

FOOD SECURITY SNAPSHOTS

Rice Sector Viet Nam



USAID
FROM THE AMERICAN PEOPLE



Produced by Mekong Institute
Supported by United States Agency for International Development

Rice in Viet Nam

Rice production in Viet Nam in recent years has continued to rise due to increased productivity per hectare as a result of the application of fertilizer, increased access to irrigation, and more productive rice varieties.

Sixty-seven percent of the population, composed mostly of small-scale rice farmers, live in the rural areas. **Rice is the main food staple**, accounting for one-fifth of total food expenses in rural areas and one-tenth in urban areas. **Rice spending is higher in low-income groups. Although Viet Nam is one of the largest exporters of rice, food security nonetheless remains an issue among selected groups and geographical areas.**

Over the years, agriculture's share of the GDP has fallen compared to services and industry.



Farmer-led and climate smart rice farming practices can boost productivity and improve quality

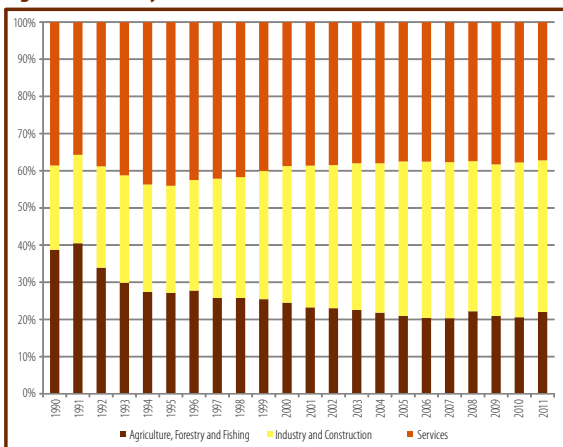
Table 1: Rice Statistics

	2010	2011	2012	2013
Rice Land (Thous. ha)	7,489.40	7,655.40	7,761.20	7,899.40
Number of farms	145,880.00	20,078.00	22,655.00	23,774.00
Yield (quintal/ha)	53.40	55.40	56.40	55.80
Production (Thous. tons)	40,005.60	42,398.50	43,737.80	44,076.10

Source: General Statistics Office

In 2008, world rice prices tripled within the span of a few months. This led to surges in domestic rice prices in many countries. Exporters restricted sales to the world market in order to protect their consumers from shortages. In Viet Nam, increasing world prices and exports drove the rice export price

Figure 1: Industry Share to GDP



Source: General Statistics Office of Vietnam

to \$1005/ton in June from \$389/ton in January 2008, which in turn increased domestic prices in April 2008 to an average of \$0.37/kg* across regions from an average of \$0.23/kg* in April 2007 and had a greater negative impact on the poor who tend to spend more of their income on food consumption. Increased food prices, especially rice which features heavily in the diets of the poor, will reduce available money for other necessities or may even push households into food poverty. Rice growers experienced the worst effects of price fluctuations as the Vietnamese government implemented a progressive export tax which slowed purchases by export companies and rapidly pulled down domestic prices.

Although **government recognized the importance of rice as evidenced in its policies, failure to consult the farmers led to some inappropriate ones.** For instance, some policies did not take variations in the costs of production into account, ultimately leading to unstable incomes for the farmers.

Competing land use also reduced the land available to agriculture. Between 2001 and 2007, more than 500,000 ha of farmland were converted to industrial parks. In 2008, more than 125,000 ha of rice fields were lost. It was noted that as the industrial sector's contribution to GDP increased, **more land was allocated to industrial activities at the expense of agricultural land.** The reduction in agricultural land made it difficult for areas such as the Red River Delta region to produce enough food for household consumption. **The rising market prices of food made it difficult for these households to attain food security.** The price of fertilizer also rose at a rate higher than production growth rate and rice price increases, effectively lowering the profit of farmers.

AGRICULTURE SECTOR STATISTICS

18% OF GDP

47% OF THE POPULATION
24.4 OR
MILLION PERSONS EMPLOYED

108,420
SQUARE KILOMETERS

OR
34.97%
IS AGRICULTURAL LAND

67%
SMALL-SCALE RICE
FARMERS IN RURAL AREAS

* US\$ 1 = VND 21,800

Water availability has remained an issue despite the high annual rainfall in Viet Nam. Although high flows in the wet season can address the paucity of water as a result of the dry season, due to the high demand for water, 11 of 16 major river basins are considered stressed. Six of these major river basins depend on water inflows from other countries.

Coping with the effects of climate change is the number one concern of Vietnamese citizens, and the households most vulnerable are those that depend on natural resources for their livelihood. Thus, the **resilience of poor households against the effects of climate change** must be improved through the strengthening of social institutions and local government capacity.

Rice production in Viet Nam is vulnerable to the effects of climate change. Flooding and extreme weather events can damage crops and threaten food security. Rainfall patterns have changed and the country expects heavier rainfall during the rainy season coupled with a decrease in dry season rainfall. The coastal zone, the low-lying rice paddies of the Red River and Mekong Deltas, and the mountainous areas of the north and north central regions are most sensitive to the effects of climate change.



Resilience of poor households against the effects of climate change must be improved

Interventions, Strategies, and Policies

To maintain agricultural output and food security, the **government aims to keep 3.8 million ha of paddy land** to guarantee the **production of 41-43 million tons of rice for domestic demand**, while ensuring an **export volume of 4 million tons per year**. The government is also pushing for land accumulation in its quest to modernize agricultural production, while moving away from small-scale household production. To make sure that farmers remain profitable, the government encourages buying rice from these farmers to allow them a 30% profit. In case market prices are lower, the government plans to establish a rice price stabilization fund that would allow firms to purchase rice to temporarily store. Rice exports will also be kept under control in case of emergencies, and reserves will be kept to keep prices manageable in case of sudden spikes in the price of rice.

USAID provides assistance to climate change initiatives through the framework of the Lower Mekong Initiative. In doing so, it can promote **farmer-led and climate-smart agricultural practices** such as the System of Rice Intensification. Support for **research and development, and extension services to produce high quality and climate-resilient rice** should be considered for future donor efforts. Aside from the Mekong River, the Red River, which faces similar issues, can also be a potential target of development assistance.

Support for more effective governance including a **clear framework and institutional mechanism for dialogue between and among rice stakeholders** such as policy making bodies, consumer groups, producers, associations and research institutions in the decision making process, can be explored.

As farmers are delinked from **rice value chains, policy changes can also focus on enhancing the chain by making it more inclusive and taking into account market systems**. Changes should be supportive of all actors in the chain, from production, to processing, trade, and even export.

To address **national food security concerns, the government can also explore the setting up of a rice subsector masterplan** that would encompass commercial production and small-scale production for self-consumption or for sale in local communities. The master plan should cover **investments in transportation and irrigation systems for rice production, promote proper land use, and provide for sustainable water use and ways to support better linkages between enterprises and farmers**.

REFERENCES

- World Development Indicators, accessed May 11, 2015.
- Vietnam Household Living Standards Survey, 2010.
- P. Ngan, "The Vietnamese Rice Industry During the Global Food Crisis," in *The Rice Crisis: Markets, Policies and Food Security*, ed. D. Dawe (London and Washington DC: FAO and Earthscan, 2010) 219-232.
- AgrolInfo. "Rice price in some markets by month, years 2007-2009." Accessed May 24, 2015.
- Tran Cong Than, Do Lien Hung and Le Nguyet Minh, Who had benefitted from high rice prices in Viet Nam? (Hanoi; Oxfam International. October 2013)
- Nguyen Thi, Dien, Philippe Lebaillly, and Ton Vu Dinh, "Land Conversion to Industrialization and its Impacts on Household Food Security in Red River Delta, Vietnam." In RSCD International Conference "Revisiting agrarian transformations in Southeast Asia: empirical, theoretical and applied perspectives". 2010.
- Nguyen Trung Kien, "Food Security in Vietnam – Challenges and Policy." Presented at the OECD-ASEAN Regional Conference on Policies for Food Security. Bogor, Indonesia. November 11-12, 2014. Retrieved from: http://www.oecd.org/tad/events/Session2_Nguyen%20Trung%20Kien%20-%20Food%20Security%20in%20Vietnam%20-%20Challenges%20and%20Policy%20Strategies.pptx
- USAID, 2011. Climate Change in Viet Nam: Assessment of Issues and Options for USAID Funding. Accessed May 11, 2015. http://www.usaid.gov/sites/default/files/documents/1861/vietnam_climate_change_final2011.pdf

MEKONG INSTITUTE

123 Khon Kaen University, Mittraphap Road, Muang District, Khon Kaen 40002, Thailand
Tel: +66 (43) 202-411 to 2 Fax: +66 (43) 343-131 www.mekonginstitute.org

USAID REGIONAL DEVELOPMENT MISSION FOR ASIA

Athenee Tower, 25th Floor, 63 Wireless Road, Lumpini, Patumwan, Bangkok 10330, Thailand
Tel: +66 (2) 257-3000 Fax: +66 (2) 257-3099 www.usaid.gov/asia-regional