

# 29 Viet Nam

## Support to agriculture

The overall level of support provided to Viet Nam's agricultural sector fluctuates at low or negative levels, largely driven by changes in market price support (MPS). In 2017-19, Viet Nam's producer support estimate (PSE) was negative at -7.1% of gross farm receipts. MPS varies across commodities. Producers of import-competing commodities, such as maize, sugar cane and beef, benefit from tariff protection, while producers of several exported commodities are implicitly taxed. Budgetary transfers are relatively small and include payments based on variable input use, primarily to subsidise an irrigation fee exemption, and direct payments to rice producers that are tied to maintaining land in rice production. Rice producers also benefit from a price support system based on target prices designed to provide farmers with a profit of 30% above production cost. In some years this price support system results in implicit taxation of rice producers when domestic prices are below international levels.

Support for general services for agriculture is dominated by expenditure to develop and maintain infrastructure, in particular irrigation. Total support to agriculture (TSE) varies between positive and negative values, as in some years budgetary transfers to producers and expenditure on general services do not compensate for overall negative MPS.

## Main policy changes

In December 2018, the Ministry of Agriculture and Rural Development (MARD) issued a list of 13 key national products, which includes rice, coffee, rubber, cashews, pepper, tea, vegetables and fruits, cassava and products thereof, pig meat, poultry meat and eggs. The 13 products are eligible for preferential support measures, including exemptions from or reductions in land or water surface rents; preferential credit; support for the transfer and the application of high-technology in agriculture, human resources training, and market development and promotion activities; and support for investments in facilities and equipment for processing or preserving agricultural products.

On climate change, in 2020 the government will update several key documents that form the basis of current climate change policies for the agricultural and rural development sector. These include the action plan to adapt to and mitigate climate change in the agricultural sector for the period 2021-30, with a vision to 2050; and the plan for the agricultural sector to carry out the government's action plan to implement the Paris Agreement on Climate Change. Also in 2020, MARD will promulgate the green growth criteria for the agricultural and rural development sector.

On 30 June 2019, the European Union and Viet Nam signed a bilateral free trade agreement, the EU-Vietnam Free Trade Agreement (FTA). Viet Nam has agreed to progressively eliminate duties for EU food products over a period of ten years, including for chicken, dairy, beef, wine, spirits, chocolate, pasta, apples, wheat, and olive oil. At the end of the implementation period, an average tariff of 1.1% is to apply to agricultural goods originating in Viet Nam and 2.1% to processed agricultural products. The average tariff for EU agricultural exports to Viet Nam is to be reduced to 2.6%. Viet Nam has agreed to recognise

and protect the Geographical Indications (GIs) of 169 European food and drink products, at a comparable level to that of EU legislation. Vietnamese GIs will also be recognised as such in the European Union, and the agreement allows new GIs to be added in the future.

## Assessment and recommendations

- Viet Nam's deeper integration into the global economy, including through trade agreements such as the CPTPP and EU-Vietnam FTA, brings opportunities for the agricultural sector to expand and diversify exports and markets. But these agreements also pose challenges, for example, increased competition from imports as agro-food tariffs are reduced and the require for domestic producers to meet stringent food hygiene, safety and technical standards in export markets.
- Further efforts are needed to improve the sector's competitiveness and environmental sustainability. Most of the easy sources of lifting production – expanding the agricultural land area and using higher rates of fertilisers – have been fully exploited, and negative environmental impacts are increasingly seen. While these conditions are challenges for Viet Nam, they also open opportunities to adopt new technologies, create incentives for farm consolidation to increase the scale of production, and to focus attention on improving quality.
- To improve the allocation of scarce land resources, farm consolidation could be encouraged, including through various forms of co-operation between farmers, and restrictions on crop choice should be removed. This can also help small-scale farming households connect to market opportunities and participate in value chains.
- To improve the competitiveness and quality of Viet Nam's rice exports, additional reforms could be considered to further ease restrictions on rice exporters, in particular, deregulating the export floor price. The current system risks cutting-off potentially profitable rice exports and creates uncertainty in engaging in export transactions if the minimum export price is likely to be changed.
- Water overuse is exacerbated by the low cost of water, and increases the agricultural sector's vulnerability to drought. While re-introducing a fee for irrigation services is a positive step, a fee based on a per unit of water charge – rather than on area or crop type as previously applied – would encourage greater water use efficiency.
- Viet Nam has committed to reduce greenhouse gas (GHG) emissions by 8% between 2021 and 2030 compared to Business-as-Usual (BAU) levels using domestic resources. The government has set the ambitious target of reducing GHG emissions in agriculture and rural areas by 20% every 10 years through the application of crop and animal husbandry practices, including climate smart agriculture practices.

## Policy responses in relation to the COVID-19 outbreak

### ***Agricultural policies***

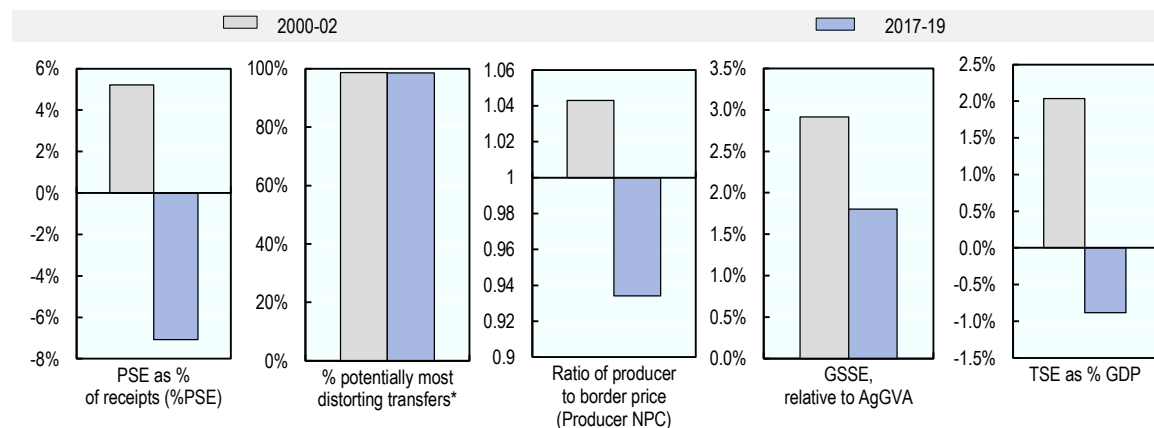
In response to the COVID-19 pandemic, on 11 March 2020, the government ordered private rice traders to maintain rice reserves equivalent to 5% of the volume shipped in the preceding six months, in order to stabilise the domestic market.<sup>1</sup>

On 25 March 2020, the government suspended rice exports in order to ensure domestic food security during the COVID-19 outbreak and in the context of a severe drought in the Mekong River Delta. The decision was subsequently reversed in favour of setting a monthly quota for rice exports, and on 3 April 2020, the government approved a plan to export 400 000 tonnes of rice in April, and a further 400 000 tonnes in May.

On 27 March 2020, Viet Nam also announced that it plans to stockpile 270 000 tonnes of rice, including 80 000 tonnes of paddy (unhusked) rice, to ensure domestic food availability during the COVID-19 pandemic. The Ministry of Finance was directed to buy 190 000 tonnes of rice and 80 000 tonnes of paddy rice.

Viet Nam is also allowing enterprises, individuals and household businesses affected by the COVID-19 pandemic to defer payment of value added tax, corporate income tax, personal income tax, and land rental fees. Agriculture, forestry and fishery production, and food production and processing, are among the business sectors that are eligible to defer payments of tax and land rent.<sup>2</sup>

Figure 29.1. Viet Nam: Development of support to agriculture



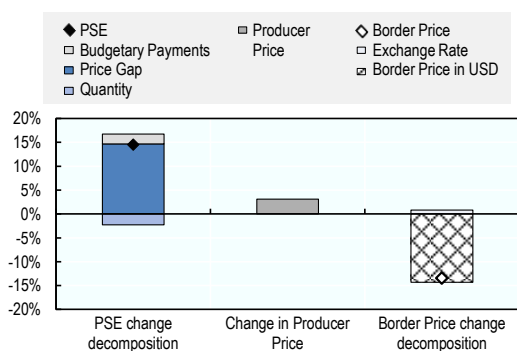
Note: \* Share of potentially most distorting transfers in cumulated gross producer transfers.

Source: OECD (2020), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.

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**Support to producers (%PSE)** was -7.1% in 2017-19, implying an implicit overall taxation, compared to a positive level of support in 2000-02. Almost all gross transfers to producers – whether positive or negative (i.e. expressed in absolute terms) – are provided via measures that are potentially **most distorting to production and trade** (Figure 29.1). Expenditures for general services (GSSE), which focus largely on irrigation systems, were equivalent to 1.8% of agricultural value added in 2017-19, among the lowest across countries covered by this report, and down from 2.9% in 2000-02. Total support to agriculture varies between positive and negative values. The PSE increased (i.e. became less negative) in 2019, as negative price gaps narrowed, most significantly for rice and poultry (Figure 29.2). On average during 2017-19, effective prices received by farmers (including output payments) were 7% lower than world prices, though this hides large differences between commodities. Transfers to single commodities vary widely, with maize, sugar, beef and veal, and eggs receiving positive MPS, while cashew nuts, pig and poultry meats, pepper, coffee, tea and rubber are implicitly taxed (Figure 29.3).

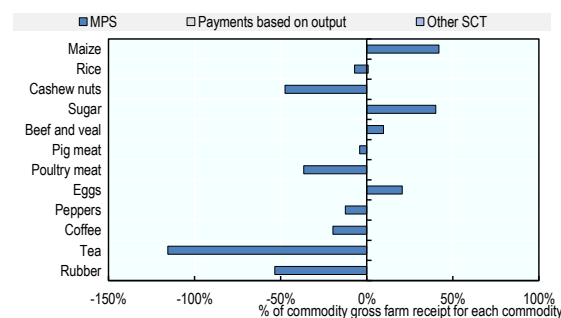
Figure 29.2. Viet Nam: Drivers of the change in PSE, 2018 to 2019



Source: OECD (2020), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.

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Figure 29.3. Viet Nam: Transfer to specific commodities (SCT), 2017-19



Source: OECD (2020), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.

StatLink <https://doi.org/10.1787/888934145142>

Table 29.1. Viet Nam: Estimates of support to agriculture

Million USD

	2000-02	2017-19	2017	2018	2019p
<b>Total value of production (at farm gate)</b>	<b>8 570</b>	<b>38 298</b>	<b>37 988</b>	<b>38 550</b>	<b>38 357</b>
<i>of which: share of MPS commodities (%)</i>	82.3	73.3	74.5	74.9	70.6
<b>Total value of consumption (at farm gate)</b>	<b>7 443</b>	<b>34 530</b>	<b>32 614</b>	<b>34 750</b>	<b>36 228</b>
<b>Producer Support Estimate (PSE)</b>	<b>461</b>	<b>-2 719</b>	<b>6</b>	<b>-4 418</b>	<b>-3 745</b>
Support based on commodity output	340	-3 065	-327	-4 726	-4 141
Market Price Support <sup>1</sup>	340	-3 065	-327	-4 726	-4 141
Positive Market Price Support	901	1 664	2 533	1 356	1 104
Negative Market Price Support	-562	-4 729	-2 860	-6 082	-5 245
Payments based on output	0	0	0	0	0
Payments based on input use	101	253	237	215	305
Based on variable input use	101	252	237	215	305
with input constraints	0	0	0	0	0
Based on fixed capital formation	0	0	0	0	0
with input constraints	0	0	0	0	0
Based on on-farm services	0	0	0	0	0
with input constraints	0	0	0	0	0
Payments based on current A/An/R/I, production required	0	93	96	92	91
Based on Receipts / Income	0	2	2	2	2
Based on Area planted / Animal numbers	0	91	94	91	89
with input constraints	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
With variable payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
With fixed payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
Payments based on non-commodity criteria	21	0	0	0	0
Based on long-term resource retirement	21	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
<b>Percentage PSE (%)</b>	<b>5.2</b>	<b>-7.1</b>	<b>0.0</b>	<b>-11.4</b>	<b>-9.7</b>
<b>Producer NPC (coeff.)</b>	<b>1.04</b>	<b>0.93</b>	<b>1.00</b>	<b>0.90</b>	<b>0.91</b>
<b>Producer NAC (coeff.)</b>	<b>1.06</b>	<b>0.93</b>	<b>1.00</b>	<b>0.90</b>	<b>0.91</b>
<b>General Services Support Estimate (GSSE)</b>	<b>206</b>	<b>605</b>	<b>587</b>	<b>556</b>	<b>672</b>
Agricultural knowledge and innovation system	23	91	89	91	94
Inspection and control	4	3	3	3	3
Development and maintenance of infrastructure	173	463	445	415	529
Marketing and promotion	1	1	1	1	1
Cost of public stockholding	5	46	48	46	45
Miscellaneous	0	0	0	0	0
<b>Percentage GSSE (% of TSE)</b>	<b>31.2</b>	<b>..</b>	<b>99.0</b>	<b>..</b>	<b>..</b>
<b>Consumer Support Estimate (CSE)</b>	<b>-549</b>	<b>-548</b>	<b>-2 428</b>	<b>1 229</b>	<b>-446</b>
Transfers to producers from consumers	-551	718	-1 637	2 265	1 526
Other transfers from consumers	-20	-1 633	-1 209	-1 336	-2 353
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	22	367	418	301	382
<b>Percentage CSE (%)</b>	<b>-7.3</b>	<b>-1.6</b>	<b>-7.4</b>	<b>3.5</b>	<b>-1.2</b>
<b>Consumer NPC (coeff.)</b>	<b>1.08</b>	<b>1.03</b>	<b>1.10</b>	<b>0.97</b>	<b>1.02</b>
<b>Consumer NAC (coeff.)</b>	<b>1.08</b>	<b>1.02</b>	<b>1.08</b>	<b>0.97</b>	<b>1.01</b>
<b>Total Support Estimate (TSE)</b>	<b>667</b>	<b>-2 114</b>	<b>593</b>	<b>-3 862</b>	<b>-3 073</b>
Transfers from consumers	571	915	2 846	-929	827
Transfers from taxpayers	117	-1 396	-1 044	-1 597	-1 547
Budget revenues	-20	-1 633	-1 209	-1 336	-2 353
<b>Percentage TSE (% of GDP)</b>	<b>2.0</b>	<b>-0.9</b>	<b>0.3</b>	<b>-1.6</b>	<b>-1.2</b>
<b>Total Budgetary Support Estimate (TBSE)</b>	<b>328</b>	<b>951</b>	<b>920</b>	<b>864</b>	<b>1 068</b>
<b>Percentage TBSE (% of GDP)</b>	<b>1.0</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
GDP deflator (2000-02=100)	100	389	383	396	..
Exchange rate (national currency per USD)	15 000.33	22 988.28	22 715.36	23 023.21	23 226.28

.. Not available

Note: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

A/An/R/I: Area planted/Animal numbers/Receipts/Income.

1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Viet Nam are: rice, rubber, coffee, maize, cashew nuts, sugar, pepper, tea, beef and veal, pig meat, poultry and eggs.

Source: OECD (2020), "Producer and Consumer Support Estimates", *OECD Agriculture statistics* (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.

## Contextual information

Viet Nam is a mid-size country in terms of area, but its population of 96 million makes it the 15<sup>th</sup> most populous country in the world. Around two-thirds of the population live in rural areas. Since the mid-1980s, a long series of reforms have moved the economy, including the agricultural sector, in the direction of open markets for trade and investment, private sector decision-making, private land use rights, and a greater role for private firms. These reforms resulted in rapid, stable and inclusive economic growth, transforming Viet Nam from one of the world's poorest nations to a lower middle-income country, and contributing to significant reductions in poverty rates and improvements in other social outcomes, including in rural areas.

The agricultural sector in Viet Nam has undergone significant structural changes in recent decades, reflecting a shift away from staple foods to export commodities, in particular perennial crops such as rubber and cashew nuts, and to livestock production, in particular pig meat. Nevertheless, crops dominate with rice accounting for around 25% of the value of agricultural production. Agricultural production has more than tripled in volume terms since 1990. While the relative importance of agriculture in the economy has declined over time, agriculture remains an important sector, contributing 15% to Viet Nam's GDP and employing 40% of the labour force.

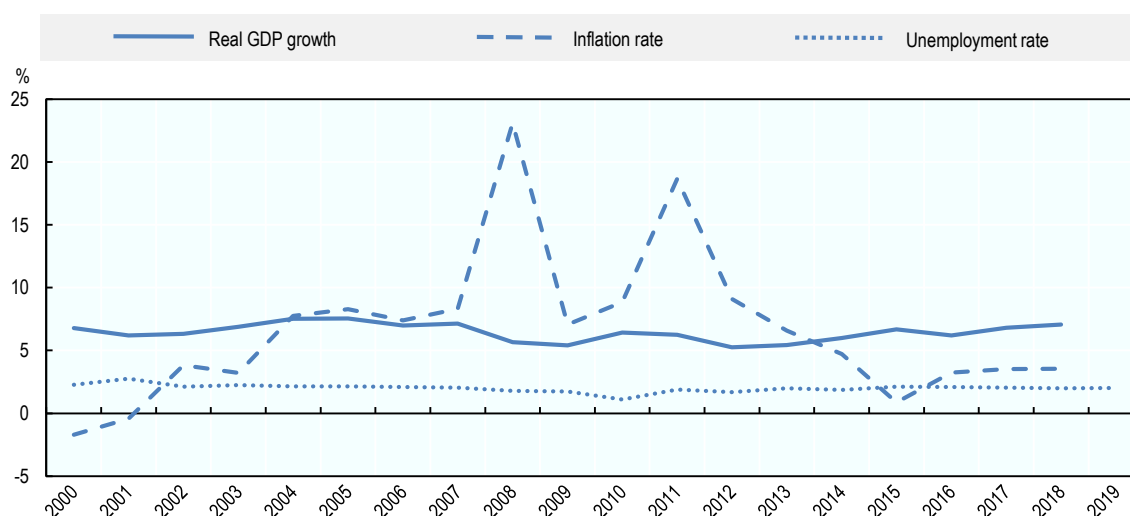
**Table 29.2. Viet Nam: Contextual indicators**

	Viet Nam		International comparison	
	2000*	2018*	2000*	2018*
<b>Economic context</b>			<b>Share in total of all countries</b>	
GDP (billion USD in PPPs)	164	712	0.4%	0.6%
Population (million)	80	96	1.9%	1.9%
Land area (thousand km <sup>2</sup> )	310	310	0.4%	0.4%
Agricultural area (AA) (thousand ha)	8 780	12 169	0.3%	0.4%
			<b>All countries<sup>1</sup></b>	
Population density (inhabitants/km <sup>2</sup> )	258	308	53	62
GDP per capita (USD in PPPs)	2 048	7 448	9 275	21 924
Trade as % of GDP	49	97	12.4	15.3
<b>Agriculture in the economy</b>			<b>All countries<sup>1</sup></b>	
Agriculture in GDP (%)	22.7	14.7	3.1	3.6
Agriculture share in employment (%)	65.3	39.8	-	-
Agro-food exports (% of total exports)	16.9	9.2	6.2	7.3
Agro-food imports (% of total imports)	6.1	9.0	5.5	6.3
<b>Characteristics of the agricultural sector</b>			<b>All countries<sup>1</sup></b>	
Crop in total agricultural production (%)	79	73	-	-
Livestock in total agricultural production (%)	21	27	-	-
Share of arable land in AA (%)	71	57	32	33

Notes: \*or closest available year. 1. Average of all countries covered in this report. EU treated as one. Agro-food trade includes natural rubber. Sources: OECD statistical databases; UN Comtrade; World Bank, WDI and national data.

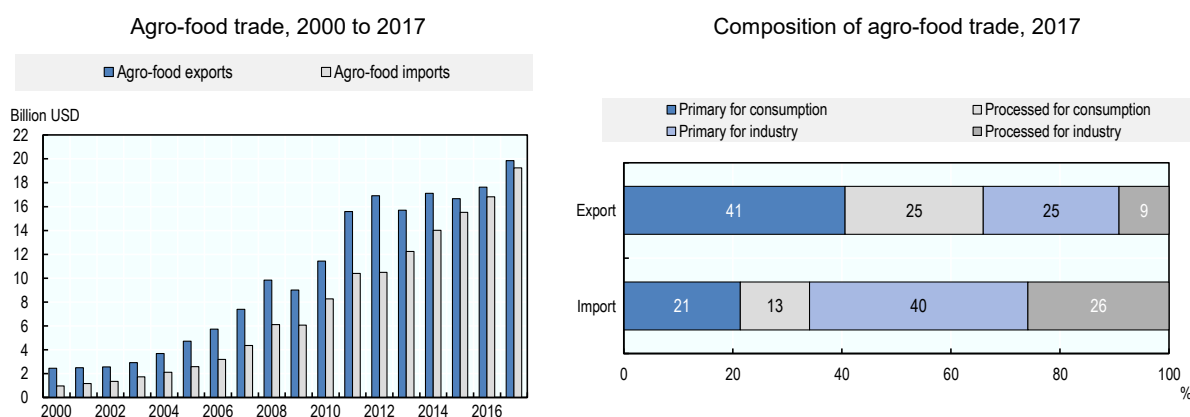
The agro-food sector is well integrated with international markets. Agro-food exports have increased eight-fold since the early 2000s, and Viet Nam is now one of the world's largest exporters of a wide range of agricultural commodities, including cashews, black pepper, coffee, cassava and rice. Two-thirds of Viet Nam's agro-food exports are delivered to foreign consumers without further processing. Agro-food imports have also increased significantly. The majority of agro-food imports form intermediate inputs into Viet Nam's processing sectors.

Figure 29.4. Viet Nam: Main economic indicators, 2000 to 2019



Sources: OECD statistical databases; World Bank, WDI and ILO estimates and projections.

Figure 29.5. Viet Nam: Agro-food trade

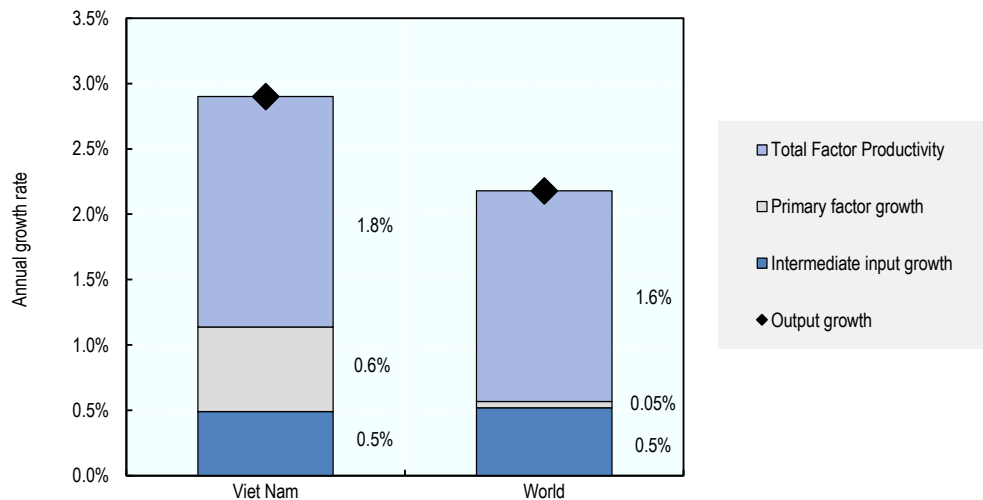


Note: Numbers may not add up to 100 due to rounding. Agro-food trade includes natural rubber.

Source: UN Comtrade Database.

Agricultural production increased by 2.9% p.a. on average between 2007 and 2016, driven by total factor productivity growth of 1.8% p.a. and greater use of primary factors and intermediate inputs. However, agriculture places significant and growing pressure on natural resources. Excessive use of fertilisers, pesticides and other chemicals has contributed to a gradual degradation of water and land quality. Together with climate change, degradation of the natural resource base caused by excessive use of inputs poses a significant risk to agricultural production and the capacity of the sector to maintain current, strong rates of productivity and output growth. The sector accounts for almost a third of Viet Nam's greenhouse gas emissions.

Figure 29.6. Viet Nam: Composition of agricultural output growth, 2007-16



Note: Primary factors comprise labour, land, livestock and machinery.

Source: USDA Economic Research Service Agricultural Productivity database.

Table 29.3. Viet Nam: Productivity and environmental indicators

	Viet Nam		International comparison	
	1991-2000	2007-2016	1991-2000	2007-2016
TFP annual growth rate (%)	2.2%	1.8%	1.6%	1.6%
			<b>World</b>	
			<b>OECD average</b>	
<b>Environmental indicators</b>	<b>2000*</b>	<b>2018*</b>	<b>2000*</b>	<b>2018*</b>
Nitrogen balance, kg/ha	174.3	152.9	33.3	29.1
Phosphorus balance, kg/ha	29.9	34.5	3.3	2.3
Agriculture share of total energy use (%)	1.7	1.8	1.7	2.0
Agriculture share of GHG emissions (%)	47.9	29.2	8.1	8.9
Share of irrigated land in AA (%)	..	..		
Share of agriculture in water abstractions (%)	..	..	46.0	49.0
Water stress indicator	..	..	9.9	8.9

Notes: \* or closest available year.

Sources: USDA Economic Research Service, Agricultural Productivity database; OECD statistical databases; FAO database and national data.

## Description of policy developments

### Main policy instruments

The main form of support for Vietnamese producers is domestic price support, with border protection being the main tool used. Domestic price support varies across commodities. In particular, producers of import-competing commodities such as beef and veal, and sugar cane, are protected by tariffs. Producers of export commodities such as natural rubber, coffee, cashew nuts and tea are implicitly taxed, in that they receive prices for their outputs that are lower than world prices. As a result, total MPS is the sum of positive and negative support. Farm gate rice prices are supported by a subsidy to rice purchasing enterprises for the temporary storage of rice during harvest and establishment of target prices that vary between regions and crop season, with the objective of providing farmers with a profit of 30% above production cost.



Payments to producers are relatively small. Expenditure associated with subsidising the irrigation fee exemption is the dominant payment. An **area payment** with the objective of keeping 3.8 million hectares in paddy rice production has been provided since 2012. Since 2016,<sup>3</sup> rice growers have received VND 1 million (USD 43)/ha/year for land under wet paddy cultivation, and VND 500 000 (USD 22)/ha/year for other rice land, except upland fields not under paddy land-use plans.<sup>4</sup> Rice growers also receive support when land is reclaimed for rice cultivation, amounting to VND 10 million (USD 432)/ha/year, except for upland fields, and VND 5 million (USD 216)/ha/year for wet paddy land reclaimed from one-crop paddy land or other crop land.

Other programmes that provide support based on input use include programmes that provide plant genetic and animal breeding material to farmers at subsidised rates. At the national level, these are often provided as part of the package for farmers recovering from natural disasters or disease outbreaks. Since 2009, a number of policy packages have been introduced to provide farmers with subsidised credit to purchase inputs and assets for agricultural production (fertilisers, pesticides, machinery and equipment). Since 2003, most farming households and organisations have been exempt from paying agricultural land use tax or benefited from a land tax reduction.

**General services** for the agricultural sector are dominated by expenditures on irrigation systems. Expenditures on other forms of general services such as extension services, research and development, inspection and control and marketing and promotion are relatively limited.

All land is owned by the state and administered by it on behalf of the people. Farmers have **land user rights**, and benefit from a wide range of rights, including the right to rent, buy, sell and bequeath land, and to use land as collateral with financial institutions for mortgages. However, there are restrictions on land use including the duration of land use rights, land areas per household, the choice of crops, the process for converting paddy land from rice to another crop, and land transfers and exchanges.

Until 2016, the government maintained a large **degree of control over rice exports**. Exporters had to meet specific milling and storage requirements, the minimum export price had to be respected, and certain administrative functions were given to the Viet Nam Food Association (VFA). However, in January 2017, in line with the Investment Law of 2014, Viet Nam's Ministry of Industry and Trade (MOIT) abolished Decision No. 6139/2013/QĐ-BCT, which had capped the number of rice exporters at 150 and stipulated strict conditions for becoming a rice exporter. In 2018, the government further relaxed export conditions on rice.<sup>5</sup> To be eligible to export rice, companies must have at least one storage and one milling facility that meet national standards and regulations, which can be owned or leased. Traders must also maintain rice reserves equivalent to 5% of the volume shipped in the preceding six months.

Following Viet Nam's accession to the WTO in 2007, the simple **average MFN applied tariff** on agricultural imports decreased from around 25% in the mid-2000s to 16.5% in 2018, compared with a simple average bound tariff on agricultural products of 18.8%. Applied tariffs are much lower on imports originating from countries or regions with which Viet Nam signed free trade agreements. For example, the average tariff is just 3.4% on agricultural imports from ASEAN members and 5.4% from the People's Republic of China (hereafter "China").

Since joining the World Trade Organisation (WTO) in 2007, Viet Nam has made some progress towards implementing the requirements of the **Sanitary and Phytosanitary Agreement**. However, the regulatory regime still suffers from limited enforcement capacity, poor co-ordination and a large number of overlapping regulations.

Viet Nam implements **trade liberalisation** through multilateral, regional and bilateral trade agreements. It is a member of the WTO, Association of Southeast Asian Nations (ASEAN) and Asia-Pacific Economic Cooperation (APEC), and supports trade liberalisation between ASEAN members and their major trading partners in the region, including China, Japan, India, Korea, Australia and New Zealand.

Viet Nam's 2011 **National Strategy on Climate Change** tasks the agricultural sector with reducing greenhouse gas (GHG) emissions by 20% every ten years, while increasing gross production by 20% and reducing the poverty rate by 20% (Decision 2139/QD-TTg). The Ministry of Agriculture and Rural Development (MARD) subsequently issued an action plan to adapt to and mitigate climate change in the agricultural sector, most recently in Decision No. 819/QD-BNN-KHCN. The action plan prioritises research on, selection and production of plant varieties and animal breeds able to minimise GHG emissions and adapt to climate change; minimum tillage and techniques for reducing the use of water and fertilisers to minimise methane gas emissions in rice fields; the reduction of plants contributing to GHG emissions; and an increase in the production of bioenergy crops. MARD has also approved a programme to reduce GHG emissions in the crop, livestock, fishery and forestry sectors, and in irrigation and rural industries by 2020, while enhancing economic growth and reducing poverty (Decision No. 3119/QD-BNN-KHCN). The programme aims to: reduce GHG emissions in agriculture and rural areas by 20%; ensure that 3.2 million hectares of rice apply advanced methods, such as the System of Rice Intensification and Alternative Wetting and Drying (AWD); and promote more efficient use of agricultural inputs.

Viet Nam ratified the **Paris Agreement on Climate Change** in 2016. Viet Nam's Nationally Determined Contributions (NDCs) includes the commitment to reduce greenhouse gas (GHG) emissions by 8% between 2021 and 2030 compared to Business-as-Usual (BAU) levels using domestic resources, and up to 25% conditional on receiving international support. The Action Plan to Implement the Paris Agreement on Climate Change is outlined in Decision 2053/QD-TTg dated 28 October 2016, and includes activities for adaptation and mitigation in the agricultural sector.

The commitment to reduce agricultural GHG emissions has also been affirmed in recent decisions. In 2017, MARD issued Decision No. 932/QD-BNN-KH approving the **Green Growth Action Plan of the agriculture and rural development sector for the period 2016-2020**. This plan outlines ten prioritised tasks and policy measures to reduce GHG by 20% in 2020, compared with the BAU scenario. Key activities include applying: organic farming; efficient use of agricultural inputs; short duration, high quality rice varieties; water saving practices (AWD); climate smart agriculture (CSA) practices; integrated crop management practices to reduce GHG emissions from rice and crop production; and enhancing animal feed mixing and animal waste (biogas) and crop residues management to reduce CH<sub>4</sub> and other GHG emissions. The recent laws on Crop Production and Animal Husbandry (OECD, 2019<sub>[1]</sub>) also identify a role for research and development in helping the sector to adapt to climate change and mitigate greenhouse gas emissions from the sector.

### ***Domestic policy developments in 2019-20***

On support to **agricultural sector and rural development**, in December 2018 MARD issued a list of 13 key national products, which includes rice, coffee, rubber, cashews, pepper, tea, vegetables and fruits, cassava and products thereof, pig meat, poultry meat and eggs (Circular No. 37/2018/TT-BNNPTNT).<sup>6</sup> The 13 national products are eligible for preferential support measures offered under Decree No. 57/2018/ND-CP on incentive policies to encourage enterprises to invest in agriculture and rural areas. Preferential support measures include exemptions from or reductions in land or water surface rents; preferential credit; support for the transfer and the application of high-technology in agriculture, human resources training, and market development and promotion activities; and support for investments in facilities and equipment for processing or preserving agricultural products (OECD, 2019<sub>[1]</sub>).

In 2019, the government continued to implement policies to support agricultural sector and rural development and the restructuring of agricultural production to improve competitiveness, increase value-added and promote sustainable development. In July 2019, the Government issued Resolution No. 53/NQ-CP on measures to encourage and facilitate businesses to invest in agriculture in an effective, safe and sustainable manner. The resolution sets out the vision to 2030 for the primary agriculture and agricultural processing sectors, and directs ministries and the people's committees of provinces and cities to continue

to implement policies to encourage enterprises to invest in the agricultural sector and rural areas, including policies to facilitate access to credit, the agricultural insurance programme, and preferential support measures for enterprises (OECD, 2019<sup>[1]</sup>).<sup>7</sup>

Also on agricultural sector and rural development, the government issued a Decree that defines the conditions for establishing, organising, operating and terminating the operations of co-operative groups (Decree No. 77/2019/ND-CP). According to the new Decree, co-operative groups are not legal entities and are established on the basis of a co-operative contract. They can be established by two voluntary founders, which can be either Vietnamese individuals or entities. Members can contribute capital in the form of assets or in-kind contributions as determined through mutual agreement of the members. The new regulations continue to allow co-operative groups to operate as independent economic entities.

On **risk management**, the government increased funding for agricultural insurance and issued Decree No. 22/2019/QD-TTg on the implementation of policies supporting agricultural insurance. The agricultural insurance programme was announced in 2018 (OECD, 2019<sup>[1]</sup>). Individuals engaged in rice, cattle and aquaculture production in specified provinces and centrally run cities<sup>8</sup> receive subsidies for insurance premiums of up to 90% for those classified as being in or near poverty,<sup>9</sup> and up to 20% for all others. Enterprises that apply high technologies in large-scale agricultural production shall receive subsidies for insurance premiums of up to 20%. The types of events supported by insurance include natural disasters, animal diseases and plant pests (as determined by the competent state agencies). The subsidy is available from June 2019 until the end of 2020.

On **natural disasters**, the government issued Decree No. 83/2019/ND-CP, amending conditions for the setting up and management of natural disaster prevention and control funds, including for agriculture. The Decree increases the maximum public funding available for investments in natural disaster prevention and control, and for relief and assistance in overcoming the consequences of natural disasters, from VND 1 billion to VND 3 billion (USD 43 154 to USD 129 463) per project. Eligible projects include repairs to irrigation dykes, embankments and culverts.

On **land use**, in July 2019 the government issued a Decree revising the registration procedure that applies when paddy land is converted from rice to another crop (Decree No. 62/2019/ND-CP). The Decree specifies the maximum time to be taken in processing the registration.

On **agricultural regulation**, in 2018 MARD approved a Circular outlining the process for importing and exporting agricultural plant varieties, forestry plant varieties, genetically modified (GM) varieties, animal breeds, import of agrochemicals and procedures for plant quarantine, including requirements for pest risk analysis before importing into Viet Nam (Circular No. 43/2018/TT-BNNPTNT). In April 2019 the government banned the use of glyphosate, removing glyphosate-based herbicides from the list of pesticides that are allowed to be used in Viet Nam (Decision No. 1186/2019/QD-BNN-BVTV). In December 2019, MARD approved a circular outlining the procedures for inspecting organic products and certifying conformity to national standards for organic agriculture (Circular No. 16/2019/TT-BNNPTNT).

On **animal welfare**, the 2018 Law on Animal Husbandry came into force on 1 January 2020 (Law No. 32/2018/QH14). The law stipulates the humane treatment of livestock for the first time, including: provision of suitable housing for breeding and raising livestock; and provision of adequate feed and water that meets acceptable hygiene standards. The Law also stipulates the humane treatment of livestock during transport and at slaughter facilities.

On **climate change**, the government is updating several key documents that form the basis of current climate change policies for the agricultural and rural development sector. In 2020, MARD will issue a Decision to update the action plan to adapt to and mitigate climate change in the agricultural sector for the period 2021-30, with a vision to 2050. The updated action plan will set out the priorities for the sector to respond to climate change and foster green growth, and update the lists of key projects and sector-specific strategies for addressing climate change, in order to better target public investment projects related to

climate change.<sup>10</sup> Also in 2020, MARD will issue a Decision approving its plan to implement the Paris Agreement on Climate Change for the period 2021-30. The draft decision sets out the tasks for the sector to implement the government's action plan to implement the Paris Agreement on Climate Change,<sup>11</sup> while ensuring the growth rate of the agricultural sector; the restructuring of agricultural production to improve competitiveness, increase value-added and promote sustainable development; and accomplishing the objectives of the National Target Programme for New Rural Development. Finally, in 2019 MARD evaluated the implementation of the Green Growth Action Plan of the agriculture and rural development sector for the period 2016-20,<sup>12</sup> and will issue a Decision in 2020 promulgating the green growth criteria for sector.

### **Trade policy developments in 2019-20**

On 30 June 2019, the **European Union and Viet Nam** signed a bilateral free trade agreement, the EU-Vietnam Free Trade Agreement (FTA). The agreement is pending the approval of the Vietnamese National Assembly after the European Parliament ratified the agreement in February 2020. The agreement includes improved market access for Vietnamese agricultural commodities with the progressive reduction of duties over a maximum period of seven years. Viet Nam has agreed to progressively eliminate duties for EU food products over a period of ten years, including for chicken, dairy, beef, wine, spirits, chocolates, pastas, apples, wheat, and olive oil. At the end of the implementation period, an average tariff of 1.1% is to apply to agricultural goods originating in Viet Nam and 2.1% to processed agricultural products. The average tariff for EU agricultural exports is to decline to 2.6%. Viet Nam has agreed to recognise and protect the Geographical Indications (GIs) of 169 European food and drink products, at a comparable level to that of EU legislation. Vietnamese GIs are also recognised as such in the European Union, and the agreement allows new GIs to be added in the future.

On 26 June 2019, the Ministry of Industry and Trade issued a Circular regulating the tariff quota for imports of dried tobacco leaves and rice originating from Cambodia in 2019 and 2020 (Circular No. 08/2019/TT-BCT). The Circular is in force from 12 August 2019 until 31 December 2020. According to the new Circular, the quota on rice from Cambodia in 2019 is 300 000 tonnes per year and the quota for dried tobacco leaves is 300 000 tonnes per year.

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- OECD (2019), "Viet Nam", in *Agricultural Policy Monitoring and Evaluation 2019*, OECD Publishing, Paris, <https://dx.doi.org/10.1787/8ecdbfd5-en>. [1]
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## Notes

<sup>1</sup> AMIS Market Monitor No. 77– April 2020; FAO Food And Agriculture Policy Decision Analysis Tool (FAPDA), <http://www.fao.org/in-action/fapda/tool/index.html#main.html>.

<sup>2</sup> Decree 41/2020/ND-CP extending tax and land rent payment deadlines.

<sup>3</sup> Direct payments to protect and develop land for rice production were increased in 2016 in line with Decree No. 35/2015/ND-CP on the management and use of land for rice cultivation.

<sup>4</sup> Wet-paddy farming land is defined as land currently under wet-paddy cultivation or having the conditions for growing two or more wet-paddy crops a year; other paddy farming land is defined as land for growing only one wet-paddy crop a year and land for growing upland rice. Approximately 95% of current paddy land meets the wet-paddy land definition (OECD, 2015<sup>[2]</sup>).

<sup>5</sup> Decree No. 107/2018/ND-CP on rice export business.

<sup>6</sup> National products are set out in Circular No. 37/2018/TT-BNNPTNT. The full list of products is: rice, coffee, rubber, cashews, pepper, tea, vegetables and fruits, cassava and products thereof, pig meat, poultry meat and eggs, pangasius (a type of freshwater fish), shrimp, and wood and products thereof.

<sup>7</sup> Decree No. 116/2018/ND-CP on credit policies for agricultural and rural development and solutions of the banking industry; Decree No. 58/2018/ND-CP on agricultural insurance; and Decree No. 57/2018/ND-CP on incentive policies to encourage enterprises to invest in agriculture and rural areas.

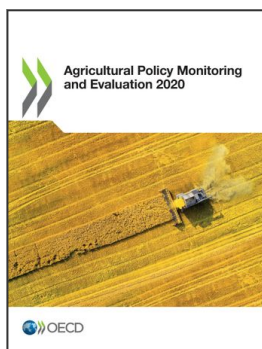
<sup>8</sup> For rice, in the provinces of Thai Binh, Nam Dinh, Nghe An, Ha Tinh, Binh Thuan, An Giang and Dong Thap. For cattle, in the provinces and centrally run cities of Ha Giang, Vinh Phuc, Hanoi, Thanh Hoa, Nghe An, Binh Dinh, Dong Nai and Binh Duong.

<sup>9</sup> Defined in Decision No. 59/2015/QD-TTG promulgating the multidimensional poverty levels applicable during 2016-20.

<sup>10</sup> Relative to Decision No. 819/QD-BNN-KHCN approving the action plan to respond to climate change in the agricultural and rural development sector in the period 2016-20 and vision to 2050.

<sup>11</sup> Decision No. 2053/QD-TTg on the Action Plan to Implement the Paris Agreement on Climate Change.

<sup>12</sup> Decision No. 932/QD-BNN-KH approving the Green Growth Action Plan of the agriculture and rural development sector for the period 2016-20.



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