

PRIVATE ECONOMIC SECTOR IN AGRICULTURAL DEVELOPMENT IN VIETNAM: CURRENT SITUATION AND SOLUTION

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Summary: After more than 30 years of implementation of Doi Moi (renewal) policy, Vietnam's agriculture-rural area has gained many significant achievements. According to the General Statistics Office, in 2018, Vietnam's GDP increased by 7.08%, the highest jump over the past 10 years. In that overall growth of the whole economy, the agriculture, forestry and fishery sector grew by 3.76% and contributed 8.7% to the overall figure. Despite facing many difficulties from the market, the export of agriculture, forestry and fishery products still managed to thrive and made an important contribution of US \$ 244.72 billion to the total export. Apart from the effort of the political system, the agricultural business sector has played a crucial role in achieving these great results. Enterprises are the core actors for bringing vietnamese agricultural products to the global market. However, the results have not commensurated with the potentials and expectations; the number of enterprises investing in agriculture has been limited; farmers have still had many difficulties.

Keywords: Enterprise, Farmer, Agricultural, Invest, Restructuring.

1. Introduction

In recent years, although Vietnam's agricultural sector has made some remarkable outcomes, it has still had to deal with many new obstacles in terms of agricultural quality and sustainable development in the global trend of economic integration and the impact of climate change. Low quality products and output shortage have led to stagnant production and consumption. This situation requires the immediate participation of enterprises from all economic sectors, especially the private and FDI ones, including manufacturing, processing and trading enterprises

in agricultural sector. However, the actual participation of enterprises in the agricultural sector is still very limited, in terms of the number of enterprises, the scale of investment capital, technology ...

2. Actual situation of operation and investment of enterprises in the agricultural sector in Vietnam

2.1. Operation result of agricultural enterprises

Within a 10-year period (2008–2017), the GDP growth rate of agriculture reached an average of 2.66%/year, with 3.76% in 2018, and the GDP rate in 2017 being 1.25 times higher than in 2008. The market for agricultural products has constantly

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expanded, exports have shifted strongly to official channels, and Vietnam's agricultural products have been available in 185 countries and territories so far.

The subsectors of forestry and fishery in agriculture have reached the highest growth rate in the 2012–2018 period, confirming that the movement of sectoral restructuring has been effective. Moreover, stability in product price and expandability of export market are main driving forces of regional production. In particular, the agricultural sector continued to affirm a clear recovery signal when reaching an increase of 2.89%, the highest in the 2012–2018 period, contributing 0.36% to the total growth rate of the whole economy. Fishery sector also achieved good results with an increase of 6.46%, contributing 0.22%. Forestry increased by 6.01%. However, due to its small proportion compared to others, this result contributed only 0.05% to the whole.

In 2018, Vietnam had a total of 10 agricultural, forest and aquatic products for export with value of over 40 billion USD, including many outstanding products in the world market (rice, coffee, cashew, rubber...). Vietnam's agriculture has become an increasingly integrated commodity-producing industry. The development of agriculture has been an important factor of the success of hunger eradication and poverty alleviation, raising farmers' living standard, making significant contribution to the stabilization and socio-economic development of the country.

Recently, the agricultural industry has attracted a great amount of large companies and groups in the country to get to know and invest in large-scale, especially high-tech agricultural production models.

According to the Ministry of Agriculture and Rural Development, in the 2005–2016 period, the number of enterprises engaged in production and business in the agriculture, forestry and fishery sector doubled from 2,217 to 4,400, increasing 6.4% per year. In 2017, there were 1,955 newly registered businesses in the agricultural sector, bringing the total number of businesses operating in the agricultural sector to over 5,661.

In addition to the increase of small and medium agricultural enterprises, a number of large enterprises and groups operating in the non-agricultural sector have invested in agriculture, forestry and fisheries, such as Vingroup, Masan, Himlam, Viettel, FLC, Hoang Anh Gia Lai, and Pan Group. These giants have also applied many modern production processes, new technologies and to some extent, attained good initial results. With well-invested projects, a spillover effect has been created in agricultural businesses, attracting more new investors, step-by-step solving difficulties for farmers and creating momentum for agriculture.

The greatest result of Vietnam's agricultural sector over the past 10 years (since joining WTO) has been the attraction of private corporations and FDI enterprises to invest in this industry. However, the agricultural industry is still considered weak when compared to other sectors in the national economy. In Vietnam, agriculture is still fairly unattractive to investors.

2.2. Problems and causes

2.2.1. Problems

One of the foremost problems in Vietnam's agricultural sector is rooted in operation and capital. It can be clearly seen that, in comparison with other sectors

within the economy, the administrative capability is below mediocre as well as resources and funding for this sector are also inadequate. Likewise, those statistics are much lower comparing to those of some neighbor countries such as Thailand and the Philippines. The number of enterprises investing in agriculture accounts for only 8% of the total number of enterprises across the country. The main structure of agricultural production organization is still limited as individual households with over 9.2 million businesses operating at a

substantial scale. Moreover, agricultural investment is predominantly remained at small and micro scale, accounting for 92.35%, while medium-sized enterprises being 2.06% and large-scale enterprises accounting for less than 6%. Also, agricultural labor productivity is lower than most countries in the region.

It seems that the domestic private sector is still very cautious to participate in agriculture sector. This fact can clearly be derived in the following data table (Table 1):

Table 1: The number of newly registered enterprises in accordance with business sectors

ID	Industry/Sector	2017	2018	2018/2017 (%)
1	Construction	16,035	16,735	4.4
2	Manufacturing	16,191	16,202	0.1
3	Finance, Banking and Insurance	1,538	1,867	21.4
4	Real Estate	5,065	7,092	40
5	Agriculture, Forestry and Fishery	1,955	1,847	- 5.5

Source: General Statistics Office

According to Table 1, newly established agri-business groups are much smaller than the rest of the business groups, only marginally more than those in the financial and banking sector (2017). However, in 2018, the number of newly established enterprises in this group was higher than that of agricultural enterprises.

Thus, deducing from the figures of the total number from those 5 groups of enterprises above, the agricultural sector is the least attractive. Indeed, the record also indicated that agriculture is the only sector that has negative growth rates (the number of newly established enterprises in 2018 was smaller than 2017).

Table 2: Number of agricultural enterprises suspended operation

	2017	2018	2018/2017 (%)
Number of agricultural enterprises suspending operation or waiting for dissolution	640	1,187	185.5%

Source: General Statistics Office

According to Table 2, the number of agricultural enterprises that are inactive (or waiting for bankruptcy) is relatively high, and it is predicted to rise as the

figure of 2018 was almost double that of 2017. Among enterprises operating in the agricultural sector (about 6,000), up to 20% are operating inefficiently, reflected

by the temporary suspension or waiting for dissolution. The newly established enterprises focused on investing in a number of processing and manufacturing industries of agricultural, forest and aquatic products. The progress toward transformative production is still slow.

The investment of FDI enterprises in agricultural sector, in spite of annual growth rate, has remained at a modest level. In recent years, FDI attraction in agriculture has tended to increase in both quantity and proportion of the total registered FDI in Vietnam. In 2015, newly registered FDI in agriculture reached 241.15 million USD, accounting for 1% of total FDI. In 2017, it rose to 394.9 million USD, accounting for 1.1% (an increase compared to the lowest in terms of quantity at 87.5 million USD in 2012 and in proportion at 0.44% in 2013). According to the General Statistics Office, as of December 31, 2017, there had been 511 projects with total capital of US \$ 3,521.2 million that were in operation in Vietnam's agricultural sector, ranking the 12th in terms of project number and the 10th in terms of registered capital. On average, each agricultural project was valued at only 6.89 million USD.

Many factors such as unfeasible business plan, insufficient mortgage conditions and unsecured credit can impede access of many enterprises, especially small ones, to bank loans. In addition, accessibility of agricultural enterprises to the international market is still limited due to lack of information and knowledge of international trade regulations.

2.2.2. Causes

The first and foremost reason is that the legal framework and mechanisms to attract investment in agriculture and

rural areas contain many barriers with a complex system of procedures, which is time-consuming and resource wasteful. For instance, businesses that want to invest in crop production, one of the professions that are considered quite easy, are required to have business plans, and environmental impact assessment. Additionally, business owners need to apply for permission to exploit underground water and a permit to discharge waste as well. In case of animal husbandry, the requirement list is extended with waste treatment solutions that conform to industrial wastewater standards. And when farmers want to add more crops to form the VAC (garden, pond, sty) farming model to take advantage of waste from animal husbandry for cultivation, contributing to environmental protection, they must adjust the planning accordingly, etc.

Besides, there are many land-related obstacles. In recent years, many localities have been baffled when implementing the policy of land consolidation in order to rezone crop fields into goods production areas. Therefore, many businesses have not secured land big enough to invest in production and long-term business development. Indeed, most have been still stuck with small or medium farms, cooperative farms, unable to transform into businesses.

As a matter of fact, Vietnam's agricultural and rural sector is in dire need of funds while being the one with low profitability, high costs and high risks. Although, the Party, State and Government have instituted many guidelines and policies to create a legal corridor for businesses of all economic sectors to develop, there still have been many shortcomings. Particularly, the

policies to encourage enterprises to invest in agriculture and rural areas are still limited. The State should have policies to encourage and create more favorable conditions for businesses in terms of capital, tax, land, administrative procedure,... in order to improve the investment environment to attract more businesses to engage in this area.

The second reason explaining why businesses are not interested in agriculture is that agricultural production activities have many underlying risks. Therefore, the sector is facing many hardships to attract investment, especially large investment projects. Vietnam is among countries that are heavily affected by climate change. In 2017, complex climate change caused many unusual weather patterns, leading to many long-lasting natural disasters throughout the country, causing great damage to infrastructure, production and life of people. Many plant- and animal-related diseases are ready to break out.

The third reason is the lack of a proper agricultural trading system to control the quality, output and value for agricultural products, as well as promote agricultural businesses to develop e-commerce, focus on products' traceability and ensure food safety. Although Vietnam's agricultural products are diverse, abundant and potential, their exports are not sustainable, stemming from the habit of using traditional and outdated materials and excessive use of pesticides which altogether have detrimental consequences on the quality of agricultural products.

Moreover, the mechanism of public-private cooperation in agricultural trade promotion is limited, formalized and inefficient. Failing to identify key and primary markets leads to irrational resource

allocation and prioritization. Promotion programs are still formalistic, unable to shorten the gap between market demand and domestic production capability. As a result, resources from both public and private sides are spent recklessly.

In addition, the logistics systems in general and the service for production and consumption of agricultural, forestry and fishery products in particular have not been developed synchronously. Therefore, the cost of transporting and preserving agricultural products is too high, resulting in low competitiveness against similar products of some countries such as China and Thailand in exporting to fastidious markets such as USA, Japan, Australia, and Singapore.

3. Solutions to attract investment and improve operational efficiency of enterprises in the agricultural sector in Vietnam

Short-term and long-term solutions need to be clearly defined to encourage businesses to invest in the agricultural sector. Vietnam also needs solutions to improve the quality and performance of enterprises investing in agriculture.

Firstly, the State needs procedural reforms in attracting investment capital. For domestic investment, there should be appropriate and effective policies to encourage public-private cooperation. Specifically, it is necessary for businesses investing in agriculture to get tax incentives and subsidies (income, VAT, import-export tax,...). In addition, there should be synchronous policies to develop business support services, market infrastructure support, trade promotion support and specific financial mechanisms. The support mechanism in the form of business incubators should also be prioritized.

For FDI, the State needs to develop a new policy to attract FDI, especially in the fields of hi-tech agriculture, input production, logistics, agricultural processing, quality management, and market development; linking attractiveness to market, local and key market needs. Vietnam needs to promulgate mechanisms and policies to help simplify procedures in bank loans, encourage banks to provide credit to businesses that have organized production material zones and have agricultural contracts with farmers.

Besides, Vietnam should developing public-private linkage in investing in agriculture through building policy forums to remove difficulties for businesses; engage enterprises in the process of making relevant policies; work with businesses to design effective agricultural investments for both businesses and farmers; provide public services to support businesses when investing in agriculture, such as information on policies, databases for investment, and experts from each field, for consultancy, project development and market.

In addition, the State should direct localities to support newly established businesses. Accordingly, it is necessary to have supportive mechanisms and policies especially on access to investment capital and market access.

Secondly, it is necessary to invest in intensive agricultural development, which must be based on innovation, creativity, application of science and technology and high-quality human resources in all processes from production, harvest, processing, storage and consumption of products. It is necessary to renovate production organizations, ways of organizing supply chains, value chains in agricultural production. In particular, in the

current context of extensive international economic integration, it is necessary to have solutions for Vietnamese enterprises to participate more deeply in the global value chain in agriculture and create internationally recognized Vietnamese brands in foreign markets.

Thirdly, in order to minimize risks in investment, and at the same time enhance scientific research and technology application in the agricultural sector, priority should be given to turn investment, research, transfer and application businesses into groups: (i) Invest, develop concentrated production areas in fields of cultivation, husbandry, aquaculture; (ii) Production and development of plant varieties, livestock breeds, forestry varieties and aquatic breeds. Production of inputs, such as fertilizers, plant protection drugs, animal and aqua feeds, biological products, veterinary drugs for livestock and aquaculture; (iii) Application of information technology, biotechnology, new material technology, automation technology and high technologies are given priority for development investment in agricultural production; (iv) Investing in processing and preserving of agriculture, forestry, fisheries, pharmaceuticals, salt refining; production of machines, equipment, additives and auxiliaries for agricultural production.

Fourth, Vietnam should promote market development, services to support agricultural activities such as.

- Establish high-tech trading floors in agriculture and develop various types of brokerages services, consulting, evaluation, investment, legal, financial, insurance, intellectual property and other services to promote hi-tech activities, consume and use hi-tech products in agriculture.

- Building a synchronous database on high technology in agriculture; create favorable conditions for organizations and individuals to access, use and exchange information on hi-tech in agriculture; organizing, participating in high-tech markets, fairs and exhibitions in agriculture domestically and abroad.

- Encouraging and supporting Vietnam's leading agricultural enterprises to invest in researching the needs and tastes of foreign markets to develop products with appropriate quality; limiting export of agricultural raw materials; building a direct distribution network to the hands of consumers in international markets. The country needs to form a strategic commodity chain which closely follows the market, has strong international links, has a global brand, has a position in a number of target markets, and has great economic and social influence.

To address these requirements, promoting businesses (including new cooperatives) to invest in agriculture is a decisive factor.

4. Conclusion

Although agriculture is an advantageous sector of Vietnam, its contribution to GDP is currently low, not really commensurating with its potential. One of important reasons leading to this situation is that it has not attracted many businesses to invest. The second reason is that many businesses are still weak compared to some countries in the region with similar conditions, such as Thailand. Vietnam's and Thailand's agriculture have relatively similar structure and development history. But, Thailand is ahead of Vietnam in many agricultural sub-sectors. The main cause for that comes from the State's policies and mechanisms. Therefore, in order to improve the operational efficiency of agricultural enterprises as well as to attract more investment of businesses into agriculture, Vietnam should improve mechanisms and policies, and implement the above-mentioned solutions synchronously and drastically./.

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KHU VỰC KINH TẾ TƯ NHÂN TRONG PHÁT TRIỂN NÔNG NGHIỆP Ở VIỆT NAM: THỰC TRẠNG VÀ GIẢI PHÁP

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Tóm tắt: Sau hơn 30 năm tiến hành công cuộc Đổi mới, nông nghiệp- nông thôn Việt Nam đã đạt được nhiều thành tựu đáng kể. Theo số liệu của Tổng cục Thống kê, GDP năm 2018 tăng 7,08%, là mức tăng cao nhất trong 10 năm trở lại đây. Trong mức tăng chung đó của toàn nền kinh tế, khu vực nông, lâm nghiệp và thủy sản tăng trưởng 3,76% và đóng góp 8,7% vào mức tăng trưởng chung. Mặc dù đối mặt với hàng loạt khó khăn về thị trường, xuất khẩu nông, lâm, thủy sản vẫn ghi dấu ấn và đóng góp quan trọng vào tổng kim ngạch xuất khẩu 244,72 tỷ USD của cả nước. Để đạt được những thành tựu to lớn đó, ngoài sự nỗ lực của cả hệ thống chính trị thì khối doanh nghiệp nông nghiệp cũng đóng góp một phần không nhỏ. Doanh nghiệp là lực lượng nòng cốt hiện nay đưa nông sản Việt Nam ra thị trường thế giới. Tuy nhiên, kết quả mang lại chưa tương xứng với tiềm năng và kỳ vọng ; số doanh nghiệp đầu tư vào nông nghiệp còn hạn chế ; nông dân vẫn còn nhiều khó khăn.

Từ khóa: Doanh nghiệp, Nông dân, Nông nghiệp, đầu tư, tái cơ cấu.

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