

CHAPTER 16 FOOD, AGRI AND AQUA BUSINESS SECTOR

OVERVIEW

In 2019, the Food, Agri and Aqua Business sector members, especially for those who primarily deal with meat-related and livestock farming-related business, had experienced a challenging year due to the pork supply shortage and ASF situation in Vietnam. Encouragingly, many agricultural products have seen an increase in exports¹ even if tougher times may come. At the same time, it was obvious that increasing integration² of the economy and climate change consequences made this transforming sector even more vulnerable.³ We, therefore, noted that a new Law on Animal Husbandry⁴ will be added to the existing legal framework on cultivation, fisheries and forestry.⁵ Vietnam has now four laws on its primary industries.⁶

The path to a safe and sustainable food production and supply sector is challenging, as the past pig crisis and the exposure to imports on raw materials has shown.⁷ Therefore, the Sector Committee strongly believes that restructuring is particularly important.⁸ Fluctuations increase the sector's difficulties to restructure as farmers and producers are not able to take risks due to the lack of visibility and market regulation.⁹ Those elements may lead to shortages, if external events impact the global production like the outbreak of African Swine Fever.¹⁰ In 2017, the industry responded to the Government appeal to save the swine sector but it helped only in the short-term. A truly sustainable organisation of the agricultural market must be implemented - based on good practices - in order to limit the effects of market volatility and Vietnam's huge exposure to global trade. This organisation should be global as we have experienced in the past that troubles in a given sector and short-term measures had huge consequences on substitution products.¹¹

Dependence on China for export - the growth rate of fruit and vegetable exports reached an average of over 70 per cent each year during the period of 2014-2017 - is one of the main causes of problems in agricultural products, which seems to slow down in 2018 till now.¹²

Previously, Vietnamese enterprises encountered obstacles such as export/import tariffs and quarantine requirements when exporting to neighbouring countries. These obstacles, combined with a lack of information, resulted in the use of unofficial import and export channels, despite greater risks and huge consequences such as the swine sector crisis. The integration process within the global economy must be the channel to make exchanges official, traceable and controlled. The upcoming EU-Vietnam Free Trade Agreement must, in its implementation, be an example of quickly removing barriers between the two partners enabling them both to enjoy growth in exchanges.¹³

- 1 "VN Must Work Hard to Meet Export Targets," *Vietnamnews.vn*. Available at: <<http://vietnamnews.vn/economy/451878/vn-must-work-hard-to-meet-export-targets.html>>, last accessed on 8 December 2019.
- 2 "VN Is the Most Globalised Populous Economy," *Vietnamnews.vn*. Available at: <<http://vietnamnews.vn/economy/468143/vn-is-the-most-globalised-populous-economy.html>>, last accessed on 8 December 2019.
- 3 "UN Climate Change Report Launched in Việt Nam," *Vietnamnews.vn*. Available at: <<http://vietnamnews.vn/environment/climate-change/467591/un-climate-change-report-launched-in-viet-nam.html>>, last accessed on 8 December 2019.
- 4 Law 32/2018/QH14 dated 19 November 2019 of the National Assembly on Animal Husbandry.
- 5 Law 31/2018/QH14 dated 19 November 2018 of National Assembly on Plant varieties and Cultivation promulgated; Law 18/2017/QH14 21 November 2017 of the National Assembly on Fisheries and Law on Forestry. Law 16/2017/QH14 dated 15 November 2019 of the National Assembly on Forestry.
- 6 "New Law on Animal Husbandry Promises Progress," *Vietnamnews.vn*. Available at: <<http://vietnamnews.vn/opinion/480879/new-law-on-animal-husbandry-promises-progress.html>>, last accessed 8 December 2019.
- 7 "VN to Import 300,000 Tonnes of Raw Cashew," *Vietnamnews.vn*, available at: <<http://vietnamnews.vn/economy/468066/vn-to-import-300000-tonnes-of-raw-cashew.html>>, last accessed on 8 December 2019.
- 8 "VN Needs Nat'l Framework for Safe Pork," *Vietnamnews.vn*, available at: <<http://vietnamnews.vn/society/468456/vn-needs-natl-framework-for-safe-pork.h>>, last accessed 8 December 2019.
- 9 "Pork Prices Expected to Rise Further," *Vietnamnews.vn*, available at: <<http://vietnamnews.vn/economy/469233/pork-prices-expected-to-rise-further.html>>, last accessed 8 December 2019.
- 10 "Pork Shortage Likely to Happen in Vietnam Because of ASF," *SGGP English Edition*, October 28, 2018, available at: <<http://sggpnews.org.vn/content/NzU1NDA=.html>>, last accessed 8 December 2019.
- 11 "VCSC - Công Ty Cổ Phần Chứng Khoán Bản Việt," *VCSC*. Available at: <<https://www.vcsc.com.vn/tin-chi-tiet/pig-farmer-rescue-campaign-hits-chicken-breeders/150415>>, last accessed on 8 December 2019.
- 12 "Growth of Exports to China Slows Down," *Vietnamnews.vn*. Available at: <<http://vietnamnews.vn/economy/463815/growth-of-exports-to-china-slows-down.html>>, last accessed on 8 December 2019.
- 13 "Legal Review for Việt Nam-EU FTA Concludes," *Vietnamnews.vn*. Available at: <<http://vietnamnews.vn/economy/450582/legal-review-for-viet-nam-eu-fta-concludes.html>>, last accessed on 8 December 2019.

In our view, this should be an opportunity to increase the food safety level of the country which is increasing, albeit slowly, leading to the same discussions especially as we approach the Lunar New Year holidays.¹⁴ Indeed, we acknowledge many positive initiatives - including the World Bank report¹⁵ - but nationwide progress should be encouraged under a centralised body. We developed this subject in the past editions of the WhiteBook, and we strongly believe that this “centralised food safety agency” can be the cornerstone of a safe and sustainable agribusiness sector in coordination with industry initiatives¹⁶ through public-private schemes. Recently, it was stated that improving food safety standards and levels can avoid huge productivity losses - estimated at US\$700 million each year - due to contaminated food.¹⁷

Under the Vietnamese Government’s strategic agenda on embracing Industry 4.0, accelerating the digital transformation of all industries, including Agriculture, our Sector Committee would like to share some views about precision production systems. For years, global production was done using trial and error, receiving advice through wise observations and multiple studies, allowing the sector to make huge progress. Many revolutions took place replacing human by animal labour and then, quite recently, machines. Those revolutions led, step-by-step, to an increase in the size of the production units. Nowadays, we are entering a new revolution of “Agriculture 4.0”, through the adoption of new technologies including positioning systems, smart sensors but also IT application, combined with high-tech machinery. Agriculture 4.0 is a highly dynamic and rapidly evolving concept and will offer great improvements in a short space of time. Agriculture 4.0 will be a success only for those actors who understand its value and it is essential to consider information sharing as a way of acting. The innovations that will last over time and that will really impact this revolution are those that will not forget the human being and that will promote the reconciliation between human work and the data it generates. So far, some weaknesses have been identified for Vietnam to overcome, in order to take full advantage of those dramatic changes.¹⁸ It also implies that farmers and producers have quick access to new and innovative products and knowledge. Those two matters will be addressed in section I (traceability) and II (registration process) of this chapter.

The control of goods entering in Vietnam is understood as every country wants to protect its population from unqualified and unknown products. In the past, tariffs and quotas were usually used to organise this control, but as the world continues to shift towards a more open global economy, non-explicit trade barriers are becoming more common. We recognise this is a major concern for Vietnam’s application of administrative regulations and procedures in trade management due to the reasons below:

- (i) Vietnam has been actively participating in 16 Free Trade Agreements aiming to promote trade and competitive advantages;
- (ii) The application of Vietnam’s regulations and administrative procedures in the agricultural sector is to comply with international practices and commitments with trading partners.

The yellow card recently given to Vietnam by the EU for not demonstrating sufficient progress in the fight against Illegal, Unreported and Unregulated (IUU) fishing worldwide will also likely have an impact on exports. This subject is still currently under scrutiny¹⁹ and the Vietnamese Government, both at central and provincial levels, has made efforts to address the EU’s recommendations.²⁰

14 “Dirty’ Food Needs to Be Controlled When T t Approaches,” *Vietnamnews.vn*. Available at: <<http://vietnamnews.vn/society/481405/dirty-food-needs-to-be-controlled-when-tet-approaches.htm>>, last accessed on 6 December 2019.

15 “Management of food safety risks in Viet Nam: Challenges and Opportunities,” *One Health*. Available at: <<http://onehealth.org.vn/management-of-food-safety-risks-in-viet-nam-challenges-and-opportunities.new.>>, last accessed on 8 December 2019.

16 “New Vietnam Food Centre Seeks to Improve Traceability, Safety and Standards in Wake of Recent Concerns,” *Navigator Asia*. Available at: <<https://www.foodnavigator-asia.com/Article/2018/06/04/New-Vietnam-food-centre-seeks-to-improve-traceability-safety-and-standards-in-wake-of-recent-concerns.>>, last accessed on 10 December 2019.

17 “IFC Works up Vietnam’s Appetite for Food Safety Standards,” *Vietnam Investment Review - VIR*, December 9, 2018. Available at: <<https://www.vir.com.vn/ifc-works-up-vietnams-appetite-for-food-safety-standards-64432.html>> last accessed on 8 December 2019.

18 “Vietnam Unprepared for Imminent 4th Industrial Revolution: Experts - VnExpress International,” *VnExpress International – Latest news, business, travel and analysis from Vietnam*, available at: <<https://e.vnexpress.net/news/business/vietnam-unprepared-for-imminent-4th-industrial-revolution-experts-3728896.html>>, last accessed on 8 December 2019.

19 “European Commission to Review Yellow Card against Vietnamese Fisheries in Early 2019,” *Vietnamnews.vn*, available at: <<http://vietnamnews.vn/politics-laws/450637/european-commission-to-review-yellow-card-against-vietnamese-fisheries-in-early-2019.html>>, last accessed 8 December 2019.

20 “Vi t Nam Takes Action to Remove EC Yellow Card on Fisheries,” *Vietnamnews.vn*, available at: <<http://vietnamnews.vn/politics-laws/463178/viet-nam-takes-action-to-remove-ec-yellow-card-on-fisheries.html>>, last accessed on 8 December 2019.



Another issue, already mentioned briefly in the 2017 Whitebook, is Antimicrobial Resistance (AMR), caused by the irresponsible use of antibiotics, which in Vietnam is already one of the highest in the world.²¹

The opening up of several ‘difficult’ markets such as Japan and Australia prove that it is possible for Vietnam to comply with high-level food safety requirements.²² In our view, the Government should use these successes to show farmers and producers the benefits of improving standards as this will increase the competitiveness of Vietnamese products as well as open up more markets, especially the EU. We share the view of the Vietnam Association of Seafood Exporters and Producers that improving quality and ensuring food safety is the best way to increase exports.²³ However, while the focus on increasing exports is important, our Sector Committee believes the long-term focus should be on prioritising the transformation of the domestic agricultural sector to be stronger and more self-sufficient. This should include upgrading, diversification, developing high-end products and improving food safety through compliance with international standards. Transforming the sector along these lines would help it to export more.

To further increase quality and address issues of food safety, traceability is a solution that should be further developed.²⁴ We also believe that it is important that current regulations are reviewed and that a value agricultural and food production and supply chain is created. This includes developing new market opportunities, reducing AMR and the sector’s dependence on imported materials.²⁵ In our view, cooperation and coordination of the various parts of the sector is key to its success in domestic and foreign markets, and that is what should be focused on.

We also wish to stress the importance of developing a sustainable sector that provides farmers with a stable income and reduces its carbon footprint while meeting consumer demands. For example, farmers need to become more business-minded. Today, farmers often react impulsively when choosing what to grow and do not look for buyers or gather market intelligence before deciding on products.²⁶ Farmers also need to learn what products they should use to increase yields, but which use less water and other natural resources while keeping the soil fertile. This can be done by creating trust and developing agricultural extension groups and veterinary services. Our Sector Committee shares the view of Prime Minister Nguyen Xuan Phuc that the size of land plots needs to be increased and high-tech needs to be applied, alongside more investment and better policies.²⁷

Hereafter, some of these issues are addressed in more detail by the Food, Agri and Aqua Sector Committee (FAABS).

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- 21 “Vietnam Tracks Multi-Drug Resistant Bacteria | Division of Global Health Protection | Global Health | CDC,” March 20, 2018, available at: <<https://www.cdc.gov/globalhealth/healthprotection/fieldupdates/winter-2017/vietnam-tracks-bacteria.html>>, last accessed on 8 December 2019.
- 22 M. Long, “Vietnam exports processed chicken to Japan”, *VOV World*, 20 September 2017. Available at <vovworld.vn/en-US/current-affairs/vietnam-exports-processed-chicken-to-japan-577933.vov>, last accessed on 22 November 2019; M. Van, “Vietnam the first permitted to export dragon fruit to Australia”, *VN Economic Times*, 29 August 2017. Available at <vneconomicstimes.com/article/vietnam-today/vietnam-the-first-permitted-to-export-dragon-fruit-to-australia>, last accessed on 22 November 2019.
- 23 B. Chau, “Seafood Exports Maintain Growth Momentum”, *Vietnam Chamber of Commerce and Industry*, 04 November 2016. Available at: <www.vccinews.com/news_detail.asp?news_id=34095>, last accessed on 8 December 2019.
- 24 WhiteBook 2016, Chapter 11 (I): “Food Safety – importance of traceability and legal enforcement” p. 80.
- 25 “Policies hinder trading of local agricultural products”, *Vietnam News*, 22 June 2017. Available at <vietnamnews.vn/economy/378730/policies-hinders-trading-of-local-agricultural-products.html> last accessed on 22 November 2019; “Vietnamese agriculture improves quality for exports”, *Voice of Vietnam*, 24 June 2017. Available at <english.vov.vn/economy/vietnamese-agriculture-improves-quality-for-exports-352245.vov> last accessed on 22 November 2019; “Weakness in Vietnam’s agricultural supply chains”, *Vietnam Net*, 6 May 2017. Available at <english.vietnamnet.vn/fms/business/177731/weakness-in-vietnam-s-agricultural-supply-chains.html>, last accessed on 22 November 2019; T. Dung, “Vietnam seeks to export pork”, *Saigon Times International*, 22 October 2017. Available at <english.thesaigontimes.vn/56697/Vietnam-seeks-to-export-pork.html>, last accessed on 22 November 2019.
- 26 “Farmers switch to pepper as coffee prices fall”, *Vietnam News*, 28 May 2016. Available at <vietnamnews.vn/economy/297419/farmers-switch-to-pepper-as-coffee-prices-fall.html>, last accessed on 22 November 2019; “Vietnam’s pepper export revenue loses spice due to oversupply”, *VN Express*, 26 June 2017. Available at <e.vnexpress.net/news/business/vietnam-s-pepper-export-revenue-loses-spice-due-to-oversupply-3605029.html>, last accessed on 22 November 2019.
- 27 “PM points out shortcomings in agriculture production”, *VN Express*, 27 June 2017. Available at <english.thesaigontimes.vn/54693/PM-points-out-shortcomings-in-agricultural-production.html>, last accessed on 22 November 2019.

I. DEVELOPING A SUSTAINABLE FUTURE FOR AGRICULTURE, FOOD SAFETY AND FOOD SECURITY

1. A call for rational and adapted use of antibiotics in livestock and aquaculture production in Vietnam

Relevant Authorities: Ministry of Agriculture and Rural Development (MARD)

Issue description

Antimicrobial Usage (AMU) in Agriculture should be regulated in the global scope of reducing Antimicrobial Resistance (AMR). The World Health Organisation²⁸ indicated that Vietnam is among the countries that, in recent years, have witnessed a growing threat of AMR, brought about by the irrational use of antibiotics at all levels of the health care system, in aquaculture and livestock production and in the community. Because of AMR, a growing number of common infections, such as pneumonia, urinary tract infections, tuberculosis and food-borne illness are becoming harder and sometimes impossible to treat.

Several countries, such as India and China, recently banned colistin²⁹ for use in food for animals, particularly after the *mcr-1* gene, which confers resistance to colistin, was detected in food samples.

In recent years we have seen a great improvement in antibiotic use regulation in animal farming in Vietnam and we are very pleased that the most recent livestock regulations mention the ban of antibiotics as growth promoters in complete feed. However, major improvements can still be made in terms of field farm practices.

Indeed, recent studies in Vietnam have found that antimicrobials are still predominantly used to prevent rather than to treat infections in poultry and pig production systems.³⁰ Additionally, it has been reported that AMU in chicken production in the Mekong Delta is approximately six times greater than in many European countries. This high prevalence of antimicrobial residue was also related to high levels of multi-drug resistance (58.9 per cent) on isolated non-typhoidal Salmonella (NTS).

Potential gains/concerns for Vietnam

Firstly, the antibiotics product selling system in Vietnam has been described³¹ and veterinary drug shops have been identified as the main source of supply and advice on antimicrobials for animal use. Moreover, antimicrobials can be legally and easily purchased without prescription by anyone from any of the ~12,000 veterinary drug shops across the country, raising concerns about what extent the ease of access and affordability contributes to excessive use or misuse of antimicrobial products in animal production.

Secondly, deficiencies in quality and labelling contents of antimicrobial products have been identified. A recent survey³² realised in the Mekong Delta shows that 65 per cent of the products investigated had an indication for 'prophylactic use' on the label (normally followed by a list of bacterial diseases). This labelling openly conflicts with the animal health authorities' efforts to discourage routine use of antimicrobials to prevent disease and sends a 'wrong' message to farmers. This study also shows that withdrawal times for both meat and eggs were stated in only 40 per cent of products. Worryingly, over half (55.9 per cent) of these products contained at least one antibiotic of critical importance (highest priority) according to the WHO (i.e., colistin, quinolones, and macrolides).

28 "Antimicrobial resistance", *World Health Organization*. Available at <https://www.who.int/vietnam/health-topics/antimicrobial-resistance> accessed on 10 January, 2020, last accessed on 8 December 2019.

29 The European Agency for the Evaluation of Medicinal Products Veterinary Medicines and Inspections, committee for veterinary medicinal products: "Colistin is a cyclicopeptide antibiotic produced by cultures of *Bacillus polymyxa* var. *colistinus*. It belongs to the polymyxin therapeutic class and is identical to Polymyxin E. Colistin is used for the prevention and treatment of diseases caused by sensitive bacteria in rabbits, pigs, poultry, cattle, sheep and goats. It is used in poultry producing eggs for human consumption and cattle, sheep and goats producing milk for human consumption."

30 Assessing antimicrobial misuse in small-scale chicken farms in Vietnam from an observational study, Choisy et al. *BMC Veterinary Research* (2019). Available at: <https://bmcvetres.biomedcentral.com/articles/10.1186/s12917-019-1947-0>, last accessed 10 December 2019

31 Phu, D.H.; Giao, V.T.Q.; Truong, D.B.; Cuong, N.V.; Kiet, B.T.; Hien, V.B.; Thwaites, G.; Rushton, J.; Carrique-Mas, Veterinary Drug Shops as Main Sources of Supply and Advice on Antimicrobials for Animal Use in the Mekong Delta of Vietnam, 25 October 2019. Available at <https://doi.org/10.3390/antibiotics8040195>, last accessed 8 December 2019

32 Yen NTP, Phu DH, Van Cuong N, et al, Labelling and quality of antimicrobial products used in chicken flocks in the Mekong Delta of Vietnam. *Vet Med Sci*. 2019;5:512–516. Available at <https://doi.org/10.1002/vms3.189>, last accessed 8 December 2019

Recommendations

We, therefore, recommend that Government authorities enhance the regulation and inspection of antimicrobial product labelling, crucially removing the indication for prophylactic use. In all cases, products should indicate withdrawal times for meat, eggs and milk. It would be desirable to limit the access to antimicrobials of critical importance for human health for veterinary use. As a first step, we highly recommend banning colistin, and therefore the development of policies aimed at this should be a priority as well as action for awareness rising among farmer.

2. Towards a ban of azodicarbonamide in the food industry

 Relevant Authorities: Ministry of Health (MOH), Ministry of Industry and Trade (MOIT)

Issue description

Potassium Bromate ban enforcement since 2015 provides positive results

Potassium bromate (e924) has been banned since 2015 in Vietnam and has, as such, been removed from the positive list of food additives. The enforcement of this law took a few more years as it was difficult to identify the use of the additive in the baking industry, which was also not a prominent industry for many years.

According to Official Letter 62/ATTP-SP of the Vietnam Food Administration³³, the Vietnamese authorities managed to enforce the ban, offering a cleaner working environment to the bakery workers, and ultimately offering a better image of the local bakery industry to the region.

The local industry did not suffer any loss of jobs or consumption. In fact, the ban proved that Vietnam's bakery industry could adapt to stricter regulations when justified and explained to its main stakeholders. As a result, the bakery industry of Vietnam saw an increase of its export and is now more often considered for regional supplies of breads in different forms.

Potassium Bromate has been replaced by Azodicarbonamide (ADA / e927a)

After the enforcement of the ban on Potassium Bromate, several local producers of bread improvers started using Azodicarbonamide as a replacement. These bread improvers are mainly consumed by craft bakeries (representing a large majority of the local production of bread), mainly for its "price per kilo" benefit.

Despite being banned in many countries such as EU Member States, most of ASEAN, Australia New Zealand and India; Vietnam has included ADA (e927a) in its positive list, enabling manufacturers and importers to register bread improvers containing this additive. To this day, only local manufacturers offer formulas containing ADA, serving only the craft segment, where food safety is less of a concern, and where "branding" of the bread produced is not a priority.

All major bread producers, for example: industrials, in-store bakeries in supermarkets, and other bakery chains, ban ADA from their recipes, in order to protect their brand, as no "branded" product wishes to be associated with an additive that remains highly controversial.

ADA remains, to this day, in the list of additives from the Codex Alimentarius (Codex). The annual meeting of Codex is to be held in March 2020, and ADA's "review" has been submitted as a priority topic for the 2020 session.

ADA's threat to human health remains under study, but most countries have banned it as a matter of prevention. With Codex's decision to review it, which could take several years before coming to any scientific conclusion, the Sector Committee would strongly advise Vietnam to join the community of countries that have decided not to allow its usage in food applications.

Referring to the positive list of food additive currently in use in the Vietnamese food law, we believe Azodicarbonamide (e927a) should be removed and banned, in order to upgrade the bakery industry of the

33 Official Letter 62/ATTP-SP dated 13 January 2015 of Vietnam Food Administration, Ministry of Health regarding banning Kali Bromate for using in food.

country. EuroCham FAABS would be happy to exchange further with Vietnam Food Administrative and MOIT for this topic and relevant scientific background.

Potential gains/concerns for Vietnam

A ban on ADA would show, once again, that Vietnam's bakery industry is on a par with the major bread producers when it comes to food safety. It would bring Vietnam even further up on the list of countries to be selected for production and outsourcing, at a time where many players are asking for competitive options to supply bread, such as frozen bread for instance, to be exported. Countries such as Japan, Korea, China, Singapore, the UAE, the USA or even Europe are showing a growing interest in good quality breads at competitive prices, which Vietnam is able to produce. However, again, food safety concerns may slow our development on this matter, as some standards (expected in many countries) are not fully respected by the local industry.

From a local point of view, local manufacturers of improvers will adapt, as alternatives exist (e300 – ascorbic acid for example), and respecting higher standards of food safety will enable them to exist internationally, with potential opportunities for export.

Local bakeries will not even see their costs rise, knowing that alternatives to ADA can also be cost effective, especially if produced locally.

That will also enable foreign players of the bakery ingredients industry to consider Vietnam as a base to produce locally and supply not only Vietnam, but the region. With Vietnam's market currently being "spoiled" by ADA, other neighbouring countries in the region are preferred for regional investment in bakery ingredients. A ban on ADA could change this, and trigger reconsideration for local investments.

Recommendations

- FAABS would like to recommend ADA is banned from the positive list, ensuring it completely disappears from the market;
- Should the Vietnam Food Administration decide to maintain ADA as part of the positive list, its usage should be regulated, enabling consumers to be aware of what is being used. As Codex Alimentarius today considers ADA as an additive, it also recommends specific "limits" in terms of dosage, for example. Many countries that still allow ADA usage in bakeries impose a maximum dosage (and enforce a control on locally manufactured and imported products), and impose specific markings on products containing ADA (on the front of the packaging of the bread improver, and on the bread packaging, for example), so that bakers and consumers are not mistaken when purchasing a product.
- Whether a ban or stricter regulation is implemented, a transition period would need to be applied in order to enable local manufacturers and bakers to adjust prior to the law's enforcement. Such a transition was implemented successfully by the Vietnam Food Administration when the Potassium Bromate ban was enforced, therefore, the same transition can easily be repeated for ADA.

II. A CALL FOR RATIONAL AND ADAPTED USE OF PESTICIDES IN FRUIT AND VEGETABLE PRODUCTION IN VIETNAM AND DEVELOPMENT OF THE ORGANIC SECTOR.

Relevant Authorities: Ministry of Agriculture and Rural Development (MARD), Plant Protection Department (PPD)

Issue description

All consumers are worried about their health. Demonstrations are made in Vietnam that most of fruits and vegetables contain a lot of chemicals, especially molecules of pesticides. Legislation on pesticides is becoming stricter and stricter in all countries around the world. It is urgent to follow suit in order to expand the export of fruits, fruit by-products and vegetables from Vietnam. More than 600 molecules of pesticides are identified in the

fruits and vegetables sector. Many of them are already prohibited in many countries such as carbendazim, but still present in most citrus and other fruit in the country.

In parallel, the threat of climate change will affect (and affects already) many regions in Vietnam, especially the two main Deltas. This model of agriculture which uses a lot of pesticides (and other chemicals), called “productivism” (high yield, low cost), has shown its dark side in many countries with deforestation and the destruction of the landscape; pollution of the rivers and ground water with chemical fertilizers; the extinction of insects and birds (especially the bees for pollination); the development of cancer, especially for the farming population, and the low quality of agriculture products. One of the solutions is to launch organic products with strong traceability. Organic agriculture has three dimensions—social, economic, and environmental—and these three dimensions can improve food security.

Many countries have already changed their model of agriculture and are on the right track to achieve this. They have decided to shift from “productivism” to “sustainable” agriculture, mainly with organic products. Looking at global figures, between 2000 and 2015 the number of organic farms has multiplied by 10 times to cover more than 43 million ha worldwide. Meanwhile, the surface of organic land has multiplied by 4 times, and the highest global demand for organic products is for fruits and vegetables.³⁴

Potential gains/concerns for Vietnam

In Vietnam, the market has drastically changed. A recent survey (2018) in Hanoi and Ho Chi Minh City shows that food safety is a growing concern for many Vietnamese people. Meanwhile, organic food awareness, interest and images are interesting to 80 per cent of consumers, and 32 per cent people consume organic food more often than once/week.³⁵ The top motivation for purchasing organic food is its safety for health reasons, followed by its eco-friendliness. Lastly, up to 95 per cent are willing to pay higher prices for safer food. The most accepted food price increases are between 10 and 20 per cent.

The global demand for organic products is growing very fast. North America is the largest market for organic fruits and vegetables, followed by Europe and Asia-Pacific. The growing market share of organic products around the world is a great opportunity for agricultural producers to shift their agriculture from conventional to organic systems. Therefore, we believe that the EU and USA could be markets with strong potential for Vietnam to export organic produce.

As Vietnam is composed of millions of small farmers, growing in an organic way can bring more revenues for farmers (10 to 20 per cent more) on the same land surface.³⁶ The image of fruits and vegetables from Vietnam will be also considerably improved everywhere with the objective to become a “quality origin” country.

Recommendations

We recommend continuing to tighten the management of plant protection from the stages of registration, production, trading, transportation to use; introducing the laws and regulations regarding organic production and products and, at the same time, not registering highly-toxic plant protection as well as eliminating plant protection that are likely to affect human health, the environment and ecology; promoting the development of biological crop protection products towards organic agriculture serving domestic consumers and exports.

34 “The World of Organic Agriculture- Statistics and Emerging Trends 2019”, *FIBL and IFOAM Organics International*. Available at : <<https://shop.fibl.org/CHen/mwdownloads/download/link/id/1202/?ref=1>>, last accessed on 8 December 2019

35 “The Vietnam urban food consumption and expenditure study, Factsheet 7: Urban Vietnamese consumers’ concerns about diet, nutrition and food safety- updated 29 March 2018”, *The Centre for Global Food and Resources – The University of Adelaide – Australia*. Available at <https://www.adelaide.edu.au/global-food/system/files/media/documents/2019-03/Urban_Consumer_Survey_Factsheet_07.pdf> last accessed on 20 January, 2020.

36 The cost of organic food, consumer report, March 19, 2015, available at: <<https://www.consumerreports.org/cro/news/2015/03/cost-of-organic-food/index.htm>> last accessed on 20 January, 2020; Investigating Retail Price Premiums for Organic Food, *United States Department of Agriculture*, 24 May, 2016 available at: <<https://www.ers.usda.gov/amber-waves/2016/may/investigating-retail-price-premiums-for-organic-foods/>>, last accessed on 19 December 2019.

III. A GOLDEN OPPORTUNITY TO RESTRUCTURE THE LIVESTOCK FARMING INDUSTRY LINKING TO DEMAND: AN AGRO-FOOD POLICY

Relevant Authorities: Ministry of Agriculture and Rural Development (MARD)

Issue description

The ASF outbreak in Vietnam has been causing considerable adverse effects to the livestock industry and challenges in Government management. Twenty-five per cent of the country's total pig herd could be lost to the ASF by year's end.³⁷ As a direct consequence, demand for feed from the hog industry has fallen about 20 to 25 per cent; pig feed production and respective trading activities regarding feed ingredients such as corn in Vietnam are expected to fall. The poultry sector has softened the blow for the pig feed and farming sector with consumption of other meat going up.³⁸ However, this shift in protein demand will also cause trouble for livestock planning overall as production shift from pig to poultry cannot happen overnight and will become increasingly difficult at the large-scale farming level. Furthermore, Vietnam's October 2019 consumer price index has reached a three-year high in the context of depressing pork supplies towards the end of 2019 and the beginning of 2020³⁹. We, therefore, note that an unfavourable impact to the pig farming industry, with pork being the key type of meat in Vietnam, would also deliver an unwanted situation for the poultry industry, feed ingredients trading activities, and Government's annual target.

The Law on Animal Husbandry 2018 regulates breeding activities, rights and obligations of organisations and individuals in livestock activities, national management of breeding with 8 chapters and 83 articles. The law is also regulated to be effective from the 1st of January 2020. However, the master plan of Vietnam agriculture is only to 2020, with the vision to 2030, with the accompanying Decision 124/QĐ-TTg, dated 2 February 2012.⁴⁰ So, our committee believes that it would be the best time to have the updated master plan of Vietnam agriculture to 2030 following the 2018 livestock law. The Minister of Agriculture and Rural Development, Mr. Nguyen Xuan Cuong, also stressed the importance of forming strong connectivity between production and demand. At the same time, Vietnam's agriculture sector will also be subjected to agricultural restructuring and the production of key products at national, provincial, and communal levels to meet future target of export.⁴¹ Both the Law on Animal Husbandry 2018 and the direction of the Minister of Agriculture and Rural Development pose an interesting question about how the total domestic consumption and future export potential can be identified and forecasted accurately so that planning can be performed accordingly. The Sector Committee notes that the connectivity between production and demand, stated by the MARD Minister, is an innovative approach which helps to minimise risks amid future challenges. In planning for 2030, there should be a review of the current situation and an assessment of how the ASF outbreak in China has affected both Vietnamese production and trade activities. The incremental growth of cross-border export from Vietnam to China and the rising official export volume from other countries to China causes concern for Vietnam's local supply and import activities.⁴² This challenge of managing the total pig and pork supply in Vietnam indicates that national planning for both total supply and demand must consider different global scenarios regarding trading activities.

Potential gains/concerns for Vietnam

The understanding of the protein consumption landscape of Vietnam is vital to understand both in the long term, for planning purposes, and in short term, given the temporary switch in protein consumption when there is a shortage of supply or consumption impact from a disease. It is important to create a necessary buffer in

37 "African swine fever: China's pig population may drop by 55%," *CNBC*. Available at: <<https://www.cnbc.com/2019/10/03/african-swine-fever-chinas-pig-population-may-drop-by-55percent.html>>, last accessed on 2 October 2019.

38 "Vietnam's corn demand for pork feed falls on African swine fever," *Vietnamnews.vn*. Available at <<https://www.spglobal.com/platts/en/market-insights/latest-news/agriculture/090919-vietnams-corn-demand-for-pork-feed-falls-on-african-swine-fever>> last accessed 9 September 2019

39 "October's CPI reaches three-year high," *Vietnamnews.vn*. Available at <<https://vietnamnews.vn/economy/537623/octobers-cpi-reaches-three-year-high.html#pEdcxuvCSo3LaJYp.97>> last accessed on 30 October 2019.

40 Decision 124/QĐ-TTg dated 2 February 2012 of Prime Minister Nguyen Tan Dung approving the master plan of production development of agriculture to 2020 and a vision toward 2030.

41 "Vietnam seeks to boost agricultural production, consumption," *Vietnamnews.vn*. Available at: <<https://en.vietnamplus.vn/vietnam-seeks-to-boost-agricultural-production-consumption/147739.vnp>> last accessed on 8 December, 2018,

42 "Increasing pork prices in China a magnet for Vietnamese traders," *Vnexpress.net*. Available at < <https://e.vnexpress.net/news/business/industries/increasing-pork-prices-in-china-a-magnet-for-vietnamese-traders-3979439.html>>, last accessed on 9 September 2019.

terms of planning for types of protein so that the market could re-adjust as required. Cross-border export and import activities are also part of the puzzle to view the supply and demand in Vietnam. Live-weight pig exports to China, mostly a cross-border activity, were cancelled and pig farming experienced problems as supply exceeded demand. As a result, farmers have been reporting losses during 2017 and half of 2018.⁴³ The cross-border activities of export and import must be considered together with official declared activities so that supply and demand can be inspected from a holistic perspective. Finally, a review of global trade activities and what is the role of Vietnam as a country will help to decide both at a strategic level and tactical level in the upcoming context of the EVFTA.

Recommendations

FAABS proposes a three-phase approach for livestock planning linked to demand:

- Phase 1: Understand and forecast total demand, import and export activities, namely: The total protein consumption landscape in Vietnam; cross-border export and import activities in Vietnam; export potential; import planning; and global trade activities landscape.
- Phase 2: Consider the livestock sector's long-term targets when restructuring the planning, including but not limited to traceability, food safety and standards, and improving the living standards of farmers.
- Phase 3: Build the 2030 livestock plan considering all integrated sub-sectors into a national agro-food policy.

The new national agro-food policy must cover all the sub-sectors that are important to Vietnam's food security including rice, fisheries, livestock, crops, high-value agriculture, agro-based industry and agro tourism. This completed and futuristic view about agribusiness and food will help to navigate through uncertainty and ensure better overall planning when there is a need to adjust or modify a specific sector, such as pig farming.

Many countries have successfully implemented a national agro food policy. The case study from Malaysia shows that the 2011 – 2020 policy has created great impacts toward the development of the agricultural sector in Malaysia and agriculture remains an important economic driver and contributes toward a developed nation. At the same time, key challenges were identified in a timely manner.⁴⁴

The view of our Sector Committee about food safety has been consistent throughout the development of Vietnam's agriculture industry. The issues that the Sector Committee has been addressing for the crop, livestock and aquaculture sector - among many others - are, in our opinion, best approached through a national food-agro policy. The policy considers not only the connectivity between production and demand but also the complex dynamic among rice, fisheries, livestock, crops, high-value agriculture, agro-based industry and agro tourism sectors. This will help Vietnam's agriculture to achieve the following objectives: Adequate food security and safety, a competitive and sustainable future, and increasing farmers' and agribusiness entrepreneurs' income.

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43 "The difficulties in reaching Vietnam's agricultural export target", *Vietnam Investment Review – VIR*. Available at: <<https://www.vir.com.vn/the-difficulties-in-reaching-vietnams-agricultural-export-target-56439.html>>, last accessed on 8 December 2019.

44 "Impacts of National Agrofood Policy towards Agriculture Sector in Malaysia," *Food and Fertilizer Technology Center for the Asian and Pacific Region*. Available at <http://ap.ffaftc.agnet.org/ap_db.php?id=853&print=1>, last accessed on 4 September 2019.