

**IMPACTS OF THE
COVID-19 PANDEMIC
ON AGRICULTURE
AND RURAL
DEVELOPMENT
IN VIET NAM**

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Ha Noi, 10 July 2020



Impacts of the COVID-19 pandemic on the global economy

Recession of the global economy:

- Long lasting consequences
- Risk of global debt crisis due to fiscal and monetary stimulus measures during and after the COVID-19 pandemic

Change of the value chain structure

- The trend of FDI shift has existed for a long time
- The COVID-19 pandemic accelerates this trend

Context

- **Risks:**

1. Animal diseases (African swine cholera)
2. Natural disasters (drought and saline intrusion in the Mekong Delta)
3. Human disease (COVID-19)

- **Domestic and international context:**

1. Trade tensions => seriously affect global trade and production chains;
2. Vietnam's economy is highly open (exports plus imports = 200% GDP, highly dependent on FDI) => susceptible to external shocks;
3. Consumption of agricultural products depends on China (24.6% of total export turnover of agricultural products in the first six months of 2020);
4. The agricultural growth rate is 1.19% in the first six months of 2020.

Context (cont.)

2019: Agricultural restructuring brought about great achievements

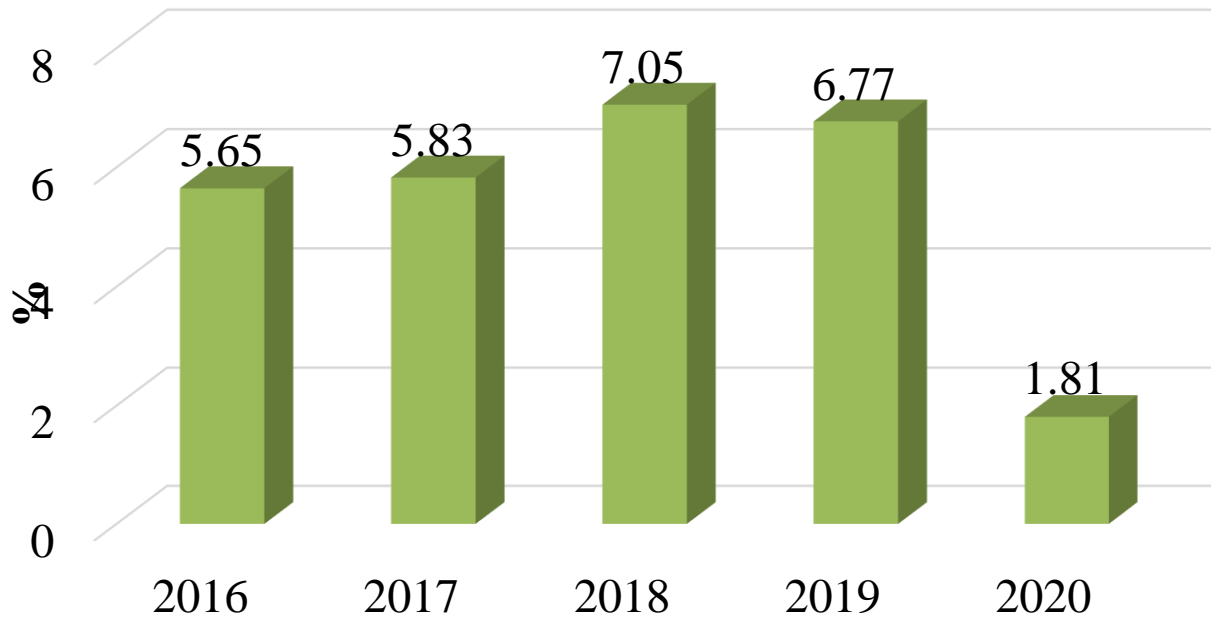
- Market-oriented development
- Technical advances
- Better access to import and export markets
- Improved competitiveness of agricultural commodities (Agricultural export turnover reached 41-42 billion USD, trade surplus > 10 billion USD).
- Improvement of investment environment

In the first six months of 2020:

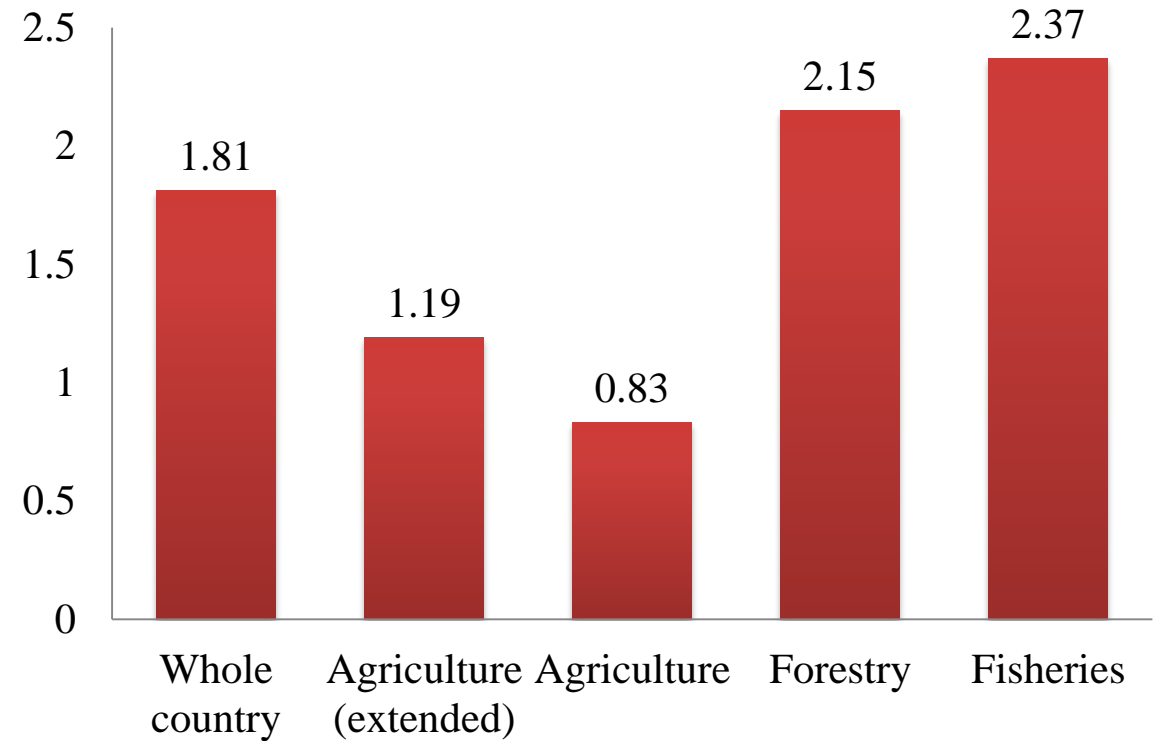
- Total agricultural import-export turnover nearly 33.1 billion USD (export 18.8 billion USD).
- Rice exports: 3.5 million ton (increase 4.4%) ~ 1.7 billion USD (increase 17.9%)
- Changing export market structure: agricultural export to the US, South Korea increased 5.7% and 2.4%; to China, Japan decreased by 11.9% and 0.7%, respectively.

Impact on GDP

GDP growth in the first 6 months in the period of 2016-2020



Growth of industries in the first 6 months of 2020 (YOY)



Source: GSO, June 2020

Impact on agricultural market

- Social distancing/closing international border/international flights suspend => block of input and output goods flow => enterprises are at risk of losing markets;
- Food security => Vietnam restricts rice export;
- Income declines, closed to foreign arrivals => Demand for agricultural products & non-essential goods sharply decreases (flowers, seafood);
- Industrial production stagnated => Demand of agricultural products which are the raw materials for industrial decreases (wood and furniture production decreased by 70%).

Impact channels on agriculture: Market

	Import-export turnover in the first 6 months of 2019 (million USD)	Export turnover in the first 6 months of 2020 (million USD)	2020 compared to 2019
Seafood	879.28	843.59	↓-35.69
Vegetables	988.34	583.02	↓-405.32
Cashew	1,028.69	799.32	↓-229.37
Coffee	1,570.17	1,588.64	18.47
Tea	97.93	89.96	↓-7.97
Pepper	451.24	357.67	↓-93.57
Rice	1,447.21	1,706.40	259.19
Rubber	839.99	611.70	↓-228.29
Products from rubber	360.43	386.26	25.83
Rattan, bamboo, rush and carpet products	225.81	247.06	21.25
Wooden products	1,233.60	1,124.64	↓-108.96

Source: MARD, 2020

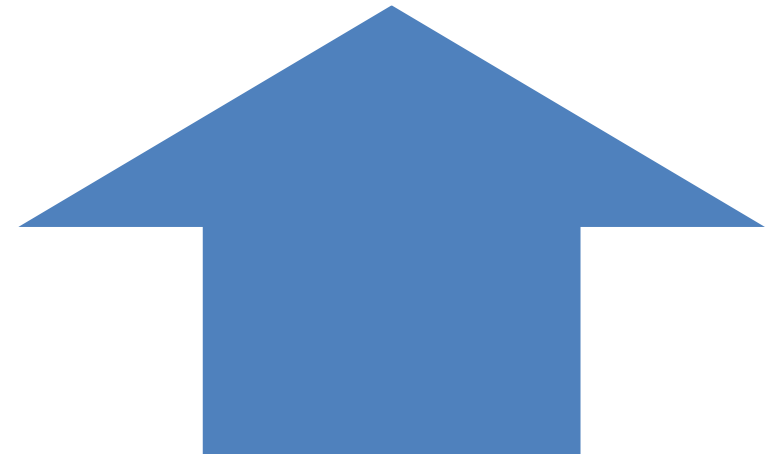
Impact on agricultural supply chain

- Disrupting agricultural supply chains;
- Reduction in agricultural consumption markets, cannot export, lack of input materials, lack of capital.



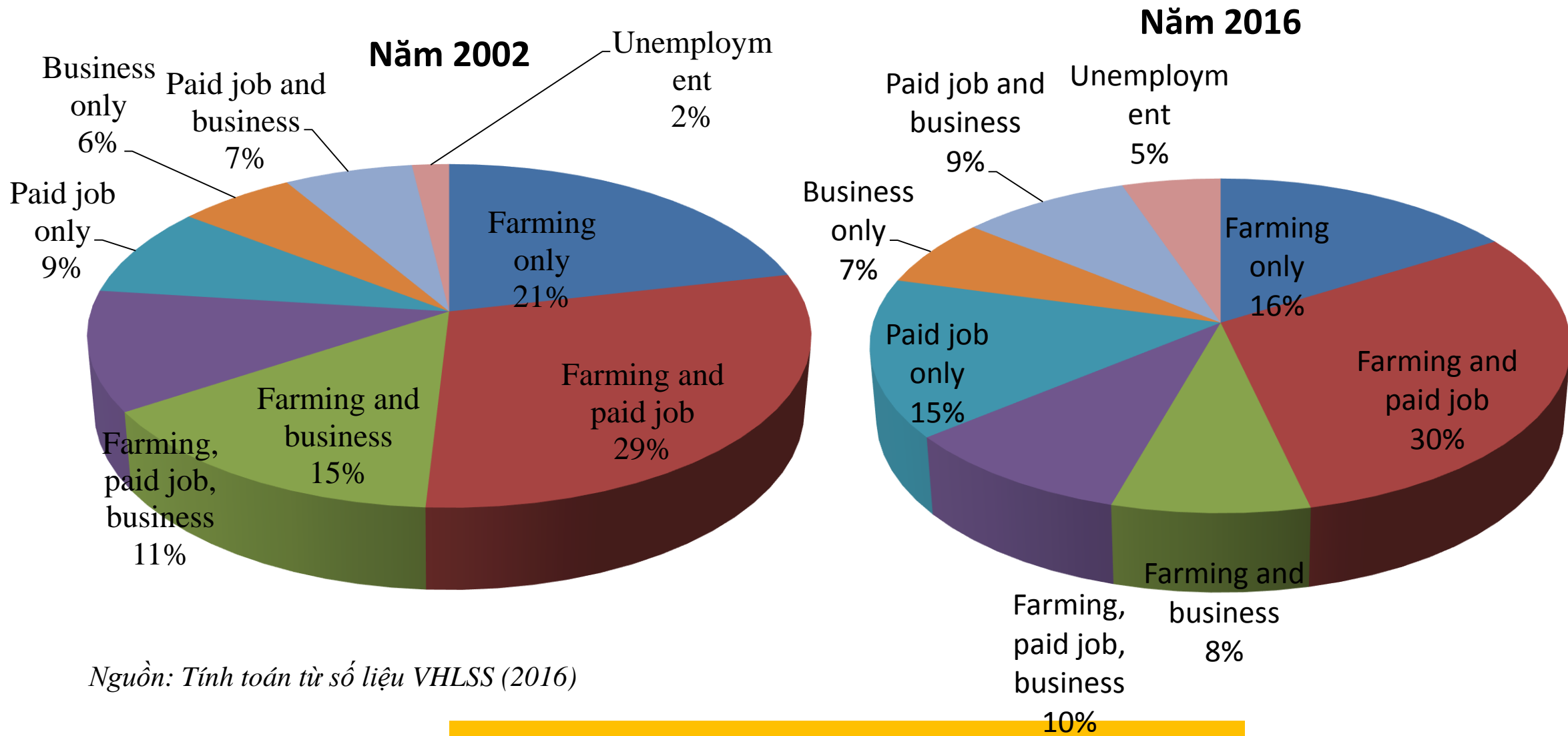
- Trade methods are more diversified

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Impact on livelihoods

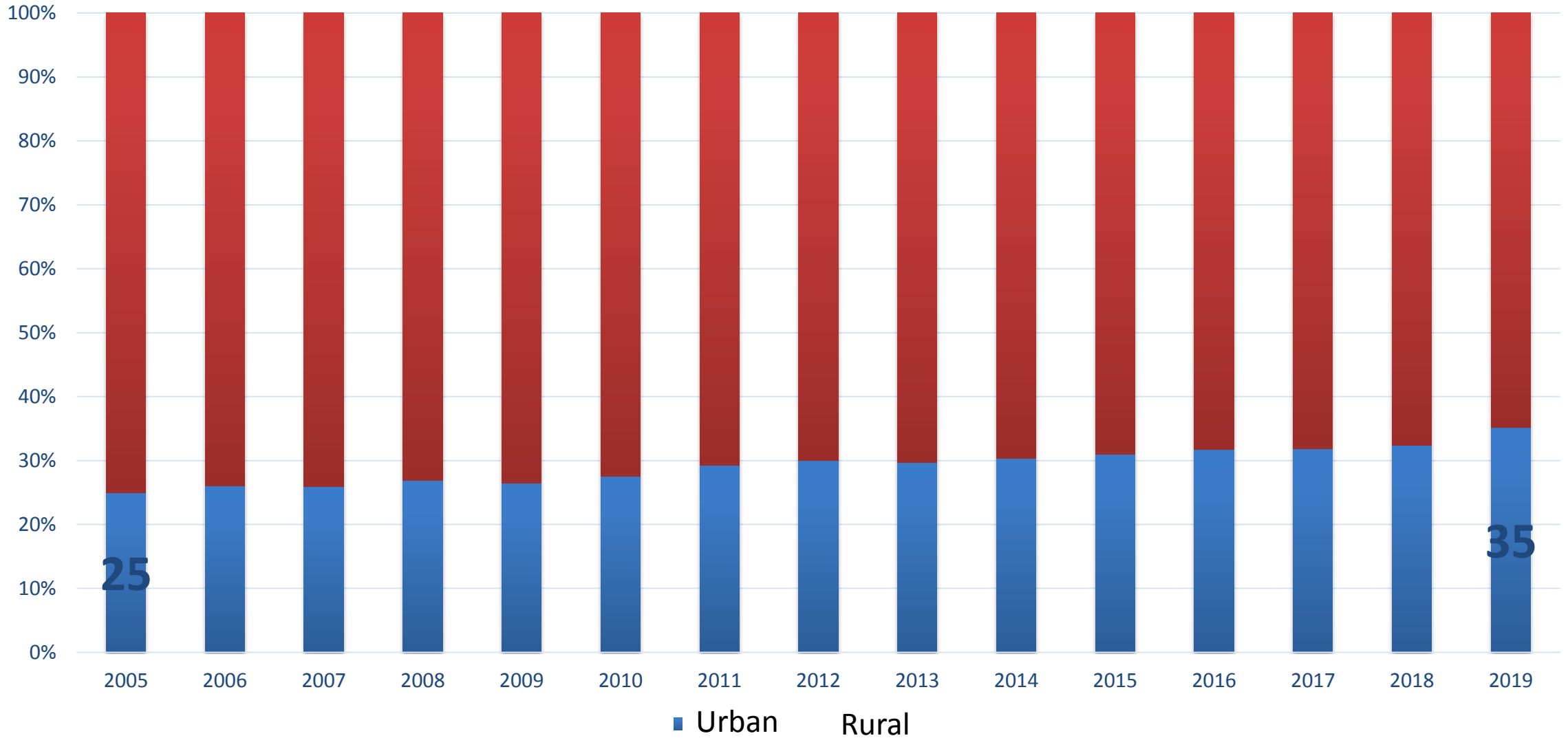
Các loại hình sinh kế nông thôn Việt Nam



Nguồn: Tính toán từ số liệu VHLSS (2016)

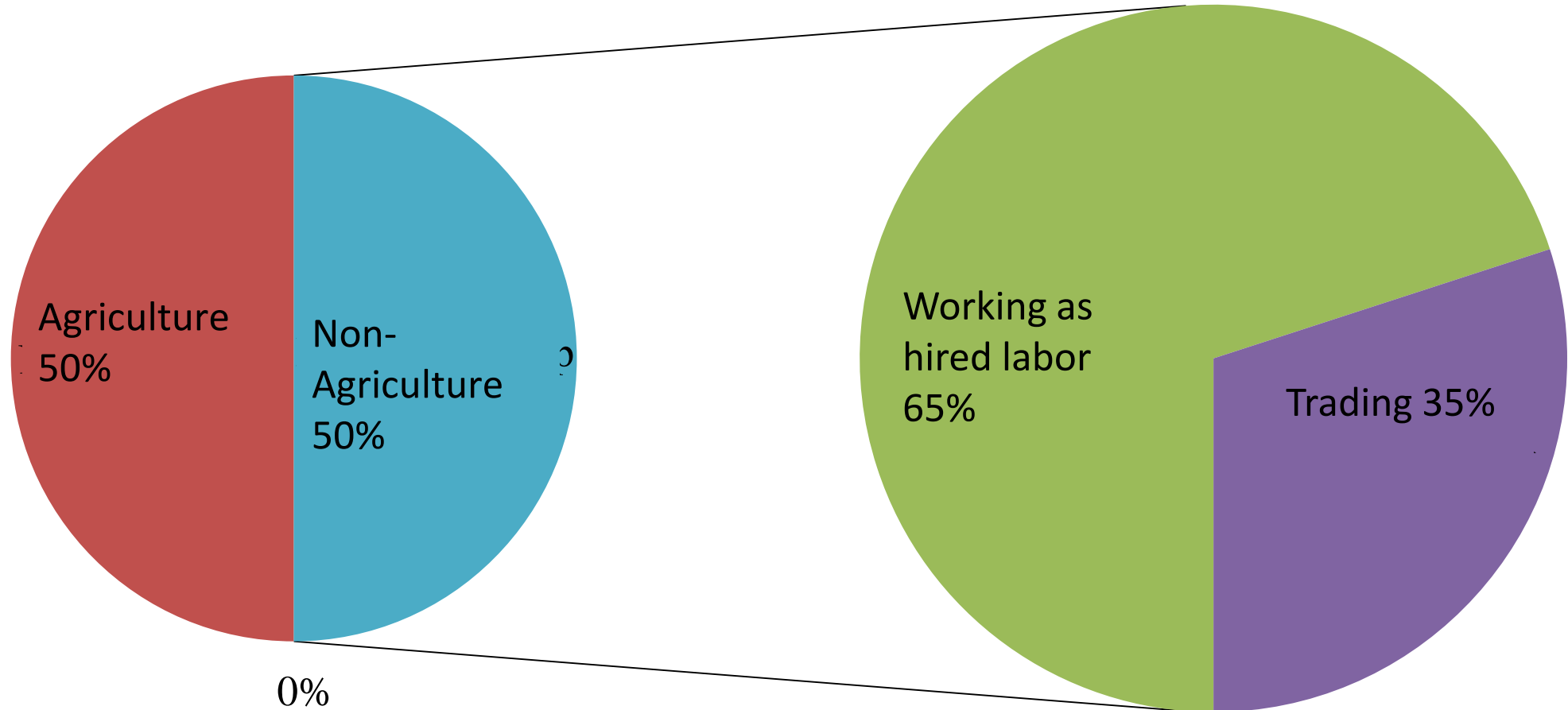
Trend of diversified rural livelihoods

Structure of urban-rural labor force (%)



Impact on rural jobs

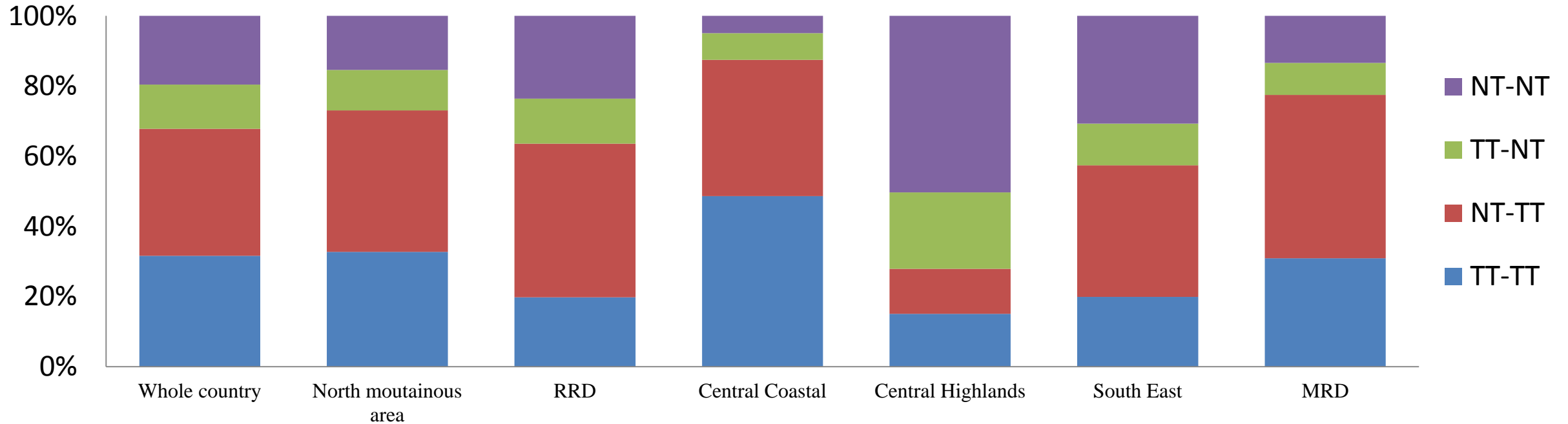
The ratio of main jobs of of rural household members (%)



Source: based on VHLSS 2018

Impact on migration

The proportion of migration flows by socio-economic region (%)

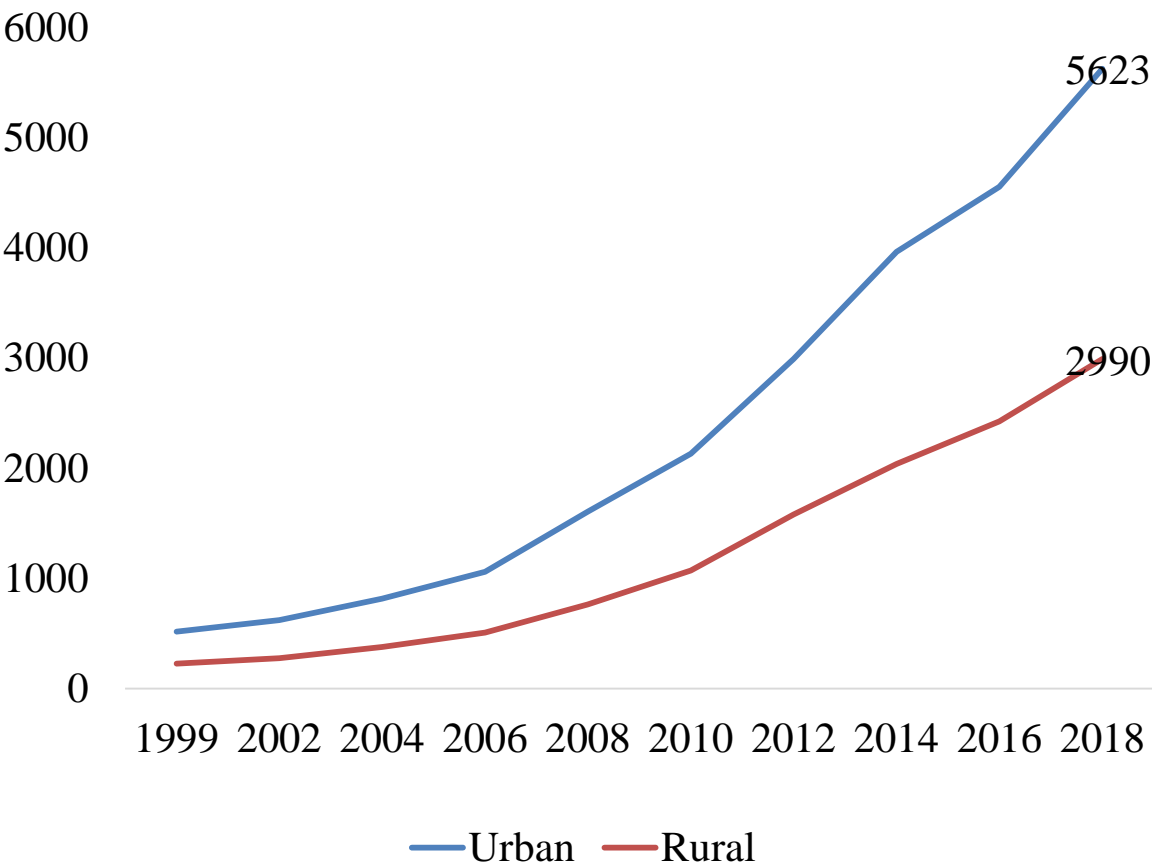


Source: GSO (2015)

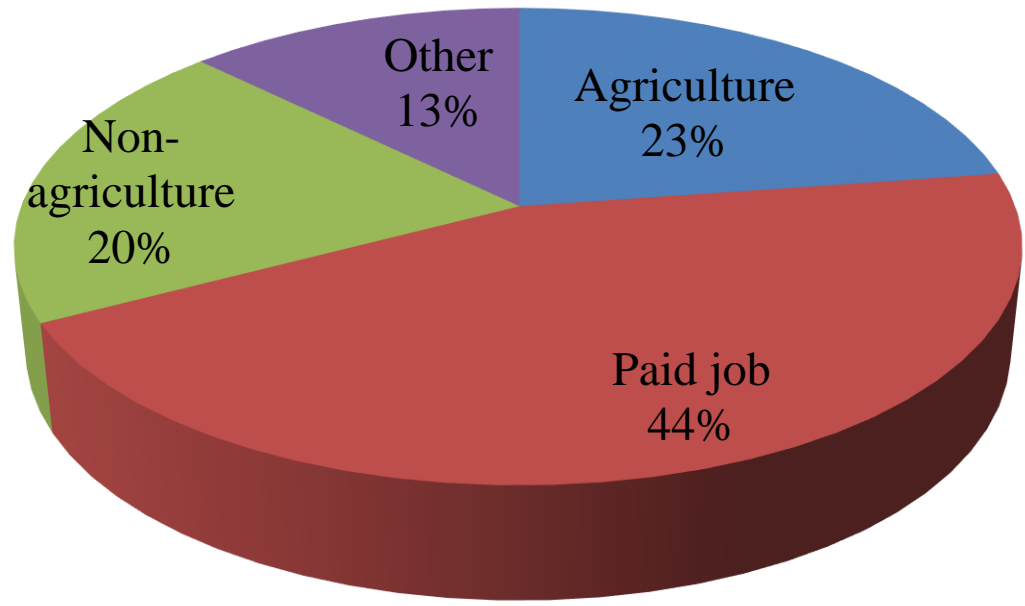
Economic crisis could lead to a flow back to rural areas

Impact on rural income

Monthly income per capita (000 VND)



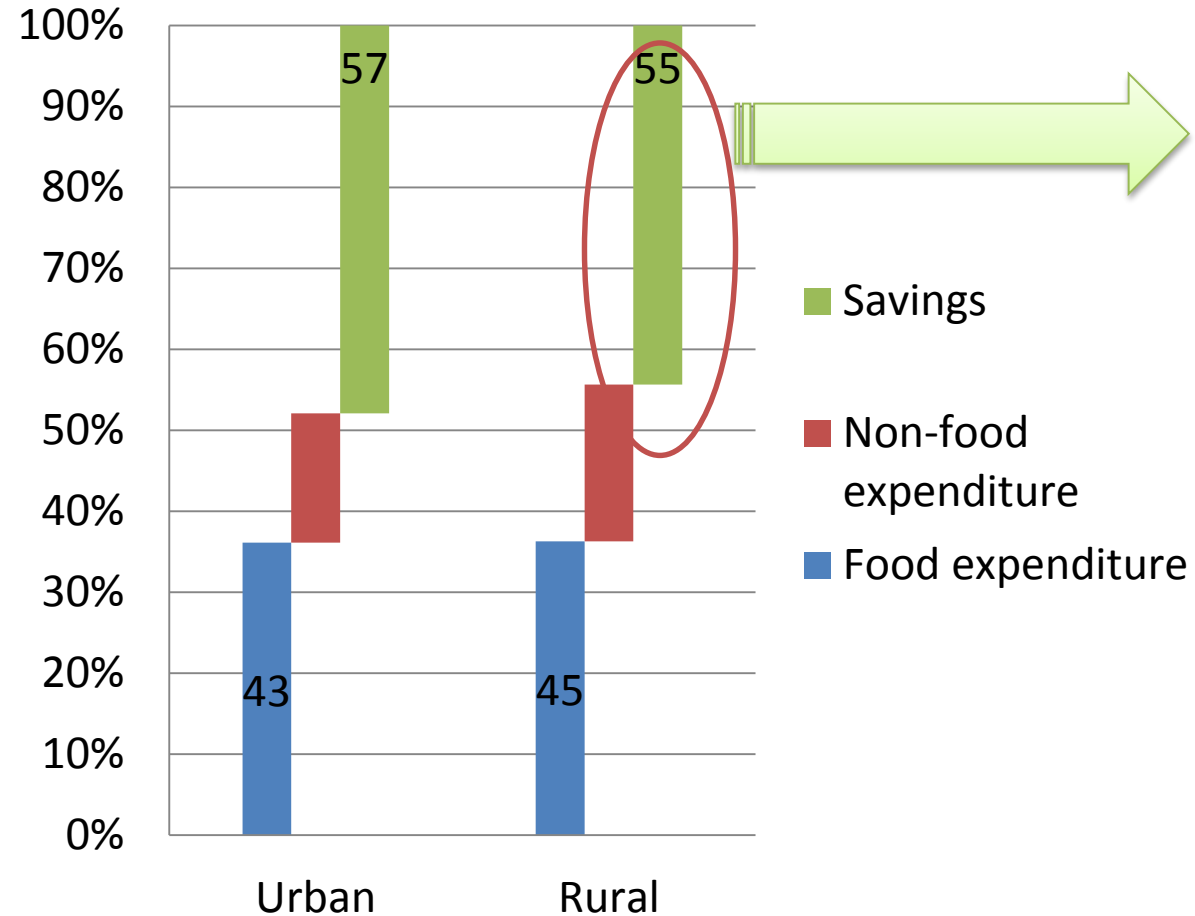
Income structure of rural residents in 2018 (%)



Source: GSO

Impact on rural expenditure

Disposable income in 2018

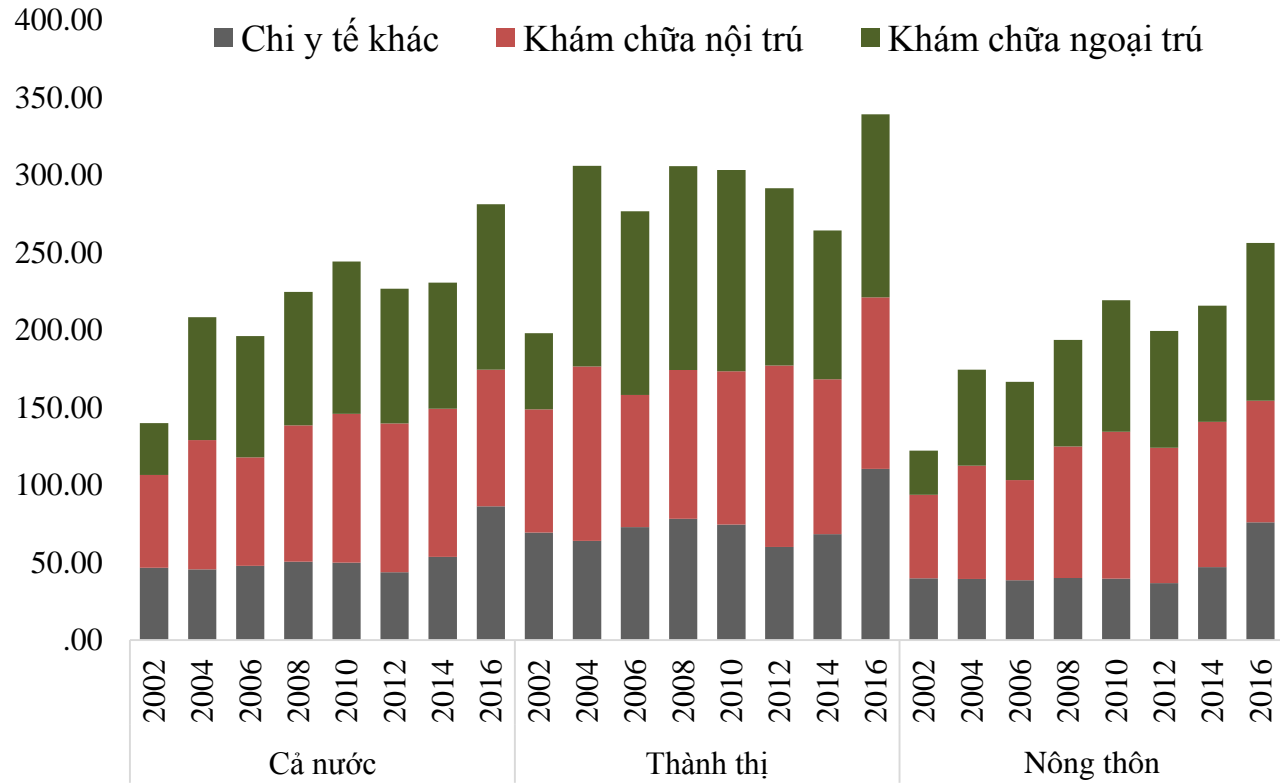


Can be used to spend

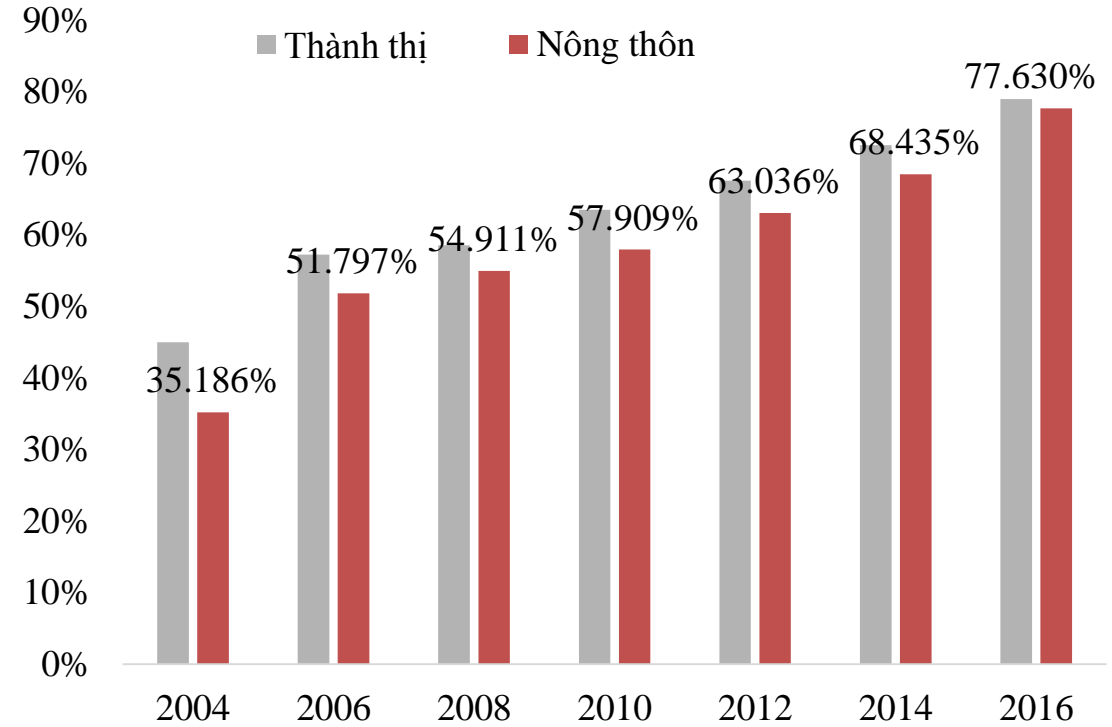


Impact on social safety net

Average monthly household health expenditure (000' VND, comparative price 2010)



Percentage of the population with health insurance (%)



Source: based on VHLSS

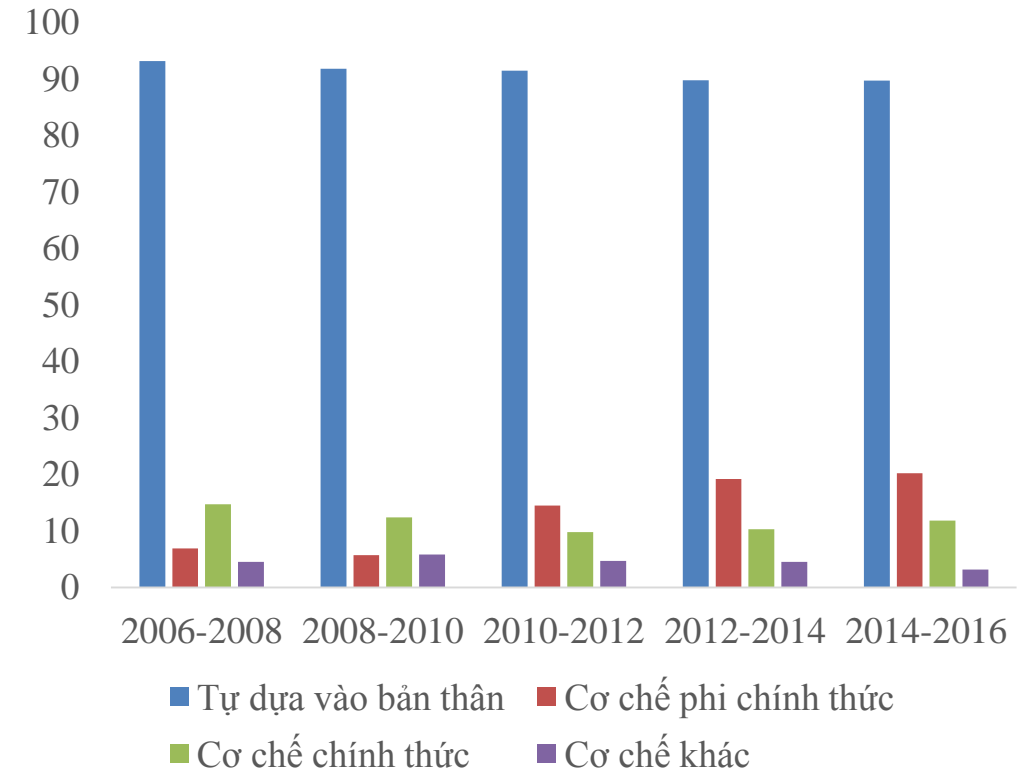
Health service costs tend to increase.

The proportion of people with health insurance proliferates, narrowing rural-urban gap of having health insurance

Impact channels on agriculture and rural areas: Social Security

Ways of coping with risks of farmer households(%)

	2008	2010	2012	2014	2016
Doing nothing	39,1	46,0	45,5	47,5	49,3
Reducing spending	62,3	56,7	52,0	42,6	37,8
Selling land, livestock, or other property	3,9	4,6	9,2	5,8	6,9
Getting the help from relatives	6,9	5,7	10,2	15,4	16,9
Receiving the assistance from government/NGOs	4,4	2,9	2,9	2,5	3,8
Receiving insurance payment	1,4	1,0	-		4,6
Bank loan	9,7	9,0	3,8	2,7	4,3
Borrowing from other resources	-	5,7	4,7	4,5	5,2
Using savings	12,8	9,2	13,1	16,9	13,2



Source: based on VHLSS

The farmer's coping mechanism remains largely self-reliant: doing nothing, reducing spending

Government support policy: General economic support

- Financial support package: 61.58 trillion VND for the poor and businesses affected by the COVID-19 pandemic: More than 52 trillion VND supporting six eligible subjects, 9.5 trillion VND supporting the enterprises confronted difficulties.
- Directive No. 11/CT-TTg issued on March 03, 2020, regarding urgent tasks and measures to reduce difficulties in production and business, ensure social security when coping with COVID-19
- Official Letter No. 897/TCT-QLN issued on March 3, 2020, by the General Department of Taxation, aiming to extend the duration of tax payment and exemption of late payment interest.
- Decree No. 41/2020/ND-CP issued on April 8, 2020, of the Government, aiming to extend the duration for payment of value-added tax, corporate income tax, personal income tax and land rent.

Government support policy: Social security support

- Resolution No.42 supports social security: ensuring basic living standards for people, especially the poor and those who lose their jobs.
- Ensuring the domestic food supply: limiting rice export, buying enough food reserves to meet the national reserve goals by 2020, promoting agricultural production, ensuring adequate satisfaction of domestic demand and Partly suitable for trading.

The management of rice export is still lack of coordination among ministries and agencies, not ensuring the interests of exporters and farmers.

Some forecasts

- IMF: The COVID pandemic has led to the deepest global recession since the Great Depression of 1930.
- The Economist: blockade measures profoundly affect countries dependent on labour-intensive operations. Economies with a corporate structure are primarily small businesses expected to suffer the long-term adverse effects of the blockade.
- FAO: International agricultural trade must be maintained. One-fifth of the calories people consume is from cross-border trade (doubling compared to 40 years ago).
- MPI: Agriculture is one of three sectors (along with transport and tourism) directly affected by the pandemic: the goal of agricultural GDP growth is facing significant challenges.

Recommendations

- **Supporting farmers and rural people, leaving no one left behind:**
 - Farmers, small business households, informal sector workers are in the supported group
 - Ensure food security at the household level, regularly monitoring and warning
 - The policy support target is not only aimed at supporting farmers and poor households but also ensuring social security, maintaining political stability.
- **Find markets for export (seizing opportunities for countries to reopen), especially domestic markets.**
- **Focusing on demand stimulus package, including acceleration of public spending**

Recommendations (cont.)

- **Supporting investment in logistics services, promoting e-commerce and trading platforms for agricultural trade**
- **Other supporting policies:**
 - Conducting in-depth surveys and research on the impact of the Covid-19 pandemic on agriculture and rural areas to develop strategies for restoration, mobilisation of social resources and international assistance.
 - Proposing long-term policies, adapting to "new normal conditions", encouraging supply chains to meet the requirements of social distance

THANKS FOR LISTENING!