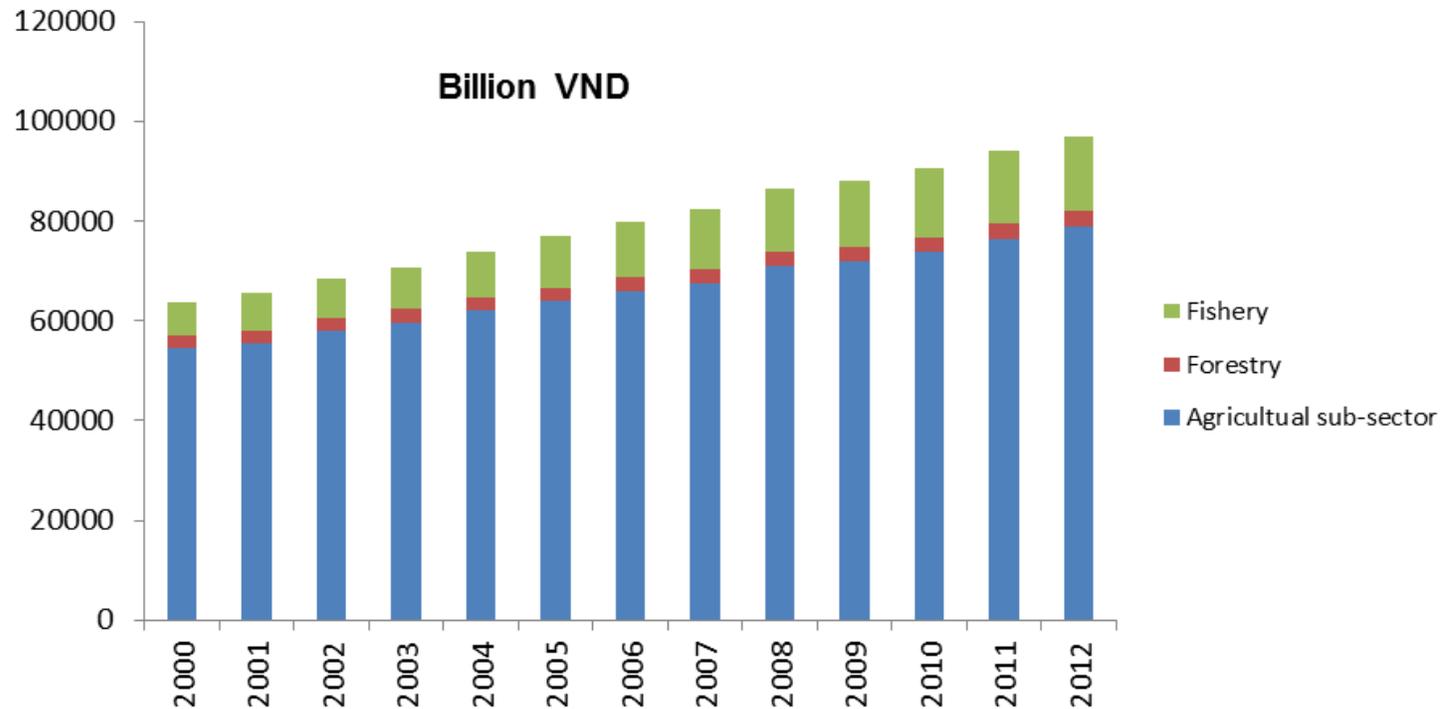
- trade liberalization countermeasures,
- agricultural land policies,
- social security policies for farmers,
- agricultural disaster insurance
- food security and safety,
- production and marketing policies,
- agricultural science policies and technology development,
- environment and natural resources.

Scope and policy review methodology

- ❑ The policy review will focus on the policies issued since the Resolution 26/NQ-TW of the Communist Party of Vietnam (dated August, 2008).
- ❑ The review of each specific policy includes the context, objectives, main content, pros and cons and some effects on main relevant.
- ❑ A brief review of the agricultural sector and agricultural policy from the Renovation (Doi moi) in 1986 focusing on the reform in agricultural land use, the relationships between main stakeholders (the state, farmer and private business) and key incentives for enhancing the international integration of Vietnamese agriculture.
- ❑ Due to the limitation of time and database, policy assessment is only qualitative.

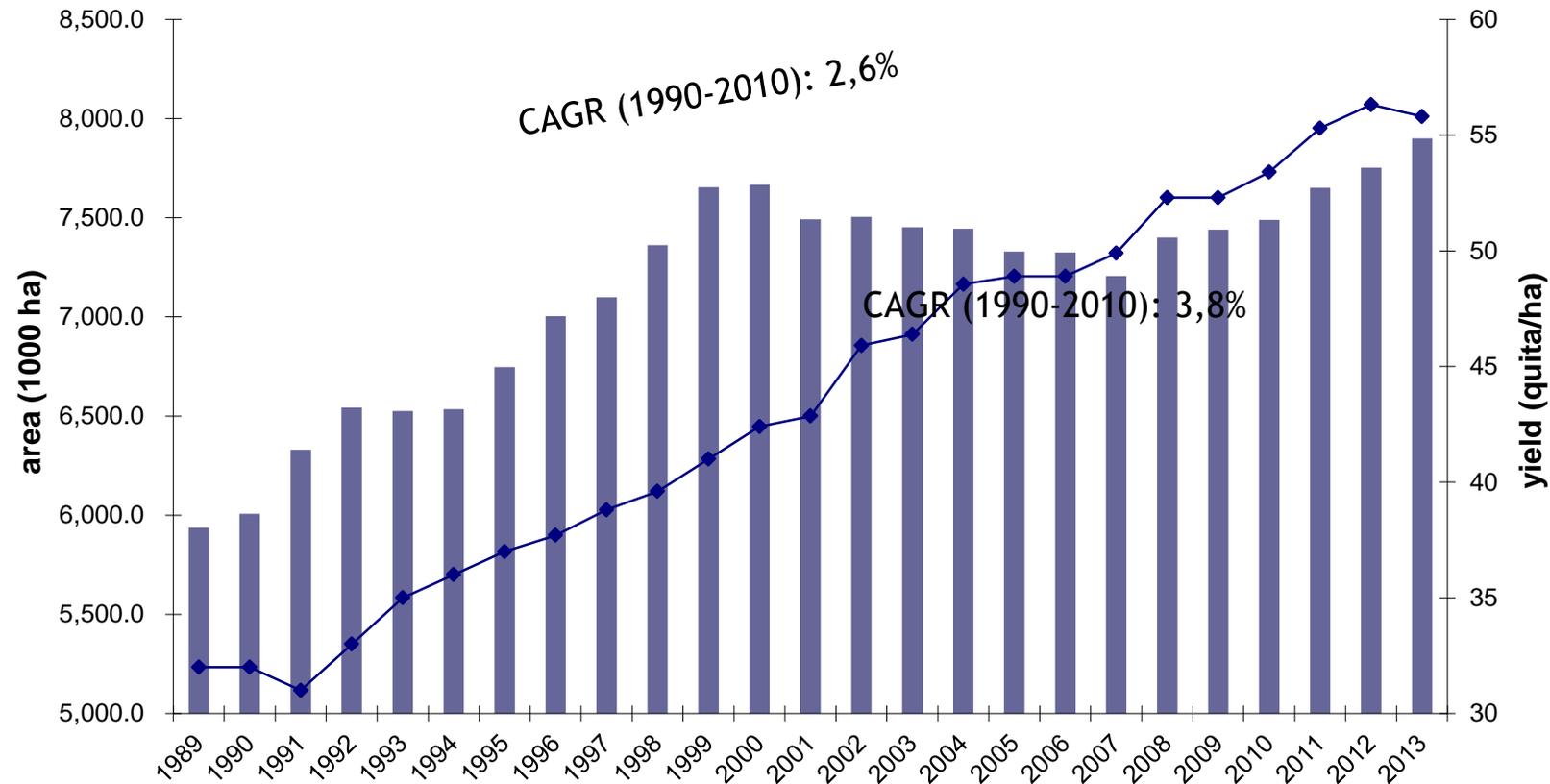
Agriculture in Vietnam

Figure 1: Agricultural GDP in the period of 2000-2012



Source: Vietnamese general statistics office (GSO), 2012

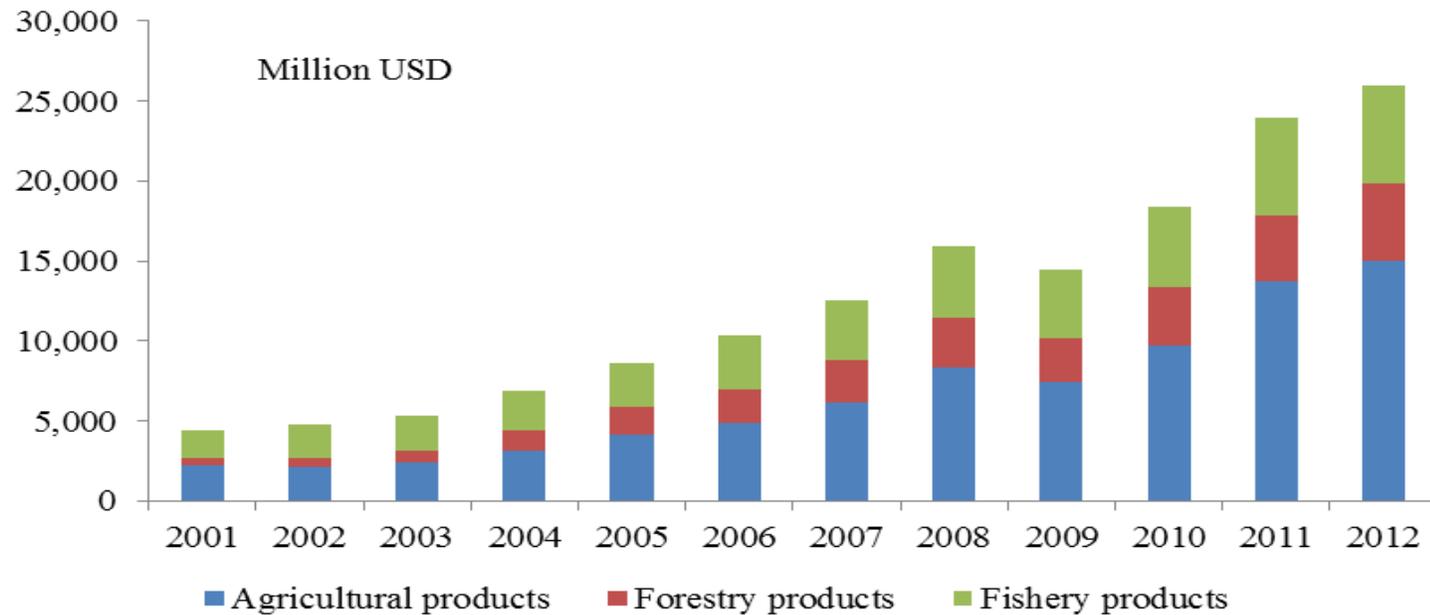
Paddy production continues growing in despite of limiting land area (update to 2013)...



- High growth, mostly contributed by yield growth along with the partial reform in 1981
- Steady growth during 1986-2000 since the economic reform
- Lower growth from 2005 with less cultivated area

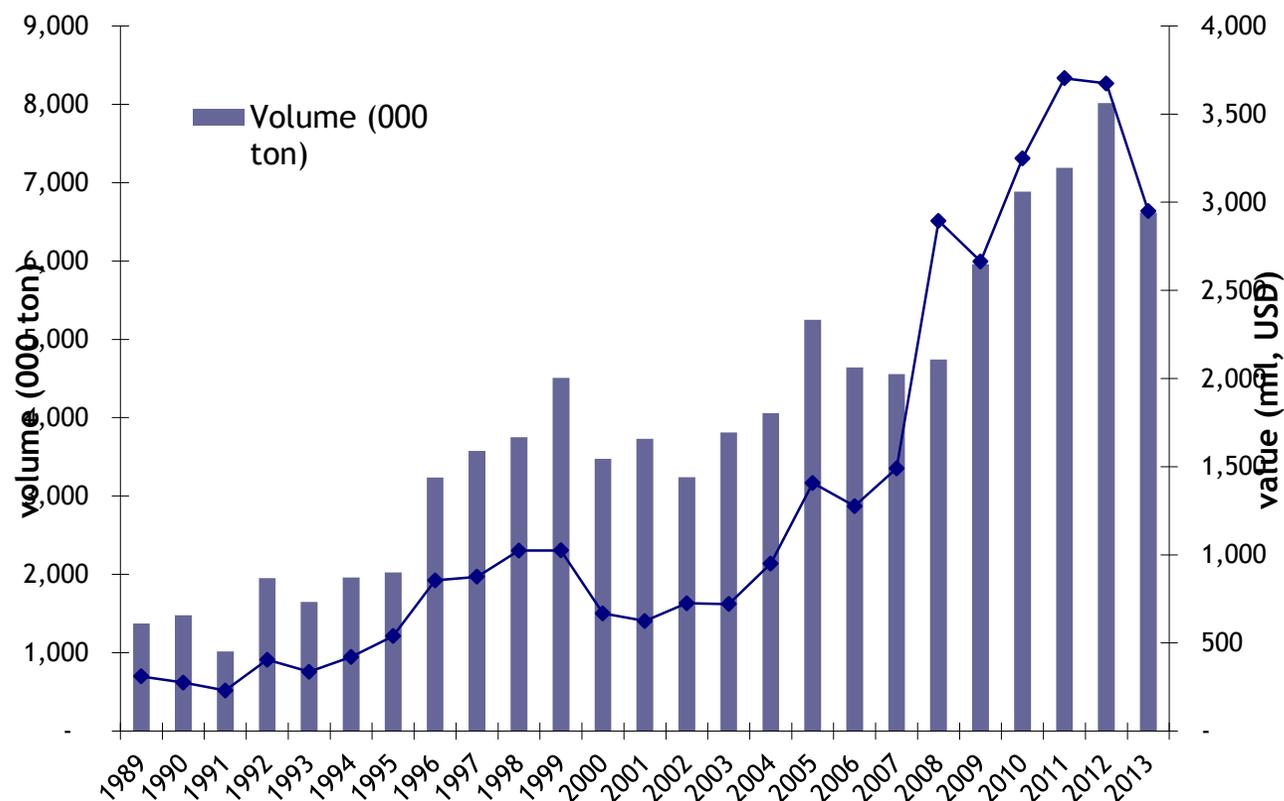
Export performance

Figure 2: Export value of agricultural, forestry and fishery products (2001-2012)



Source: Vietnamese general statistics office (GSO), 2012

...Rice export reached record level in terms of volume and value (update to 2013)...



- ▶ Total export quantity in 2013: 6,618 mil, tons
- ▶ Export turnover in 2013: 2,95 bil, USD
- ▶ Record export volume in 2012: 8,05 mil tons
- ▶ Record export value in 2012: 3,6 bil, USD
- ▶ Record export price in 2008: 1,005 USD/ton

Net importer until 1988

Export volume reached 1 mil, Tons in 1989, just after Resolution 10 issued in 1988

Strong growth of rice export, and becoming the second leading exporter in terms of volume

A brief review of historical agricultural policy

- ❖ Renovation (1986), open the economy: transform from a centrally planned economy into a socialist -oriented market economy.
- ❖ Directive No. 10 “ Contract 10” (1988): replace the compulsory quota system with a land tax indexed to productivity→ create big incentives to agricultural producers
- ❖ Reform in land policy : Land law (1993), Land law (2003) and Revised land law (2013)→ create more flexible mechanism to agricultural production and trade.
- ❖ Administrative reform: reduced direct control of its central institutions ; equitization of SoEs.
- ❖ Trade liberalization: ASEAN’s member in 1996, then WTO’s member in 2007. Several bilateral and multilateral FTAs
- ❖ FDI attraction: Investment Law (2005), Enterprise law (2005) (both in force since 1, July 2006), Tax reform (Corporate tax Law, Added value tax law: 2009)

Trade liberalization countermeasures

a) Measures directly affecting import

Simplify import procedure and requirement:

Ordinary customs duties: the customs tariff is generally issued annually in the form of a decision or circular from the Ministry of Finance

Progress of tariff reduction commitments has been made either in accordance with the schedule or faster than scheduled of international commitments. Agricultural products, the tariff reductions had to be made from 22.4% to 20.9%. For seafood, 75% of the total number of applied tariffs are lower than the WTO commitments, the remaining tariff lines is at equivalent levels of commitments.

Tariff quotas and tariff exemption:

- + tariff quotas are applicable for eggs, refined and raw sugar, tobacco materials and salts
- + tariff exemption, Vietnam exempts various goods from customs duties pursuant to the Law on Import Tax and Export Tax

Trade liberalization countermeasures (continue)

Right to import : Grant full import trading rights on par with Vietnamese traders to foreign individuals and FIEs from 1 January, 2007 excepts for some products

Standards, technical requirements and conformity assessment: valid technical barriers and conformity assessment in accordance with international commitments

Rule of origin: privilege to FTAs members.

Anti-dumping, countervailing duty and safeguarded regimes: the framework for the filing of complaints, the initiation and conduct of an anti-dumping investigation, countervailing duty and safeguarded regimes

Trade liberalization countermeasures (continue)

b) Measures directly affecting export

Export procedures and requirements: Simplify

New: the regulation on rice exporting right: Decision No. 109/2010/NĐ-CP (2 conditions: specialized store, rice factory).

Export taxes, fee, charges for services rendered and internal taxes on exports:
Removed export duties on most of exported products, except to raw hides and skin and wood products

Export subsidies : abolished all kinds of export subsidies for agricultural products

Trade liberalization countermeasures (continue)

c) Other trade liberalizations countervailing measures:

Customs reform and border trade policy: “ Strategy for Customs development through 2020” to be a modern Customs that meet standards equivalent to those of customs administration of the developed countries

In full compliance with the WTO rules on customs charges; simplify and harmonize customs procedures to facilitate trade, including agricultural trade

Modernization of customs procedures in border trade

Price management:

Price stabilization: Ordinance on Prices (2003) replaced by Law on Price 2012, respecting the market mechanism and the right of business to determine prices. However, Decree No. 177/2013 ND-CP detailing by Law on Price 2012 regulate of a list of merchandises under management including Urea, NPK, plant protection products (pesticides, fungicides, herbicides); disease vaccine for cattle, poultry, salt, Paddy, ordinary rice.

Agricultural land policies

One of most important policies in the agricultural sector

Land Law (2003); Revised Land Law (2013); Resolution No. 63/NQ-CP (2009) on ensuring national food security; Resolution No. 17/2011/QH13 (2011) on land plan towards 2020 and the national 5 year land use plan for 2011-2015; Decree No. 42/2012/NĐCP (2012) on paddy land use and management → two main objectives

+ ensuring the proper use and management of paddy land (target: keeping 3.8 million ha of rice land to ensure production of 41-43 million tons for domestic demand and ensure 4 million rice tons per year for export)

+ land accumulation with the aim to establish large and modern commercial production areas

However, the land accumulation process is still slow and does not meet the expectation due to land fragmentation and urbanization.

Social security policies for farmers

There is not yet not retirement mechanism for farmers, but various policies, programs, projects, and mobilized resources of society to assure the livelihood for farmers

- (i) creating better access to public services
- (ii) providing production assistance
- (iii) developing necessary infrastructure for rural

Agricultural insurance

The agro-insurance program under the Decision No. 315/2011/QĐ-TTg (2011): piloted in 21 provinces with numerous subjects (i.e. rice, buffalo, cows, pigs, poultry, pangasius and shrimps) and various risks (e.g. storms, floods, blue-ear pig disease and foot-and-mouth disease)

Support farmers: 80% of premium

Some limitations : shortage of clear guidance on measuring the extent of damage, lack of regulations on preventing moral hazard and adverse selection in insurance and insufficiency of support for insurance companies to participate in this much risky deal

Food security and safety

Resolution No. 63/NQ-CP to ensure national food security: important measures supports the production of rice and other agricultural production in order to assure the food security

Target to 2020, production to meet

Product	Area (million ha)	Quantity (million tons)
Paddy	3.8	41-43
Corn	1.3	7.5
Fruit	1.2	12
Vegetable	1.2	20
Livestock meat		08
Fresh milk		01
Egg (billion of unit)		14

Food security and safety (cont)

Law on food safety (FSL) (in force in 2011) and under law document
National Food Safety Strategy for the period of 2011-2020 (Jan, 2012)

Decision No. 1228/QĐ-TTg approving the national target program on food
hygiene and safety during 2012-2015 (July, 2012)

While there are a variety of legal documents on food safety (about 400
documents issued by the Central Government and ministries and about
1000 documents issued by local governments), we lack of link between
the target of food security and the target of improving the added value
of agricultural products

Production and marketing policies

Production policies

4 sub-groups, including

- (i) support to maintain and develop paddy land and paddy production (give cash, production inputs to farmers to maintain paddy land) but in recent years, many of them have switched to other crops or to non-farm activities;
- (ii) support to reduce production inputs cost: direct supply by cash and in kind to reduce input cost instead of indirect support (e.g. training, technology and market development) has led to burden on the Gov while low effectiveness and waste of resources.
- (iii) support to develop infrastructure and irrigation for agricultural production (free irrigation; build and support investor and companies to build infrastructure)
- (iv) credit support to agricultural producers (*Credit for reducing losses in agricultural production; Credit for purchasing inputs*)

marketing policies (cont)

Marketing policies

Support to access and develop market:

- (i) Decree No.210/2013/NĐ-CP (in force since Jan, 2014) on policy for encouraging investment on agriculture and rural: support marketing and market development cost
- (ii) Export promotion and marketing assistance: The national trade promotion programme: Since 2007, some policies which are not prohibited in the WTO as subsidies have still promoted structural adjustment in agricultural.

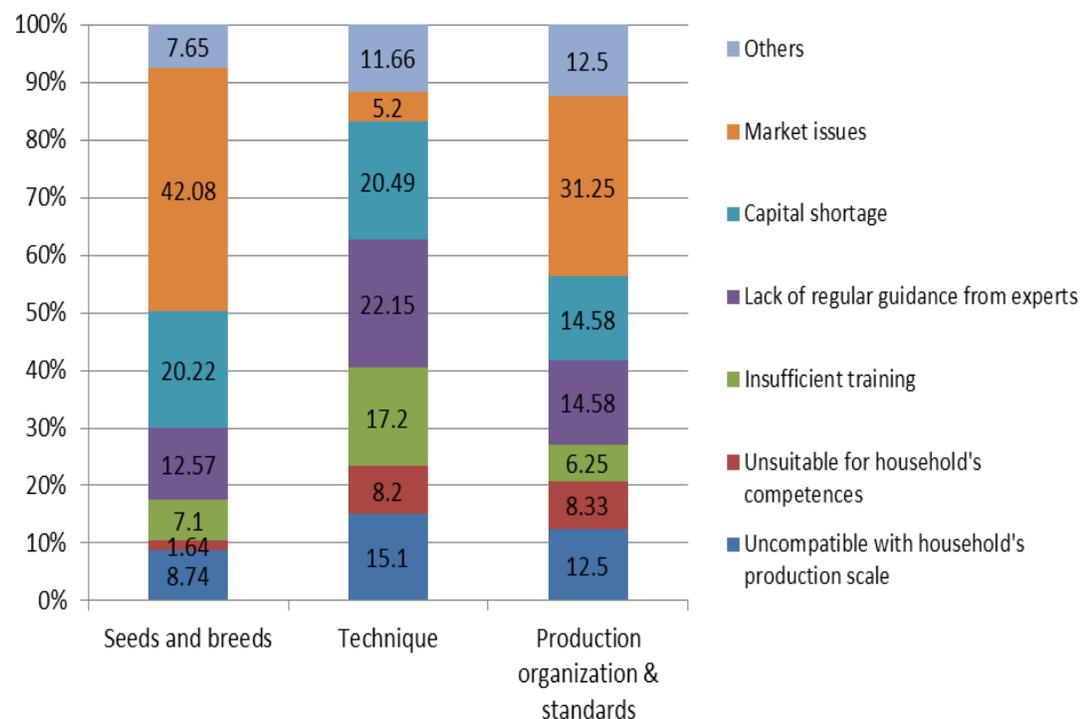
Limitation: trade promotion activities have not been really efficient, the planning of the annual trade promotion has not been associated with the agricultural production plan and with the real production capacity.

Agricultural sciences policies and technology development

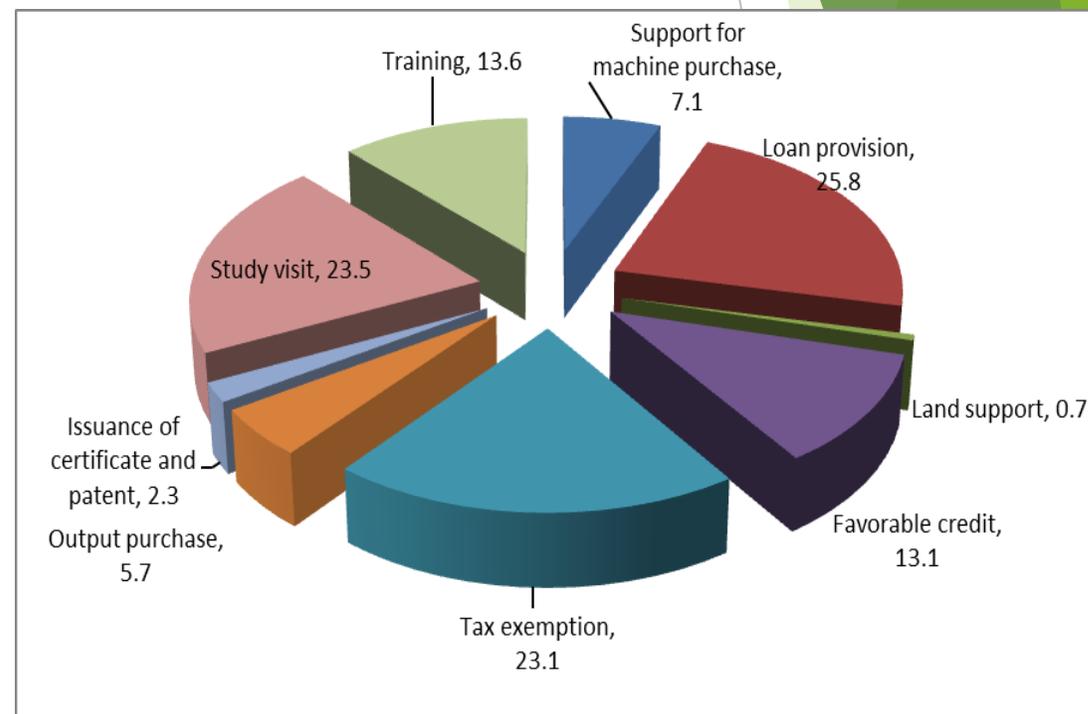
- ❑ The priority is science and technology in biotechnology, post-harvest processing, crop seeds, livestock and fishery breeds (The Resolution No. 26/2012/QH13 on continuously raising the effectiveness and efficiency of public investment for agriculture, farmers and rural areas)
- ❑ Decree No. 210/2013/ND-CP: Support investor/companies 70% of cost for research or purchase of new agricultural technologies and 30% of cost for pilot production.
- ❑ Support VietGap application (cash, training, technology transfer, etc.)
- Significant improvements in productivity of many crops and livestock like rice, coffee, cashew, pigs and chickens, However, the application of advanced technology in improving the quality, efficiency and competitiveness of agricultural products has been limit because research was not based on practical requirements

Agricultural sciences policies and technology development

Major obstacles to application of science and technology (% of farmer household)



Support for farmers to apply science and technology (%)



Source: IPSARD (2013)

Policies on environment and resources

- ✓ Measures to encourage farmers to apply proper environment farm management: the Resolution No. 27/2009/NQ-CP guides the reasonable use of fertilizers, plant protection products, destruction of livestock and poultry in case of disease. There are also guidelines on protecting environment in concentrated production areas in professional villages
- ✓ Measures to improve water management: the Resolution No. 27/2009/NQ-CP dated 12th June 2009 on water management
- ✓ Forest protection and development: intensification of forest protection practices; REDD+ programmes.

Conclusion and Future tasks of agricultural policy

Conclusion

- ❖ Remarkable efforts in innovating agricultural policies in recent decade
- ❖ Stronger policies : production supporting, agricultural infrastructure building, credit support
- ❖ Weak policies: science and technology policies, policies for creating real incentives for farmers and producers; policies on linkages between production and business and policies on institutional reform
- ❖ Reasons: lack of reasoning in policy making, typically in developing policies on farmers and institution building; lack of monitoring and evaluation of policies impact

Further tasks:

Short term:

- An overall rescue package for the financial debt rescheduling, in order to prevent the agricultural sector from a serious decline in the near future+ More flexible credit policy
- More important breakthroughs in the Development and application of science and high technology in agricultural production
- Land expansion and large scale production
- New progress in the institutions reform
- Stronger link between trade policy and agricultural production policy

Long term: innovation of public investment should be the key to improving the productivity and assuring the sustainable development of agriculture , consisting on investment on R&D and trade promotion instead of giving cash to farmers and traders

Thank you very much