

## **CPRGS IN THE CONTEXT OF GLOBALISATION OF VIETNAM'S AGRICULTURE**

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### **Current issues in agricultural exports**

The problems that Vietnam has faced with falling prices for coffee and other export commodities have been well documented. FAO and UNDP recently commissioned a discussion paper "International Economic Integration, Competitiveness and Rural Livelihoods in Vietnam" to examine this problem. Some key findings are highlighted below.

Many Vietnamese farmers have been hard-hit by the fall in export prices. One of the problems is that, apart from rice, much of the agricultural growth in Vietnam has come from perennial crops, such as coffee and rubber, which require long-term investment. Many farmers have planted a new crop at the time of peak prices, when other farmers are doing the same, and new output comes on stream some years later as prices are falling.

Questions can be raised about whether the choice and timing of crops have always been correct, but the reality is that, even with the best decision-making, farmers will face fluctuating prices. Measures are needed to ensure that farmers have the ability to cope with this situation. Attempts to stabilise prices have usually not been successful. However, other approaches may be worth considering:

- Improve the quality of the crop (higher qualities tend to have more stable prices).
- Reduce farmers' exposure to risk by producing a mix of commodities. This is difficult for small farmers but there may be opportunities for inter-planting with other crops or diversifying into livestock production.
- Introduce flexible loan schemes that take account of fluctuating market prices.
- Create employment in industries not connected to the export market to provide alternative income sources not dependent on agricultural commodity prices.
- Develop safety net schemes to compensate farmers for unstable incomes.

Apart from the need to help farmers cope with low prices, Vietnam is facing two other major problems in the agricultural export market.

One is the poor quality stock of perennial crops. Recent plantings have tended to be low yielding, low quality varieties. Also, the crop is often poorly established and maintained. Farmers need to decide whether to replant or rehabilitate their crops, and MARD will need to provide help in this. This is an important issue because it holds the potential for achieving major increases in export earnings and farm incomes.

The second issue is the inefficiency of processing and marketing. In coffee and pepper, for example, most production is supplied for the export market immediately after the harvest. Because Vietnam is now a major exporter, this depresses world prices. Better marketing systems are needed to provide an orderly flow of export commodities to the world market. Trading enterprises must also be encouraged to hold seasonal stocks.

It is recommended that the Government make a detailed assessment of each major agricultural export commodity and develop programmes to mitigate the effects of price instability. These assessments should look at the economics of each export crop in Vietnam and the effect of fluctuating prices, with particular attention to ensuring the welfare of farmers. The lessons learned should be taken into consideration in developing new export crops. Emphasis should be given to those crops for which Vietnam has a comparative advantage and to provide support for processing and marketing. Planning at the provincial and local levels should also be strengthened to identify opportunities and assist farmers.

### **Some issues in the implementation of the CPRGS**

FAO has been pleased to support MARD in making inputs to the CPRGS. MARD should be congratulated on their initiative in this work; the MARD CPRGS Working Group is now recognized as one of the leading line Ministry partnerships, which will ensure that MARD plays an important role in the implementation of the CPRGS. Following a request from MARD, FAO is planning to implement a project to strengthen the capacity of MARD to coordinate donor support to the CPRGS. The project will help MARD establish a CPRGS Support Unit to be the focal point for implementing the CPRGS within MARD. The aim will be to build the capacity in MARD to identify, formulate, prioritise, implement and monitor Government and donor funded projects.

Monitoring and evaluation of the CPRGS is an important task. There are already various information related activities under way in MARD. For example, FAO is assisting MARD in establishing a Food Security Information Unit to monitor the food security situation in Vietnam. The Unit will prepare an annual food security status report presenting the various food security indicators, many of which are the same as for the CPRGS. The various information activities in MARD should be coordinated within the overall framework of the CPRGS.

FAO continues to be concerned about food insecurity in rural areas and is pleased to see the attention given to this in the CPRGS document. It is interesting to note that a quarter of rural children in the top expenditure quintile (the “richest” 20%) are underweight; this highlights that, while poverty is one of the main causes of undernourishment, measures such as improving sanitation, health facilities, education, etc, will also be important elements of the CPRGS to improve food security for the rural population.

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