

**THE POLICY RENOVATION AND CHANGE IN RICE PRODUCTION AND TRADE  
IN VIETNAM, 1980S AND 1990S (Draft for presentation at UNEP)**

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## **Introduction**

Vietnam is located at the eastern part of the Indochina Peninsula, in the centre of South East Asia and a tropical country of the northern hemisphere, extending from 8°02' - 23° 23' N latitude, and 102°08' - 109°28' E longitude. The country is bounded on its northern side by China, on its western side by Lao and Cambodia, and on its eastern and southern sides by the East Vietnam Sea and South China Sea

Its territory comprises a total land mass of 330 square kilometers. Over 30% of the country is the forest and about 22% is cultivated. The topography of the country is complex. Nearly three-fourth of its lands are under mountains, hills and high plateaus and carved by a dense network of watercourses, among which the two biggest ones are the Red River and the Mekong. The delta of the rivers provide the two major rice bowls of the country.

The climatic conditions of the country bear the monsoon characteristics of South East Asia with: the prevailing North East and South East winds an average temperature of 24-27°C (the highest temperature being found only in southern provinces of the country), and an average annual rainfall of 1,500-2,500 mm falling very often exclusively in the local rainy season from May to October.

Population density in Vietnam is found to be the highest in South East Asia reaching up to 1,000 people per square kilometer in the Red River Delta (the average figure being 232 people per square kilometer). In 1995, the population size of Vietnam reached 74 million people, ranking second in South East Asia, seventh in Asia-Pacific Region and twelfth the world over. the rate of population growth from 1989 to 1994 was 2.15% (Statistics)

## **Importance of rice and trends in rice production and trade**

In Vietnam rice is the staple food crop and locally originated, though many new varieties have been adopted. The Vietnamese culture has developed with rice growing practices. Generally, there are three rice crops in the year: the winter-spring (Dong Xuan), the summer (He Thu), and wet long season (lua mua). Commonly, farmer practice winter-spring rice and summer rice on the fields. The seasonal calendars for these rice crops greatly vary between regions (North, Central, South) and between the ecosystems (irrigation, rainfed lowland, upland, and deep-water or flood-prone areas. There were yield gaps among these regions, rice seasons, and ecosystems.

Rice is planted on 82% of total farm area (about 6.3 million ha). In 2000 total rice growing area was 7,670 thousand ha, with average yield of 4.3 metric t./ha, and gross production of 32,700 thousand t. (National Statistics, 2001). As shown in Figure 1, both the rice growing area and rice yield increased continuously. However before 1989, the increase in rice yield was faster than that in the growing area. In the year 1990s increase in yield was slow down and similar with that in rice growing area.

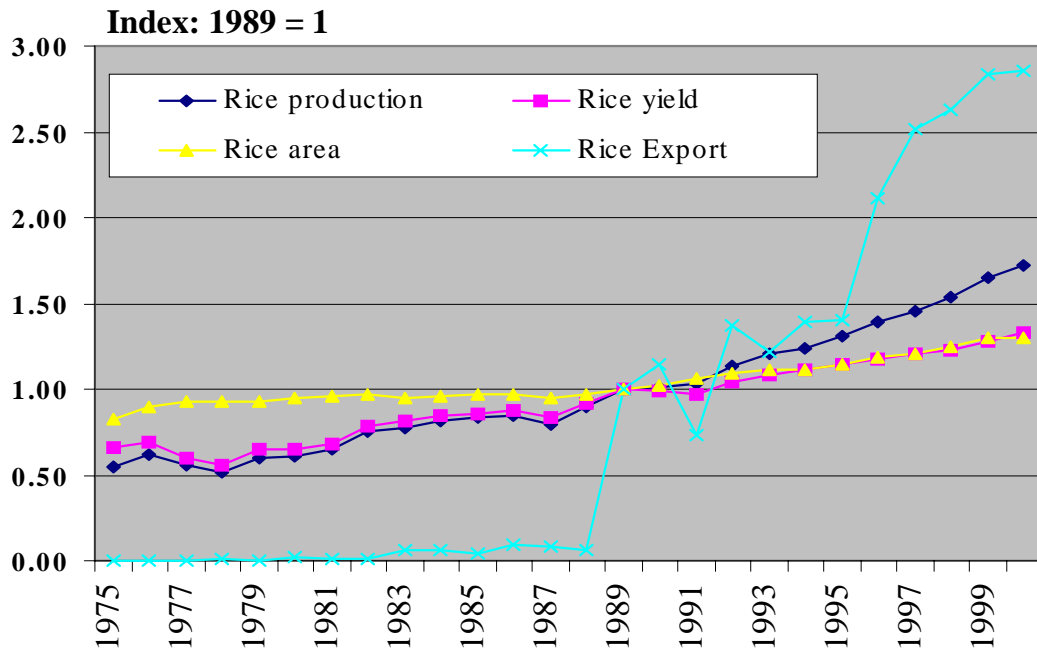
Rice production is the most important in agriculture, which continues to play a dominant role in the economy. Rice production accounts for 85% of food grain outputs. The agriculture accounts for about 53% of employment and 50% of GDP.

In 1989, Vietnam became a net rice exporter. The rice production exported increased rapidly between 1995 and 1999. In 2000, the exported production reached level of 4,050 thousand t. of milled rice (National Statistics, 2001).

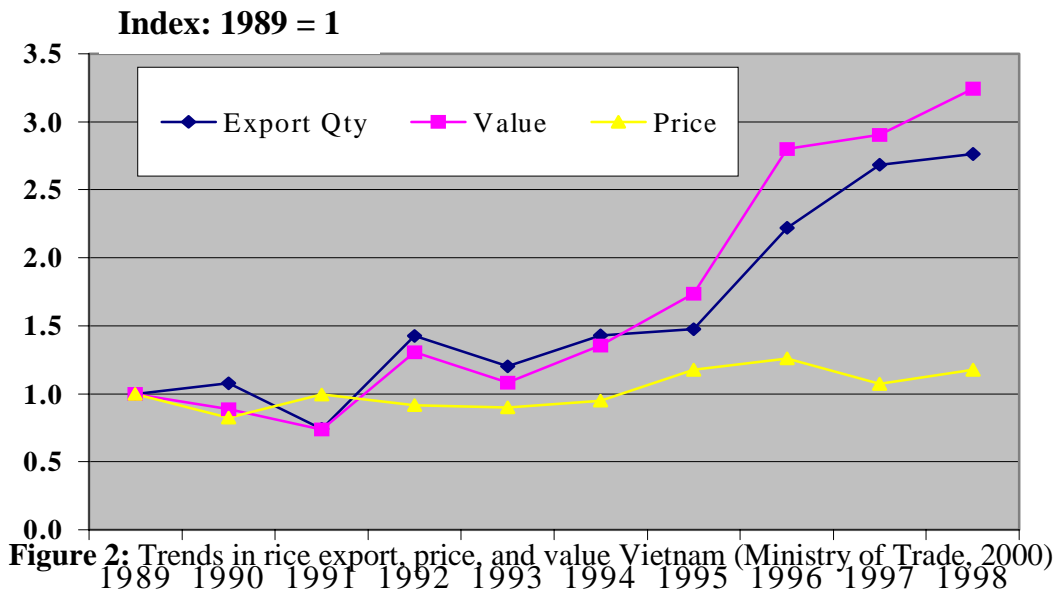
**Table 1:** Background information on population, rice production, trading, and fertilizer consumption in Vietnam (FAOSTAT on 4/6/2001)

Description	1985	1990	1995	1998	1999
Population- (1000)	59,898	66,689	73,866	NA	NA
Agricultural Area (1000Ha)	6,750	6,726	7,085	7,892	NA
Area Harvested (1000Ha)	5,704	6,028	6,766	7,363	7,648
Yield (Hg/Ha)	27,8	31,9	36,9	39,6	41,0
Production (1000Mt)	15,875	19,225	24,964	29,146	31,394
Milled Rice Imports - Qty (1000Mt)	336	2	11	1	5
Milled Rice Exports - Qty (1000Mt)	59	1,624	1,988	3,700	4,600
Total Fertilizers Consume (1000Mt)	386	544	1,214	1,947	NA

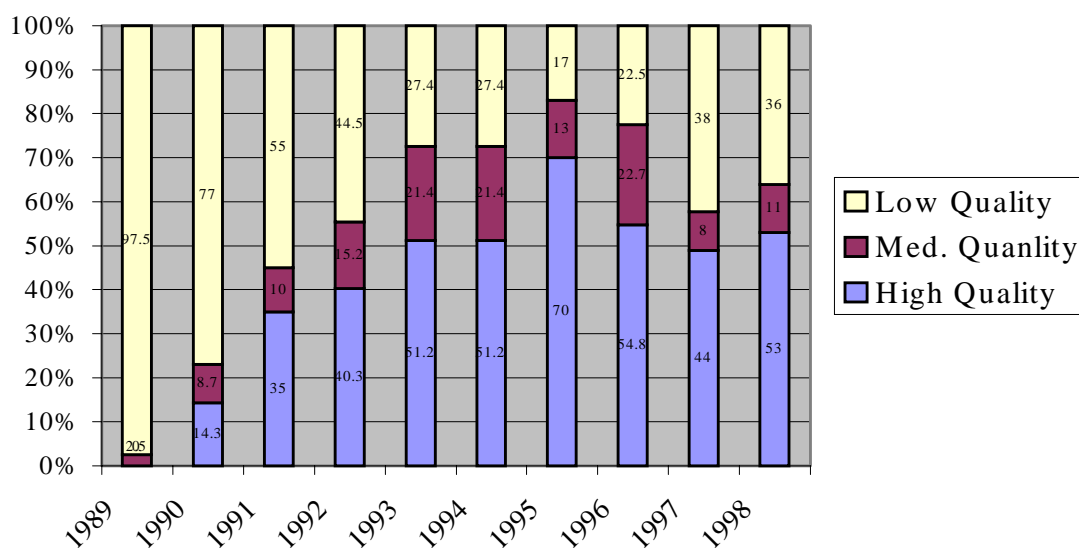
In the coming years, to meet the increasing food demand of the population, rice production in Vietnam should be steadily increased. Population estimate is 95 million in 2010 (National Statistics, 2000). Average rice consumption in 1996 was 245.5 kg/year/person (FAOSTAT). The land area planted to rice production will not be expanded in the future because the land that can be reclaimed for rice growing is very limited and requires heavy investment. Therefore, intensification for narrowing the yield gaps among all the rice ecosystems is a good option. This may include diversifying the rice crops in the year, thereby increase rice growing area.



**Figure 1:** Trends in rice production, harvested area, yield, and export quantity, Vietnam 1975 - 2000 (National Statistics)



**Figure 2:** Trends in rice export, price, and value Vietnam (Ministry of Trade, 2000)



**Figure 3:** Exporting rice classification, Vietnam (Ministry of Trade, 2000)

### Policy renovation and context in the year 1980s and 1990s

Vietnam had been following the development model of a socialist economy. For an entire state and collective economy (e.g. the cooperatives), the government launched the subsidiary management policy and the cooperativization movement which established cooperative ownership of all agricultural lands and key means of production. In 1960, 85.8% of farmer households of North Vietnam formed into the agricultural cooperatives (General Statistic). The egalitarian regime of income distribution was applied with a view to ensure low disparity among farmer households. The farmer households and the cooperatives were not allowed autonomy in adjusting their plans and businesses to conform to market demands.

After ending the long war in 1975, Vietnam was in a situation of stagnation and poverty. Food production per capita by the end of the 1970s was marked as lowest level in contemporary time (194.5 Kg in rice equivalent, General Statistic). The cut in foreign aids exposed the weaknesses and obsolescence of the centralized subsidized and bureaucratic management. Dealing with the situation, the Central Secretariat of Communist Party of Vietnam (CPV) issued Directive N° 100 (1984) allocating land to individuals for production contracts. Purposely, it tended toward partially loosening the control and intervention of the state administration to production. It was noted that the agriculture and income of farmers in many locations increased.

By 1987, agricultural production again showed signs of decline with danger of stagnation. The positive effects of the “contract system” under Directive N° 100 faded. Among the reasons noted was that the peasant still had no autonomy in his farming. To lay down the foundation for promotion of production, the Politbureau of CPV issued Resolution N° 10 (April 1988), an all-

sided renovation of economic management strategy. Then the 6<sup>th</sup> Central Committee Plenum (Congress VI of CPV) of March 1989 continued to uphold the major directions of renovation for a market economy. These changes were (1) recognition of the state, the collective and the private sectors as legally equal components of the economy, (2) agricultural cooperatives are voluntary business organizations with numerous forms of ownership, (3) farmer households are independent economic units. Under this line, the cooperative ownership was abolished. The lands were reallocated to the farmer households for long-term use, which referred to as the allocation of land use rights (Decree 64/CP, 1993). The farmers then started to gain autonomy making decisions on their farming and management practices including planning, farming operation and use of farm products.

Under this policy the agricultural and rural economy was restructured through the “diversification and modernization”. The percentage of farmer households engaged in non-agricultural occupation and trades increased. According to the Ministry of Agriculture and Food Industry (Agricultural and Rural Survey, 1994), households, who were engaged in a variety of non-agricultural occupation, trades and services, accounted for 20% of the total peasant households. The growth of production towards a marketing oriented economy made changes in demands for labor and services in rural areas.

The state enacted a new law of agricultural land-utilization tax. The rate of tax paid to the state by farmers is now only 60% what it was. The total national income before 1989 was equivalent to 1.2 - 1.3 million tons of paddy per year. It is now 0.8 million ton (the Ministry of Agriculture and Food Industry, 1993)

### **Considerations on policy for rice after the renovation**

Market reform: Substantial progress has been made in opening the rural economy to private trade, for example the availability of agricultural inputs and opportunity for farmers to market their rice. Current rice export can be attributed to the private marketing sector to accumulate supplies from farmers to process before shipping to overseas customers. However, capacity of this sector is still limited, its facilities are primitive. Along with improving rural infrastructure, an effective competition policy that regulates monopolistic practices among traders is considered.

Pricing Policy for rice: In most years the policy was following the world rice export price, while investing to lower production and marketing costs, and preparing stand-by mechanism to stabilize domestic prices if the world rice market experiences a serious shortage. However, budget realities prevent a parallel effort to subsidize farmers in the face of a collapse in world rice prices. Investments for diversifying cropping systems and to make the rural economy flexible in response to changing market conditions would be a good strategy

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