

Chapter 28. Viet Nam

Support to agriculture

The overall level of support provided to Viet Nam's agriculture sector fluctuates at low and negative levels, largely driven by changes in market price support (MPS). In 2016-18, Viet Nam's producer support estimate (PSE) was negative at -5.9%. 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 expenditure 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 2018, Viet Nam issued a number of policies to support agricultural sector and rural development, including Decree No. 57/2018/ND-CP on incentive policies to encourage enterprises to invest in agriculture and rural areas, and Decree No. 98/2018/ND-CP on policies to encourage farming households, co-operatives and enterprises to develop value chain linkages in the production and sale of agricultural products. The policies encourage agricultural restructuring through the use of high technology in agricultural production, and co-operation between farming households, co-operatives and enterprises, including to develop large-scale production areas.

Crop and livestock producers will receive subsidies for insurance premiums of up to 20%, and up to 90% for producers classified as being in or near poverty. Enterprises that apply high technologies in large-scale agricultural production are eligible for insurance premium subsidies of up to 20%. The types of events supported by insurance include natural disasters, animal diseases and plant pests (Decree No. 58/2018/ND-CP).

The Government amended the credit policy for agricultural and rural development, doubling the loan amount available to farming households and farm owners without collateral. Hi-tech agricultural enterprises can also access credit without providing collateral, up to 70% of the project value (Decree No. 116/2018/ND-CP).

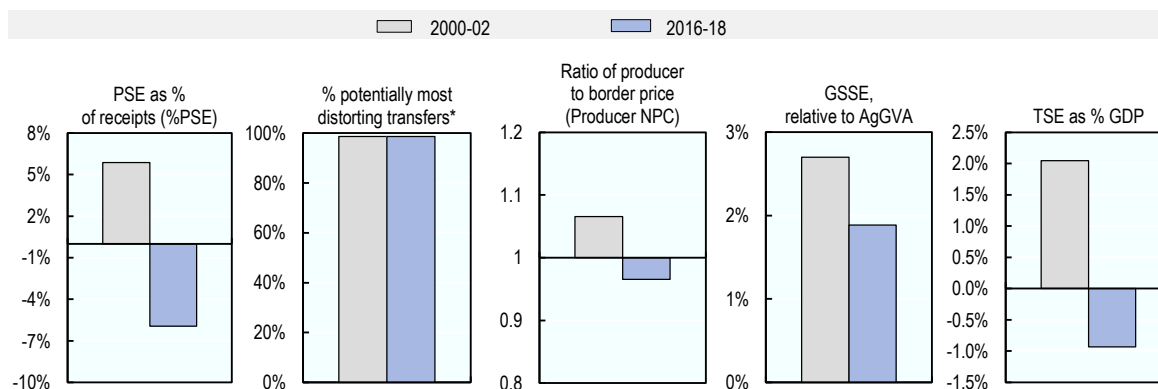
The government also relaxed business conditions for rice exporters. Decree No. 107/2018/ND-CP halves the volume of rice that traders must hold on reserve. The new Decree also removes the requirement that traders own warehouses for at least 5 000 tonnes

and processing capacity of at least 10 tonnes per hour to be eligible to export rice. Instead, traders must have at least one storage and one milling facility that meet national standards and regulations, which can be owned or leased.

Assessment and recommendations

- Viet Nam's deeper integration into the global economy, including through trade agreements such as the Comprehensive and Progressive Agreement for a Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (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 within preferential trade agreements, and will require domestic producers to meet stringent food hygiene, safety and technical standards of 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 further 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.

Figure 28.1. Viet Nam: Development of support to agriculture



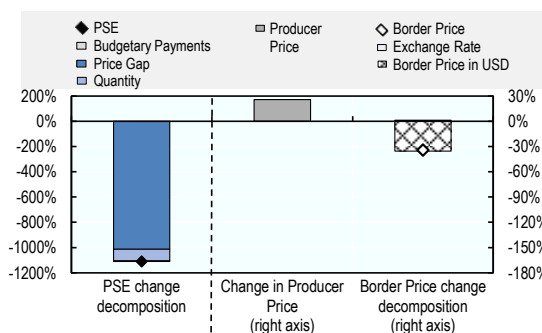
Note: * Share of potentially most distorting transfers in cumulated gross producer transfers.

Source: OECD (2019^[1]), "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 -5.9% in 2016-18, 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 28.1). Expenditures for general services (GSSE), which focus largely on irrigation systems, were equivalent to 1.9% of agricultural value added in 2016-18, among the lowest across countries covered by this report, and down from 2.7% in 2000-02. Total support to agriculture varies between positive and negative values. The PSE declined significantly (i.e. became more negative) in 2018, as negative price gaps widened, most significantly for rice (Figure 28.2). On average during 2016-18, effective prices received by farmers (including output payments) were 3% 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, coffee, tea and rubber are implicitly taxed (Figure 28.3).

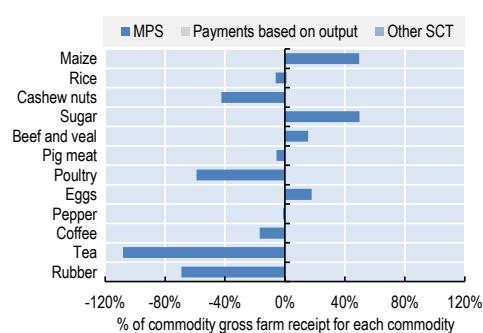
Figure 28.2. Viet Nam: Drivers of the change in PSE, 2017 to 2018



Source: OECD (2019^[1]), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.

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Figure 28.3. Viet Nam: Transfer to specific commodities (SCT), 2016-18



Source: OECD (2019^[1]), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>.

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Table 28.1. Viet Nam: Estimates of support to agriculture

Million USD					
	2000-02	2016-18	2016	2017	2018p
Total value of production (at farm gate)	8 570	43 055	41 406	42 948	44 810
<i>of which: share of MPS commodities (%)</i>	82.3	66.6	69.5	65.9	64.4
Total value of consumption (at farm gate)	7 483	39 149	38 509	37 497	41 440
Producer Support Estimate (PSE)	518	-2 562	-2 066	-434	-5 185
Support based on commodity output	396	-2 915	-2 488	-765	-5 493
Market Price Support ¹	396	-2 915	-2 488	-765	-5 493
Positive Market Price Support	926	2 029	1 929	2 637	1 521
Negative Market Price Support	-530	-4 945	-4 417	-3 402	-7 014
Payments based on output	0	0	0	0	0
Payments based on input use	101	259	326	237	215
Based on variable input use	101	259	325	237	215
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	94	96	94	92
Based on Receipts / Income	0	0	0	0	0
Based on Area planted / Animal numbers	0	94	96	94	92
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
Percentage PSE (%)	5.9	-5.9	-4.9	-1.0	-11.5
Producer NPC (coeff.)	1.07	0.97	0.97	1.00	0.90
Producer NAC (coeff.)	1.06	0.94	0.95	0.99	0.90
General Services Support Estimate (GSSE)	206	614	677	592	572
Agricultural knowledge and innovation system	23	87	83	89	91
Inspection and control	4	3	3	3	3
Development and maintenance of infrastructure	173	468	543	445	415
Marketing and promotion	1	1	1	1	1
Cost of public stockholding	5	54	46	53	62
Miscellaneous	0	0	0	0	0
Percentage GSSE (% of TSE)	28.7	..	..	..	..
Consumer Support Estimate (CSE)	-605	-790	-1 979	-2 252	1 861
Transfers to producers from consumers	-604	453	-12	-1 457	2 827
Other transfers from consumers	-22	-1 748	-2 764	-1 213	-1 268
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	22	505	796	418	301
Percentage CSE (%)	-8.0	-2.0	-5.1	-6.0	4.5
Consumer NPC (coeff.)	1.09	1.03	1.08	1.08	0.96
Consumer NAC (coeff.)	1.09	1.02	1.05	1.06	0.96
Total Support Estimate (TSE)	724	-1 948	-1 389	158	-4 613
Transfers from consumers	626	1 295	2 776	2 670	-1 560
Transfers from taxpayers	120	-1 495	-1 401	-1 299	-1 786
Budget revenues	-22	-1 748	-2 764	-1 213	-1 268
Percentage TSE (% of GDP)	2.0	-0.9	-0.7	0.1	-2.2
Total Budgetary Support Estimate (TBSE)	328	967	1 099	923	880
Percentage TBSE (% of GDP)	0.9	0.5	0.5	0.4	0.4
GDP deflator (2000-02=100)	100	375	368	383	..
Exchange rate (national currency per USD)	15 000.33	22 701.33	22 365.42	22 715.36	23 023.21

.. 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 (2019), "Producer and Consumer Support Estimates", *OECD Agriculture statistics* (database). doi: <http://dx.doi.org/10.1787/agr-psedata-en>

Contextual information

Viet Nam is a mid-size country in terms of area, and its population of 96 million makes it the 15th 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 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 for the domestic market, in particular pig meat. Nevertheless, crops dominate with rice accounting for around 35% of the value of agricultural production. Agricultural production more than tripled in volume terms between 1990 and 2016. 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 41% of the labour force.

Table 28.2. Viet Nam: Contextual indicators

	Viet Nam		International comparison	
	1995*	2017*	1995*	2017*
Economic context	Share in total of all countries			
GDP (billion USD in PPPs)	107	647	0.4%	0.6%
Population (million)	75	96	2.0%	2.0%
Land area (thousand km ²)	310	310	0.4%	0.4%
Agricultural area (AA) (thousand ha)	7 079	12 178	0.2%	0.4%
	All countries¹			
Population density (inhabitants/km ²)	243	308	48	60
GDP per capita (USD in PPPs)	1 425	6 776	7 642	21 231
Trade as % of GDP	46	87	9.9	14.7
Agriculture in the economy	All countries¹			
Agriculture in GDP (%)	27.2	15.3	3.3	3.5
Agriculture share in employment (%)	70.6	40.9	-	-
Agro-food exports (% of total exports)	15.8	9.5	8.1	7.5
Agro-food imports (% of total imports)	6.0	9.5	7.4	6.6
Characteristics of the agricultural sector	All countries¹			
Crop in total agricultural production (%)	80	67	-	-
Livestock in total agricultural production (%)	20	33	-	-
Share of arable land in AA (%)	76	57	33	34

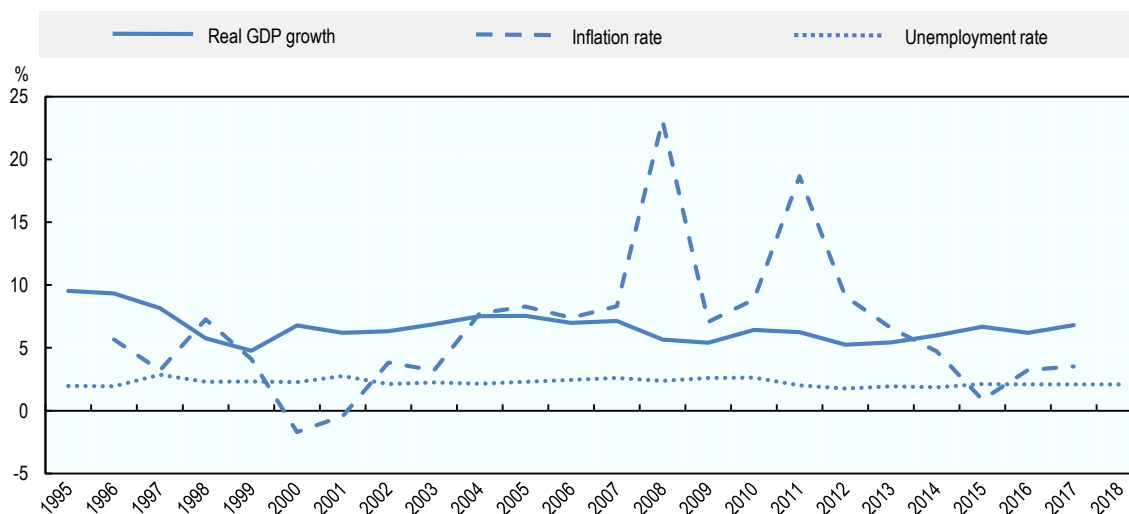
Note: *or closest available year. 1. Average of all countries covered in this report. EU treated as one.

Source: OECD statistical databases; UN Comtrade; World Bank, WDI and national data.

The agro-food sector is 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.

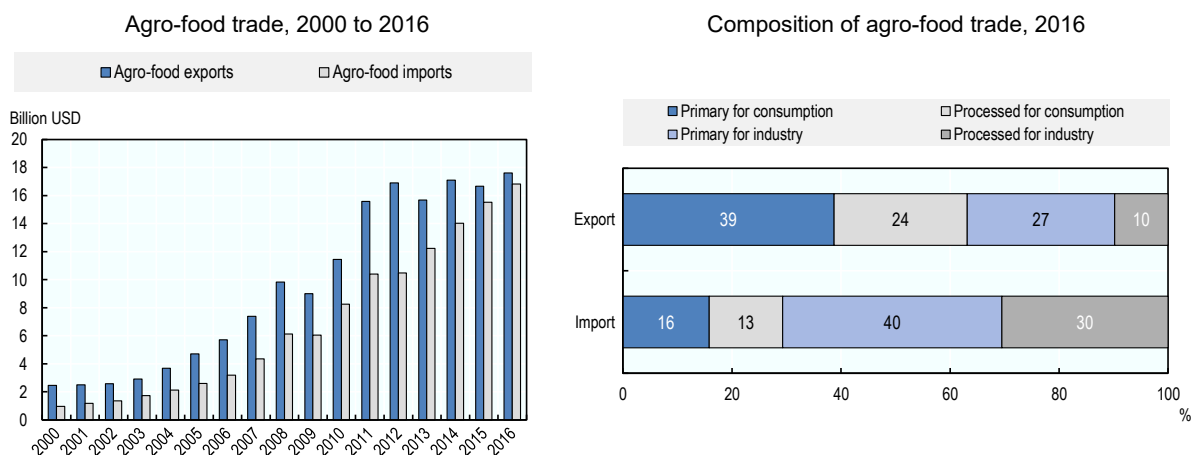
Figure 28.4. Viet Nam: Main economic indicators, 1995 to 2018



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

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Figure 28.5. Viet Nam: Agro-food trade



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

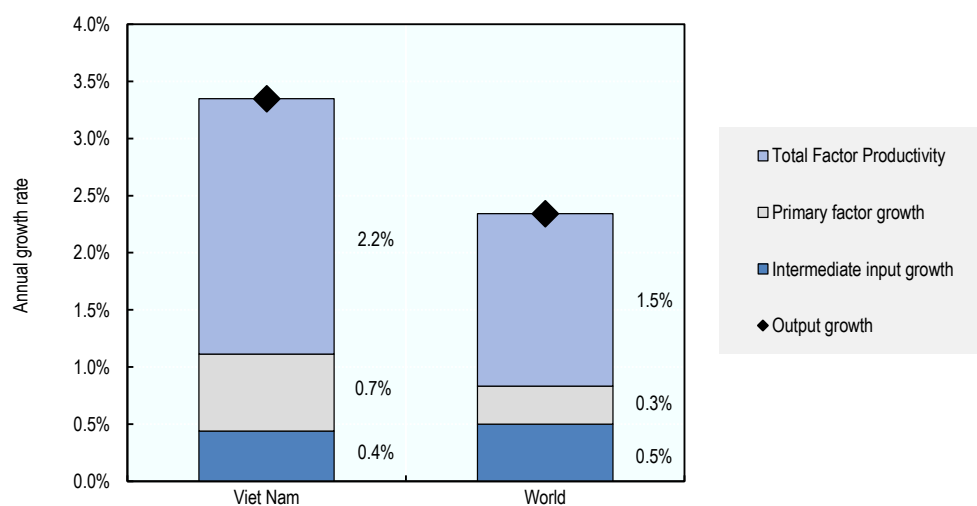
Source: UN Comtrade Database.

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Agricultural production increased by 3.3% per year on average between 2006 and 2015, driven by total factor productivity growth of 2.2% per year and greater use of primary factors and intermediate inputs. However, agriculture places significant and growing pressure on natural resources. The sector accounts for almost a third of Viet Nam's greenhouse gas emissions. Excessive use of fertilisers, pesticides and other chemicals has

contributed to a gradual degradation of water and land quality. In addition to climate change, excessive use of inputs poses a significant risk to agricultural production and the capacity of the sector to maintain strong rates of productivity and output growth.

Figure 28.6. Viet Nam: Composition of agricultural output growth, 2006-15



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

Source: USDA Economic Research Service Agricultural Productivity database.

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Table 28.3. Viet Nam: Productivity and environmental indicators

	Viet Nam		International comparison	
	1991-2000	2006-2015	1991-2000	2006-2015
	World			
TFP annual growth rate (%)	2.3%	2.2%	1.6%	1.5%
	OECD average			
Environmental indicators	1995*	2017*	1995*	2017*
Nitrogen balance, kg/ha ¹	143.9	150.0	33.2	30.0
Phosphorus balance, kg/ha ¹	24.6	31.5	3.7	2.3
Agriculture share of total energy use (%)	1.9	1.1	1.9	2.0
Agriculture share of GHG emissions (%)	62.1	29.2	8.5	8.9
Share of irrigated land in AA (%)	..	..	-	-
Share of agriculture in water abstractions (%)	..	..	45.4	42.5
Water stress indicator	..	..	9.7	9.7

Note: * or closest available year. 1. Preliminary data.

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

Description of policy developments

Main policy instruments

Market price support (MPS) is the dominant form of support provided to Vietnamese producers, with border protection being the main tool used to support prices. MPS 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 are paid 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 which vary between regions and crop season with the objective of providing farmers with a profit of 30% above production cost.

Budgetary transfers 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 ha in paddy rice production has been provided since 2012. In 2016, **direct payments** for rice growers were doubled to VND 1 million (USD 44)/ha/year for land under wet paddy cultivation, and increased fivefold to VND 500 000 (USD 22)/ha/year for other rice land, except upland fields not under paddy land-use plans.¹ The decree also provides support for land reclamation for rice cultivation at VND 10 million (USD 440)/ha/year, except for upland fields, and VND 5 million (USD 220)/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, and land transfers and exchanges.

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 16.4% in 2017, compared with a simple average bound tariff on agricultural products of 19.1%. 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 Association of Southeast Asian Nations (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.

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/QD-BCT, which had stipulated strict conditions for becoming a rice exporter.

Viet Nam implements **trade liberalisation** through multilateral, regional and bilateral trade agreements. It is a member of the WTO, 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 (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 ha 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 Contribution (NDC) 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 2016-20**. 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 CH₄ and other GHG emissions.

Domestic policy developments in 2018-19

In 2018, Viet Nam promulgated a number of policies to support **agricultural sector and rural development** and the restructuring of agricultural production to improve competitiveness, increase value-added and promote sustainable development. The different policies offer a range of incentives to attract private investment into agriculture and rural areas, with a particular emphasis on promoting the application of high technology in agricultural production and on encouraging co-operation between farming households, co-operatives and enterprises, including to increase the scale of production by developing large-scale production areas.

Under Decree No. 57/2018/ND-CP on incentive policies to encourage enterprises to invest in agriculture and rural areas, enterprises with eligible agricultural projects are offered a range of 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.

The government also issued a decree on policies to encourage farming households, co-operatives and enterprises to develop linkages in the production and sale of agricultural products, with the aims of increasing production efficiency and the quality of agricultural products (Decree No. 98/2018/ND-CP). The types of linkages supported include joint investments by farmers, agricultural co-operatives and enterprises in the production and processing of agricultural products, and linkages between different stages of the value chain, including to supply inputs, purchase agricultural products or undertake production activities (e.g. land preparation and, harvesting). The Decree provides support for the organisation developing the linkage project, including support to hire consultants. A given linkage project may also receive support to invest in machinery, equipment and infrastructural facilities serving the linkage, as well as subsidies for agricultural extension and training, and for plant varieties, livestock breeds, packaging and labels.

Also on agricultural sector and rural development, the government approved the scheme for developing 15 000 efficient co-operatives and unions of co-operatives (Decision No. 461/2018/QD-TTg). The scheme aims to maintain, strengthen and improve the operating efficiency of existing agricultural co-operatives; promote the application of high technology by co-operatives; and establish an additional 5 200 agricultural co-operatives. To support co-operative development, the government will continue to support the innovation and development of co-operatives under the 2012 Law on Co-Operatives, including through training managers. The government will also continue to review and modify policy mechanisms for supporting co-operatives.

The government also issued a series of amendments to the **credit policy** for agricultural and rural development (Decree No. 116/2018/ND-CP). The amendments more clearly identify who is allowed to take up loans, and expand available credit limits. In particular, farming households, co-operative groups and other organisations that are not legal entities can access loans from credit institutions. The Decree also removes the requirement that farm owners – farming households operating above a defined minimum scale and level of sales – must have a farm economy certificate from competent authorities. The Decree doubles the loan amount available without collateral to farming households and farm

owners. Hi-tech agricultural enterprises, including enterprises without a hi-tech agribusiness certificate but having hi-tech agribusiness plans or projects, can access credit without providing collateral, up to 70% of the project value.

The Government continued to implement the National Target Program for New Rural Development for the period 2016-20. The government issued Decision No. 490/2018/QD-TTg approving the “One Commune, One Product” programme for the 2018-20 period. The programme aims to develop typical agricultural and non-agricultural products and services in each commune. The total cost of implementing the programme is estimated at VND 45 000 billion (USD 1.95 million), mainly sourced from capital mobilised by the private sector, loans from credit institutions and international organisations. The government’s role is to take the form of: planning production areas; managing and supervising product quality standards; and providing support for education, training, technical advice, the application of science and technology, branding, trade and product promotion, and credit.

On **risk management**, the government issued Decree No. 58/2018/ND-CP on agricultural insurance, which regulates the types of events supported by agricultural insurance and the level of support. Individuals engaged in crop (rice, rubber, pepper, cashew, coffee, fruit trees and vegetables), livestock (buffaloes, cows, pigs and poultry) and aquaculture production will receive subsidies for insurance premiums of up to 90% for those classified as being in or near poverty, 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).

Viet Nam issued the Law on Crop Production 2018 (Law No. 31/2018/QH14) and the Law on Animal Husbandry 2018 (Law No. 32/2018/QH14). So far, Viet Nam has promulgated seven laws in the field of agriculture and rural development, the others being the Laws on Irrigation (2017), Forestry (2017), Fishery (2017), Animal Health (2015) and Plant Protection and Quarantine (2013).

In May, the government issued a Decree that supports the development of **small-scale and on-farm irrigation** (Decree No. 77/2018/ND-CP). The Decree provides support for investments in and the construction of water storage facilities; advanced and water-saving irrigation systems; and electric pumping stations, culverts and solid canals.

In August, the government issued Decree No. 109/2018/ND-CP on **organic agriculture**. The Decree establishes the principles of organic agriculture and provides support to enterprises producing organic agricultural products. This includes priority in accessing support provided through investment promotion policies for agriculture and rural areas, as well as funding for science and agricultural extension. Eligible enterprises are required to verify that they meet technical standards of organic production, which can be national standards, international standards, regional standards and foreign standards, including labelling requirements.

Trade policy developments in 2018-19

Viet Nam ratified the **Comprehensive and Progressive Agreement for a Trans-Pacific Partnership** (CPTPP) on 12 November 2018. The agreement came into force on 30 November following ratification by Australia on 31 October 2018 (the 6th nation to ratify). The agreement entered into force for Viet Nam on 14 January 2019. In July 2018, the European Union and Viet Nam agreed on final texts for the **European Union-Vietnam**

Free Trade Agreement (FTA) and the European Union-Vietnam Investment Protection Agreement (IPA). The European Union-Vietnam FTA is expected to be signed and take effect in 2019.

Starting in January 2018, Viet Nam lowered or removed its import tariffs on oilseed and oilseed products, in line with provisions in a number of regional and bilateral free trade agreements. Countries or country groups benefitting from the tariff adjustments include: ASEAN, **Australia, Chile, China, EAEU, India, Japan, Korea and New Zealand** (FAO, 2019^[2])

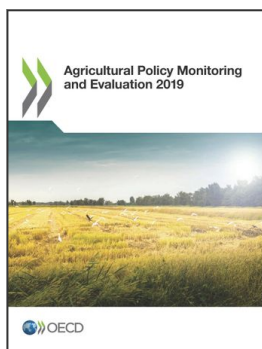
In August, the government **relaxed conditions on rice exports** (Decree No. 107/2018/ND-CP). Decree No. 107 repeals an earlier decree (Decree No. 109/2010/ND-CP) that stipulated provisions to determine minimum export prices and required traders to: own warehouses for at least 5 000 tonnes and processing capacity of at least 10 tonnes per hour, register export contracts with the Viet Nam Food Association, and maintain rice reserves equivalent to 10% of the volume shipped in the preceding six months (FAO, 2019^[2]). Under the new Decree, 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. Traders exporting organic, parboiled and multi-micronutrient fortified rice are not bound by these conditions, nor will they be required to acquire export certificates.

Note

¹ 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^[3]).

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