

CHAPTER 18 FOOD, AGRI AND AQUA BUSINESS

OVERVIEW

Stepping into 2024, Vietnam's agriculture sector has shown resilience amid global volatility. GDP of the entire sector is estimated to be at 3.83 per cent at the end of 2023 and the industry's export turnover reached over 53 billion USD.¹ This steady performance provides crucial food security and livelihoods, while also generating vital export revenue. However, continuous efforts are needed to boost productivity, sustainability and competitiveness, especially in 2024. Challenges remain, from climate change impacts to animal disease risks. But prudent policies have enabled agriculture to overcome immediate pressures, displaying tenacity despite global uncertainty.

There have been crucial government efforts such as Decision 300 of the Prime Minister approving the National Action Plan for sustainable food systems by 2030² and Decision 889 on strengthening animal disease control, have laid policy foundations for an innovative, climate-smart agriculture sector,³ and Decision 100, approves the scheme on the implementation, application and management of the traceability system, and defining the roadmap for promulgating standards and regulations.⁴ Nevertheless, fully realising the immense potential requires expanding this strategic vision into concrete programs, including training and education programs at all levels, investments and partnerships.

The recommendations in the following sections of this chapter aim to highlight key opportunities for elevating Vietnamese agriculture to the next level. Ideas are provided across dimensions like sustainable production practices, food safety standards, and innovative financing.

For instance, approaches like agroecology and organic production can improve quality and safety for domestic consumption and exports. Similarly, prudent antimicrobial use in animal production through a One Health approach will minimise risks and align with global best practices. Meanwhile, optimised financing options can provide the capital needed for critical investments into sustainability, technology and infrastructure upgrades. Incentives for working capital and Environment-Social-Governance (ESG) transitions will empower enterprises to embark on the modernization journey.

The resilience displayed in 2023 underscores Vietnamese agriculture's central role in national development. The ideas outlined in subsequent sections can help drive the sector forward to cement its strategic value and contribute even more robustly to Vietnam's continued growth and prosperity.

I. IMPLEMENTATION OF AGROECOLOGY AND ORGANIC PRODUCTION IN FRUITS AND VEGETABLES

Relevant authorities: Ministry of Agriculture and Rural Development (MARD), Ministry of Natural Resources and Environment (MONRE)

Issue description

Vietnam's agriculture sector is at a pivotal juncture. While conventional industrial farming has driven increased productivity, it relies heavily on external inputs like chemical fertilizers and pesticides. The resulting environmental impacts and risks to human health have sparked a global movement towards ecological sustainability. Agroecology

1 "Agricultural GDP grew at its highest level in many years", Quoc hoi TV, 25 December 2023. Available at: <<https://quochoitv.vn/amp/gdp-nganh-nong-nghiep-tang-truong-cao-nhat-trong-nhieu-nam-204249.htm>>, last accessed on 28 December 2023.

2 Decision 300/QĐ-TTg dated 28 March 2023 of the Prime Minister approving the National Action Plan for sustainable food systems by 2030 (Decision 300).

3 Decision 889/QĐ-TTg dated 25 July 2023 of the Prime Minister on approving the "National Plan to implement key tasks to strengthen capacity to manage and control animal diseases and ensure food safety of animal origin, period 2023 - 2030" (Decision 889).

4 Decision 100/QĐ-TTg dated 19 January 2019 of the Prime Minister approval of the project for implementation, application and management of the origin traceability system (Decision 100).

offers a promising alternative by applying nature's own principles to agriculture. As Vietnam looks to balance productivity gains with aligning to global quality standards, agroecology warrants consideration for its multiple benefits.

Agroecology emphasizes biodiversity, soil health, and synergies between plant and animal systems to optimize productivity. Techniques include crop rotation, intercropping, integrated pest management and zero budget natural farming. This reduces reliance on external synthetic inputs, thereby lowering costs and environmental footprints. Agroecology is well-suited for smallholder farmers, providing resilience against climate change through diversified production. Producing organically certified fruits, vegetables and commodities can also help Vietnamese farmers gain access to premium domestic and export markets.

Potential gains/concern for Vietnam

Transitioning to agroecology and biological approaches can pose some initial challenges. Yields may be lower compared to conventional intensive farming that uses synthetic fertilizers and pesticides. However, the long-term benefits include reduced input costs, improved safety and environmental sustainability.

In Vietnam, the small size of farms (averaging 2 hectares) presents difficulties for organic certification which can be expensive. Forming collaborative clusters and cooperatives allows groups of farmers to aggregate production and obtain a single organic certificate more feasibly. Many countries provide financial assistance for farmers transitioning to organic methods through grants, subsidized loans and certification cost-sharing.

While data is variable, some estimates suggest biological farming can achieve approximately 90 per cent of conventional yields.⁵ The 10 per cent yield gap can be mitigated over time by fine-tuning integrated farming systems. Robust research, training and policy support will be vital to smooth Vietnam's transition towards sustainable biological agriculture that uplifts farmer livelihoods while aligning with global quality and safety standards.

By comparison, the EU farmers are now abandoning step-by-step intensive agriculture (1 crop / large surface) to agroecology (smaller surface with many different crops and introduction of bio-diversity).

Recommendations

EuroCham's Food, Agri and Aqua Business Sector (FAABS) recommends the development of ambitious yet achievable targets:

- Encourage for the reduction of the use and risk of chemical pesticides. For example, the European Union proposed to aim to reduce the use and risk of chemical pesticides, as well as the use of the more hazardous pesticides, by 50 per cent by 2030 and to increase Organic farming total utilized agricultural area (UAA) from around 14.7 million hectares of agricultural land in the EU in 2020⁶ corresponding to 9.1 per cent to 25 per cent in 2023;⁷
- Furthermore, encourage the adoption of agroecology through increase of smaller-surface farming, intercropping, and crop-rotation;
- Incentivize the formation of collaborative clusters and cooperatives for ease of obtaining a single organic certificate;
- Provide financial assistance for farmers transitioning to organic methods;
- Increase effort and investment for research, training, and policy efforts for a smooth transition to agroecology; and
- Regarding molecules creating cross-contamination and hence potentially impacting food innocuity and

5 Ondrasek et al., "Land Resources in Organic Agriculture: Trends and Challenges in the Twenty-First Century from Global to Croatian Contexts", *Agronomy*, 2023, 13, 1544. Available at: <<https://doi.org/10.3390/agronomy13061544>>.

6 "EU's organic farming area reaches 14.7 million hectares", *Eurostat*, 22 February 2022. Available at <<https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20220222-1>>, last accessed on 23 September 2023.

7 "EU's organic farming area covered 15.9 million hectares", *Eurostat*, 22 June 2023. Available at: <<https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20230622-1>>, last accessed on 23 September 2023.

exports requirements, Vietnamese authorities could focus on some pesticides such as Cypermethrin, Permethrin, Acetamiprid, Mancozeb, and some more.

II. IMPLEMENTATION OF A ONE HEALTH APPROACH IN ANIMAL PRODUCTION

Relevant authorities: Ministry of Agriculture and Rural Development (MARD); Ministry of Health (MOH); Ministry of Natural Resources and Environment (MONRE)

Issue description

A renewed focus on food safety and discussions on how to ensure food safety is very important to take full benefits of the EVFTA. Indeed, European regulators require certain features such as no trace of antibiotics or forbidden substances. However, based on recent studies,⁸ annually in Viet Nam, it has been observed in animal production approximately 2751 tons of antimicrobials are used,⁹ ¹⁰ and the highest amount of antimicrobials are found in pigs and poultry.¹¹ Additionally, in the country, there are high levels of antimicrobial residues in food products and antimicrobial resistance in foodborne zoonotic pathogens (e.g. non-typhoidal Salmonella). Several surveys suggest that prophylactic use of antibiotics is not yet completely eliminated in Vietnam.¹² ¹³ The World Health Organization (WHO) considers that in the top 10 global health emergencies affecting humanity with antimicrobial resistance is one of them,¹⁴ and antimicrobial use in animal production is one of its key drivers.

FAABS and EuroCham acknowledge the great efforts and achievements of Vietnamese government through Decree 13 of the Government¹⁵ which set out the roadmap for a complete ban on certain types of antimicrobials for prophylactic use on the basis of human health importance according to the WHO and in young terrestrial animals by 2026.¹⁶

Potential gains/concerns for Vietnam

The recently issued regulations on antimicrobial use restrictions in livestock and aquaculture in Viet Nam place the country at the forefront of efforts countries in Southeast Asia. When its roadmap reaches its final stage in 2026, antimicrobial use restrictions in Vietnam will be the same as those of EU countries. We advocate for maximum compliance with these legislations and that these legislations should be reviewed and refined periodically. We trust that success on this feed & food safety topic will bring full benefits from the EVFTA by maximizing exportation and business collaboration with European countries.

Recommendations

We would like to reinforce some recommendations:

- To further disseminate the regulations and monitor compliance through the enhancement of stakeholders' understanding regarding antimicrobial veterinary products and their WHO category; understanding the risks associated with the prophylactic use; and understanding of the classification of farming enterprise based on

8 JJ.Carrique-Mas, "Restrictions on antimicrobial use in aquaculture and livestock", *World Health Organization*, Viet Nam, 2023. Available at: <<http://dx.doi.org/10.2471/BLT.22.289187>>.

9 JJ. Carrique-Mas, M. Choisy, N. Van Cuong, G. Thwaites, S. Baker, "An estimation of total antimicrobial usage in humans and animals in Vietnam", *Antimicrob Resist Infect Control*, 2020, 14;9(1):16. Available at: <<https://doi.org/10.1186/s13756-019-0671-7> PMID:31956405 4>.

10 LTT. Ha, C. Rueanghiran, NTH. Giang, DP. Thuy, DH. Phu, B. Tuan Kiet, et al., "Antimicrobial usage surveillance through sales at veterinary drug shops intended for livestock in Vietnam", *Front Sustain Food Syst.*, 2021;5:784500. Available at: <<https://doi.org/10.3389/fsufs.2021.784500>>.

11 NT. Nhung, NTB. Van, NV. Cuong, TTQ. Duong, TT. Nhat, TTT. Hang, et al., "Antimicrobial residues and resistance against critically important antimicrobials in non-typhoidal Salmonella from meat sold at wet markets and supermarkets in Vietnam", *Int J Food Microbiol*, 2018. Available at: <<https://doi.org/10.1016/j.jfoodmicro.2017.12.015>, PMID:29275223>.

12 Ibid.

13 Duc et al., «Knowledge, attitudes and practices of livestock and aquaculture producers regarding antimicrobial use and resistance in Vietnam.», 2019. Available at: <<https://pubmed.ncbi.nlm.nih.gov/31553776/>>.

14 Op cit, JJ. Carrique-Mas, 2023 "Restrictions on antimicrobial use in aquaculture and livestock, Viet Nam".

15 Decree 13/2020/ND-CP dated 21 January 2020 of the Government elaboration of the Law on Animal Husbandry (Decree 13).

16 Huong et al. "Antibiotics use in fish and shrimp farms in Vietnam", *Aquaculture report*, 2021. Available at: <<https://www.sciencedirect.com/science/article/pii/S2352513421001277?via%3Dihub>>.

livestock units;

- Ensure better compliance and monitor of regulations with the use of antimicrobial-containing products through labelling and impact assessment of antimicrobial use and resistance;
- It would be desirable for the government to engage with the food animal production industry, encourage harmonization of antimicrobial regulations, and monitor potential impacts on disease and production in the region; and
- Encourage the alternatives to antimicrobial disease treatments such as biosecurity, vaccination, use of alternative solutions such as probiotic, prebiotics or others nature-based solutions that are used for decades in Europe should be promoted.

III. FINANCING OPTIONS FOR THE SUSTAINABILITY DEVELOPMENT OF FOOD, AGRICULTURE AND AQUACULTURE SECTORS

Relevant authorities: Office of the Government (OOG), Ministry of Agriculture and Rural Development (MARD), Ministry of Industry and Trade (MOIT), Ministry of Natural Resources and Environment (MONRE)

Issue description

Companies in the agriculture and aquaculture sector have become more agile and sophisticated in how they manage their treasury activities, moving away from cash transactions to digital platforms. They are also looking at ways to further optimize their working capital. Agriculture is already an encouraged sector and the State Bank of Vietnam (SBV) has capped the VND short-term lending rate at 4.5 per cent.¹⁷ One of the key factors for corporates (both domestic and foreign companies) to further invest in this space will be reliant on further schemes or incentives from the Government to ease financing options in terms of lending rates to optimise working capital and fund their capital expenditure expansion plans. In a broader context, investment in sustainable agriculture can also experience the indirect effect of a large-scale policy such as the Power Development Plan VIII (PDP VIII). Such a policy will have a horizontal impact that will influence the decisions of enterprises to enter Vietnam for investment. Therefore, the implementation roadmap for financing options should take into consideration such policies and programmes for holistic and long-term development.

Another key area of focus in the near future will be around the ESG or Sustainability agenda Policies in Europe, for agriculture industry, are now focusing more on this concept through novel approaches such as the Carbon Border Adjustment Mechanism (CBAM) and EU Deforestation Regulations (EUDR). These policies are a part of policy ecosystem that will set a business environment that ushers businesses to adopt and adapt to higher standards in sustainability. In EUDR, European consumers will not consume any products that contribute to deforestation.¹⁸ Furthermore, these policies will not only influence those in the EU, but countries that do trade with the EU will have to meet the latter's requirements on sustainability.

Currently, in Vietnam, there is no concrete specific scheme or incentive from the Government to help corporates on their transition to net zero or to enhance their capabilities to meet international standards. The progress around ESG is still mixed. We see a lot of companies taking the ESG agenda seriously and are working towards their sustainability ambition with clear priorities and plans but we also see a lot of companies being reluctant to proceed due to the high initial operating cost involved in investing towards their ESG goals. A Government incentive scheme would encourage more companies to embark and partake in their ESG agenda more seriously, especially for the agriculture industry which is the foundation of Vietnam's economy.

17 "SBV adjusts key interest rates", *State Bank of Vietnam*, 16 June 2023. Available at: <https://www.sbv.gov.vn/webcenter/portal/en/home/sbv/news/Latestnews/Latestnews_chitiet?dDocName=SBV570041&p=4&_afrLoop=30418265732166023#%40%3F_afrLoop%3D30418265732166023%26centerWidth%3D80%2525%26dDocName%3DSBV570041%26leftWidth%3D20%2525%26p%3D4%26rightWidth%3D0%2525%26showFooter%3Dfalse%26showHeader%3Dfalse%26_adf.ctrl-state%3D17140poo8e_4>, last accessed on 14 September 2023.

18 "Deforestation-free products", *European Commission*. Available at: <https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en>, last accessed on 31 October 2023.

Potential gains and concern

Banks and other financial institutions along with the relevant Ministries need to keep educating corporates on the benefits of working capital as it helps their entire ecosystem right from suppliers to distributors to buyers to end customers, this will benefit the economy as a whole. More importantly, this will reduce the financing cost for corporates as well as mitigate risk in a more efficient way if more working capital financing options like supply chain finance or distributor finance compared to plain vanilla lending options are being used.

Regarding the ESG aspect, if there are no specific plans and incentives from the government, this can be a deterrent for many corporates to delay their ESG plans to a later date which is not great for the economy as a whole as Vietnam has a specific target to transition to net zero by 2050.

Recommendations

FAABS would like to recommend the following:

- Seminars to be conducted by the Ministries and financial institutions to educate corporates about the benefits of working capital;
- A subsidized ESG incentive scheme from the Government (similar to the subsidized scheme for the encouraged sector) is needed, this will boost/encourage companies to activate their ESG plans on transitioning towards net zero; and
- More effort in the development of policies that have interlinked impact is needed. For instance, a clear articulation of the PDP VIII implementation plan with specific timelines is in need as it'll benefit corporates in the agriculture and aquaculture sector as well.

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EuroCham Food, Agri and Aqua Business Sector Committee