

Some issues in agriculture and rural development in Vietnam at present and in the coming years

*(Presented by the Vice Minister Bui Ba Bong, chairman of ISG Steering Board
at the 8th meeting of the ISG Steering Board on March 30th, 2004.)*

A. General review of agriculture and rural area in 2003-2004.

I. Situations and results of implementation of rural development plans 2003-2004

1. Results of agricultural and forestry production

In 2003, Vietnam agriculture faced great challenges such as natural disasters, storms, floods, forest fires, outbreaks occurring continuously in a number of areas of the whole country, the natural disasters caused great losses for population, properties of the Government and had serious impacts on the agricultural production, especially on the infrastructure of agricultural technologies.

The outlet of agriculture faced difficulties, the competition is severe not only in the world market, but also in the domestic market. Meanwhile, the input expenses of agricultural products increased continuously; the investment capital of civil construction by the Government decreased.

Despite the above difficulties for the Sector, there are basic advantages:

The agriculture has been the concern of the government to solve difficulties and obstacles, especially to overcome the unexpected situations such as natural disasters, storms, floods, droughts; supplement of the investment capital of fundamental construction; issuance of the governmental bonds; investment for some major works.

By the above advantages, the whole Sector and million farmers made special efforts and reached important achievements: the basic criteria were implemented over the proposed plans. The value of agricultural, forestry products reached the growth rate of 3%. The structure of agriculture, and rural areas were changed basically. A number of models in movement to implement the field of 50 million Dong/ha/year appeared in different areas. The ratio of starvation and poverty reduced considerably.

The followings are main criteria:

Rice yield : 34.5 million ton/year , an increase of 0.2% in comparison with 2002. If taking into account the 2.9 million ton of corn and other stable cereals, the total yield of grains is 37.45 million tons, an increase of 1.3% (500,000 tons) compared to the previous year. The coffee grain yield reaches 770,000 tons, an increase of 10.3% ; dry latex reaches 314,000 tons, an increase of 5.3% ; pepper : 70,000 – 49.8% increase ; cashew : 160,000 tons – 23.7% increase; fresh bud tea: 425,400 an increase of 0.4%;

legume : 7.78 million tons – an increase of 6.4%; fruits 9.5 million tons- an increase of 6.2% .

Husbandry gains the growth rate of 8% in comparison with 2002. The buffalo herd is 2,830,000 –an increase of 0.7% compared with 2002; cow herd 4,400,000 an increase of 8.2%, in which dairy cow is 74,000 heads - an increase of 32.6% ; pig herd: 24,800,000 - an increase of 7.4% ; poultry : 254,300,000 - an increase of 9.0% . The bulk meat weight is estimated at 2.3 million ton - an increase of 8.4% .

The intensified forestation in 2003 reaches 192,300 hectares - an increase of 1.0% compared to the previous year. Scattered tree planting achieves 192 million plants; the forest care was done for 420,000 hectares - an increase of 3.9%; the forest rehabilitation was made for 953,000 hectares- an increase of 0.8%; over 2.5 million hectares of forest was delegated for protection, making an increase of 0.4%. The forest fire areas were reduced as much as 60%, 53% reduce in deforestation , compared to the previous year. The forest canopy reaches 37.5% compared to 35.7% in 2000.

The salt production reached 750,000 tons per year.

The total value of processing industrial outputs reached 7228 billion Dong, increased 12% compared to 2002.

The turnover of apicultural product exports reached US\$ 3.25 billion, increased 16% compared to the previous year. Due to the market difficulties, especially the impact of SARS diseases and Iraqi war, the export turnover of some products lower than 2002 such as pepper (-3.0%), pork (-9.8%), vegetables and fruits (-24.5%), tea (-28%). However, many other main export agricultural products of Vietnam continues to keep their position in the world market. Rice export in 2003 reached 3.86 million tons, the turnover reached US\$ 727 million, increased of 19.2% in quantity and 0.2% in value compared to previous year. Rubber, coffee, cashew and forestry products reached higher turnover: 43.1%, 41.7%, 36.1%, 35.5%, respectively.

Therefore, 2003 is an abundant year for agriculture with good prices; and favourable consumption. This is encouraging progress, reflecting the change in agricultural economic structure with its performance and output; the production was driven by the market demand.

In winter spring crop of 2004, following the statistics report, by March 15th, 2004, rice planting was done in over 2.9 million ha, decreased of 50,000 ha compared to the previous crop. As the result of drought, part of area was planted with corn, ground nut, Soya bean in the North. In Cuu Long delta the rice harvest was done in 85% of rice fields, with productivity of 6 tons per ha, allowing an estimate of 8.8-9.0 million tons. By the end of March, the framers in the area are concentrating on sowing for summer-autumn crops. The areas of corns, legumes, industrial cash crops increased higher than that of last year.

The consumption of agricultural products in beginning of year of 2004 is promising. In March, 2004, rice export increased by 28%, cashew increased by 66.7%, pepper by 25% as to compare with that time in the previous years.

2. Rural area:

- The production and food processing industry reached a fairly good increase level. The rural jobs are encouraged to develop, achieving the growth rate of 15% in comparison with 2002.
- Irrigation enjoyed the priority in investment from the state budget; for head works, current block, flood control. The reinforcement for dikes, levees, sewers has been actively done to ensure the safety durability during natural disasters. The ODA projects have been concerned for progress and disbursement. The development of water works in the Central, Central Highlands, Mekong delta and the safety program for reservoirs have achieved the implementing schedules.
- The program of permanent dwelling and cultivation, resettlement and open economy were directed to the restructure of planting, cropping, facilitating the goods production basing on taking the advantage of each region . During the last 3 years, (2001-2003). The Program has arranged 80,000 households for permanent dwelling and cultivation, and resettled 40,000 households.
- The percentage of the rural people using clean water increased by 4% compared to 2002, bringing the average rate of the whole country to 54%. The models of clean latrines and sties, models of waste treatment in handicraft villages have been put into practice to achieve good results.
- The ODA Projects with funds from ADB and AFD (US\$ 150 million) for the infrastructure construction have been developed in 23 poor provinces, mostly for the road development , small irrigation schemes, rural markets, rural water supply and environmental sanitation.
- Together with the national targets program, agricultural extentionist programs, the 14 pilot commune project (with an attempt to trial the model of modernisation , industrialisation, cooperation and democratisation in rural areas.) have been positively mobilised.

The achievements in the agriculture sector with the implementation of rural development programs during the past time changed the look of the rural areas. The rural infrastructure has been strengthened and improved. The income, the life of the country people have been continuously improved. The poverty rate of poor households is about 12%, showing a decrease of 2.5% in comparison with the previous year.

It is possible to say that , the agriculture and rural development sector has basically solved the important issues in production , with continuous striving to achieve the important goals : stable growth in production, ensured national food safety, favourable consumption of the products, particularly in the months of late 2003 and early 2004. The national targets programs have been actively developed. There appeared a an atmosphere of production and business to make rich in most of the areas in the country. The poverty reduction and alleviation have achieved encouraging results.

However, apart from achievements, the agriculture and rural development sector still has constraints and weakness for itself; the sector is facing difficulties and challenges ahead and in the coming years.

II. Weaknesses and challenges

1. Much of the potentials in the agriculture and rural development has not been properly or efficiently made use of , particularly the land use and the labour force.

2. The Vietnam agriculture is in nature still weak in term of productivity, quality and competitiveness
3. The rural infrastructure is very poor: irrigation schemes, roads, power supply, communication, warehouses, markets are all in need, the existing facilities cannot meet the requirements of commodities production.
4. Certain communities in the rural areas , particularly in the mountainous areas still live in poverty .
5. The capacity to protect from , and to mitigate the natural disasters is limited. The environment in rural areas is derogated; forests suffer from logging, erosion, soil is degraded, water sources are polluted.

The above description is the difficulties, challenges facing the agriculture in the first decade of the new millennium.

B- Some main identified measures and solutions for the implementation in 2004- 2005 and the next coming years.

1. Continue the shifting of agricultural and rural economic structure toward taking the advantages of each region and responding to the market demands

Implementation solutions:

In 2003, MARD provided guideline for the completion of the master planning of food production for 7 economic zones and 61 provinces.

In 2004-2005 the implementation is meant for the master planning of the agricultural, forestry and salt production in the district and communal levels.

The issues:

- ◇ The quality of the agriculture planning is not assessed with high quality. The management over the master planning has not taken the proper concern of the central and local levels.
- ◇ The strategic planning for agriculture development in the direction of mass production of commodities is rather complicated and Vietnam still lack experience.

Measures :

- ◇ Provide instructions for the local level to review and adjust the master plans of the agricultural, forestry and light industry in the district and communal levels basing on the achievements in 2003.
- ◇ The master planning should be annually update and at the same time the management over the master planning should be enhanced.

2. Improve the potentiality in technology and science and the transfer of technical advances.

Solutions for implementation:

- ◇ Re-organisation and arrangement of MARD research and training facilities should be completed by June 2004.

- ◇ More decentralisation so that foundation for investment, obstacle removals in financing to bring the full strength of the science system and training , to create a fundamental and comprehensive change in the area of technology and science development.
- ◇ Create an impetus in the establishment of high-tech model to achieve a yield, worth of VND 50 million/hectare, VND 50 million/household/p.a . Each institute, college should have a high-tech demonstration plot, each province should have a high-tech demonstration section to display 4 or 5 main products. The enterprises, the farming entrepreneurs should apply the high-tech in their production processes, particularly for export products.
- ◇ Continue the implementation of the Program of plant and animal breeding and the breeding in forestation.
- ◇ The colleges should be directed to follow the demand driven training to have high quality and clean agriculture. Trainees should be various types. Skill training should be made a priority for rural employments, training of managers for cooperatives, farming entrepreneurs, small and medium sized enterprise owners in rural areas.
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Standing issues:

- ◇ The science study mainly depend on the government's budget. The format of research contract has not been formed for lack of encouragement. The investment for science research and extensions, technology transfer is lower than the requirements.
- ◇ Most of the equipment for research, study and testing is out dated, reviewing none of the institutes which have a complete set of equipment to meet the demands.
- ◇ The technicians and science researchers are numerous but not competent enough. In many areas, there is a lack of leader experts. The young generation of science researchers are few.
- ◇ The bio-technology is low generally and lags much behind the other regional countries.

Measures :

- ◇ Increase the investment for science research
- ◇ Create opportunities for younger scientists to receive further training, to improve the level of qualification and build up a core group of leader experts.
- ◇ Improve the cooperation in technology and science with other regional countries and the world .

3. Improve the implementation of the rural development program

Main solutions:

- (1) Concentrate on solving the social acute problems: navigating the poverty alleviation in remote and underdeveloped areas through the socio-economic development programs for Northern, Highlands, and Mekong delta provinces. Incorporate the national target programs: national Program of Poverty alleviation

and job provision, Program No. 135, program of 5 million hectares of forestation, permanent cultivation, permanent dwelling, rural water supply and environmental sanitation. Try to multiply the model of hunger eradication and poverty reduction to fit the localised conditions. Push up the progress of popularized participation in hunger eradication and poverty reduction ; to strive for a reduction of 2% per annum.

- (2) Encourage the establishment of small and medium size industrial enterprises, the traditional handicraft villages generated from the local funds and the enterprises funds in compliance with the land use plans.
- (3) Develop the post harvest technology and the food stuff processing, particularly for exports, expand the variety of professions to create more jobs and to create a transitional step for a shift from agricultural production to non-agricultural production.
- (4) Continue the irrigation works (a) the rehabilitation of the head works in the Red river delta; (b) safety program at reservoirs in the Central and the Highlands (c) the flood control program in Mekong delta (d) small irrigation schemes in hilly land, (e) safety program for dikes (f) cement lining fro water channel.

Issues

- ◇ The poor people rate in rural areas accounts for 90% of the total number of the poor in the whole country. The balance of average incomes per capita between the urban and the rural people is great and increasingly expanding.
- ◇ The industrialisation, modernisation of the agriculture and rural area is slowly in progress, meanwhile there is a great demand of buying the machines for producing, dressing, processing, preserving agricultural products, the financial capacity is limited.
- ◇ The bad debts that need liquidation in irrigation schemes and projects reached VND 1,300 billion by the end of 2003.

Measures :

The development plans for agriculture and rural area, whether it is a provincial or national level, must ensure the both the growth rate and the hunger eradication and poverty reduction. The correlation between these criteria reflect the quality of growth.

MARD should issue the document :

- ◇ To propose the government some policies to support the farmers and enterprise to procure the equipments and tools for production, business, higher productivity, and quality.
- ◇ Request the government to liquidate the bad debts to lift the burden off the enterprises.

4. Establish and realise a comprehensive strategy for market development, setting up a system of business for local and overseas consumption of the agricultural and forestry products, and commodities; taking the initiative in economic convergence with regional countries and the world

Main solutions:

- ◇ Expand the domestic market, particularly the rural market
- ◇ Consolidate the existing overseas markets, at the same time develop the new market entries ; with the focus on the American market , African market. Increase the marketing & trade promotion programs with fairs, exhibitions, advertisement, product launching, partnership contacts and business contacts.
- ◇ Improve the information communication, market forecast to meet the information demands of producers and business men.

Issues:

- ◇ The market development and trade promotion program has just been developed for 1 year. This is anew field of activity, lacking staff of experience and knowledge.
- ◇ The infrastructure for trades is troublesome, it has not met the demands of goods circulation and consumption.
- ◇ The information is just mainly in form of articles of notice, news, without reliable analysis, synthesis or practical forecast.

Measures :

- ◇ Make master planning for markets construction
- ◇ Encourage the organisations, individuals and enterprises of any economic components to invest into the construction of markets.
- ◇ Reinforce the organisations and improve the quality of market information form the central level to local levels.
- ◇ Establish the information sites in specialised cultivation with high yield of goods ; coordinate the activities of information sites with activities of extensions, clubs, occupational associations and enterprises.
- ◇ Contact the international organisations to propose them for TA to construct a experimental stock market for agricultural products and improve the trade promotion for agricultural products.

5. Complete and renovate the policies, continue to create the driving force for agricultural products production.

Main solutions:

- ◇ Organise for in-depth and in –width implementation of the promulgated laws, ordinances, policies, ; prepare the under legal documents relating to the implementation of the Law on Cooperative, Law on Land (revised), Law on Enterprise, and Law on foreign investment in Vietnam (revised) ratified by the national Assembly in November 2003, at the same time, start the circulation, introduction and education of the legal documents.
- ◇ Consistent implementation of the policies: The government invest in infrastructure, including: irrigation, roads to communes, grid line to commune, water supply schemes, schools, clinics, special use forest, protection forests, natural disaster protection schemes, environment protection, public services ; market information, agriculture extension, forest extension, plant protection, veterinary, irrigation with the participation of farmers ; training, human resources development, science research and technology transfer, stuff quality controls.

- ◇ The capitals raised by the people for investment into the production could be the individual funds, loan from the bank shall be self responsible for the results of business and production.

The fund resources are the followings:

- ◇ Agricultural Land levies are retained for the rural development.
- ◇ Funds of individuals and contribution in kind for the construction of infrastructure.
- ◇ Aids from international sources.

The soft loan shall mostly be used for the poor, the households suffering from the natural catastrophes, households in the 5 million hectare forestation program; it is also encouraged to develop the credit form of mutual support, organised by the people themselves with domestic and international assistance.

Issues:

- ◇ The promulgation of instructions, legal under law documents for Laws, Ordinance, Decree is often seen slower, incomplete causing delay in the realisation in life.
- ◇ By now , in agriculture and rural development there are many pending issues that need mechanism, policies for solutions to create impetus for the development, particularly those that can facilitate the modernisation, industrialisation such as:
 - Policy to encourage the farmers to optimise their field locations with the other farmers, make products in the master plans with contract to sell products to processing enterprises.
 - Policy to support the salt production sector and application of technology in the new technology of salt production.
 - Policy to support the farmers in procurement of equipment for producing, dressing, processing, storing in order to increase the productivity, and product quality.
 - Policy for renovation in management over the science and technology with the two closely connected to production
 - Policy for training and vocational training to train the grass-root level key persons working in the mountain , remote areas and incentive policy to encourage the technical workers to work in the rural and mountainous areas.

Measures :

Start the survey, research, and set up the document to submit to the Prime Minister for the promulgation of the above issue related policies.

6. Human resources development for the agriculture and rural development

Main solutions

- ◇ Diversify the forms of training and improve the quality of training to upgrade the qualification of human resources for agriculture and rural development in Vietnam.

- ◇ Put more investment into the HRD in the mountainous areas with appropriate policies like the discount in training costs, training provide to the local need, with commitment for certification to go with it.
- ◇ Increase the training with higher level of foreign languages, computer so that the staff could make use of the modern technology to retrieve the information , hitting the strategy of “short cut” “catching up vanguard ” to access to the most updated achievements of mankind.

Issues

- ◇ In the context of convergence the knowledge and updates are necessary and acute for the staff in the sector.
- ◇ Untrained workers in the rural area still account for a high percentage , the demand for training and refreshing is high but the capacity of the training facilities is limited.
- ◇ The government budget allocated to training is too lean and limited to meet the demand.

Measures:

- ◇ Mobilise the funds form various organisations: local funds, enterprises, business organisations, associations.
- ◇ Make proposal to donors, international organisations for TA in the strengthening the capacity of the agriculture and rural development staff in the field of agricultural product quality control and food safety.

7. Improve the international cooperation and convergence to get more resources for the development of the sector for the coming years and the long term.

Main solutions:

- ◇ Study, supplement, revise and promulgate the regulations to fit in the development requirement , to meet the road map to economic convergence with the approach of transparency in management information.
- ◇ Continue the implementation of international projects in the area of agriculture, forestry, irrigation. Identify and assign staff with capacity and competence to make full use of the loan and aids; improve the planning to attract ODA, FDI.
- ◇ Get prepared for the WTO negotiation in the field of agriculture. Continue the action plan of the MARD on the VN-USA Trade Agreement and bilateral activities. Start the activities with volunteer liberalisation in the science and technology of APEC.
- ◇ Arrange the action plan of agriculture and rural development to realise the Resolution No.7 of the Political Bureau (term VIII) on the international economic convergence. Organise the training courses to meet the requirement of convergence.

Issues:

- ◇ The international economic convergence, particularly the WTO joining is a complicated issue to set a great challenge for the sector both economically and socially.
- ◇ The starting point is poor and low, weak power and slow drive. The staff lack both the knowledge and experience.

Measures: TA required for

- ◇ Procedures of the international economic convergence, regulations by WTO and other international organisations.
- ◇ Review and set up the policies relating to trades, investment, and attraction of foreign investment put into agriculture and rural development

MARD appreciates the cooperation and effective support of international organisations , countries, NGOs, into agriculture and rural development during the past many years and looking forward to receive stronger support from the international community in the coming years.