

In such an agricultural country as Vietnam, farmers' income affects greatly the economic prosperity. When there is a succession of good harvests and prices of agricultural products are high, farmers can buy a lot of manufactured goods. If prices of agricultural products are high, it's easy to increase the agricultural output. But the problem is how to prevent farmers from suffering losses when prices of agricultural products go down because the supply exceeds the demand. In this article, we want to discuss measures to help farmers to market agricultural products at reasonable prices through marketing researches, price support, exchange rate control, customs duties and price stabilization funds.

I. FOREIGN MARKETS

1. Diversification of agricultural products

a. Rice: Prices of rice from Vietnam on the world market in 1997 went down, around US\$230-240 (from US\$30 to 40 lower than Thai rice). That is why Vietnam exported

from being cut down.

b. Rubber or palm?: In 1997, prices of rubber also went down and thousands of tonnes of rubber have been glutted at Vietnam-China border. There is a plan to grow 700,000 hectares of rubber in Vietnam now; it will take seven years for rubber to produce latex while its price is

from selling coffee at a price lower than the current price on the world market, encourage exporters to keep large stock-in-trade by providing them with inventory financing in order to help them regulate the export of coffee instead of exporting in too large quantities.

d. Caged fish from An Giang:

EQUALITY FOR FARMERS

by Dr. LÊ KHOA

more rice but earned less money. One of reasons is Vietnam had to sell out all rice after harvest even if the price went down. The output of 6.5 million tonnes of rice produced by the Mekong Delta in the last winter-spring crop seems too big, if this output is some 5 or 5.5 million tonnes, it won't become unsaleable and prices won't be cut to the bone by foreign buyers. Therefore in next winter-spring crop, the area for growing rice must be reduced and farmers had better grow other plants such as peanut, soybean, cotton or hybrid maize that can be sold at prices higher than rice.

Limiting the rice output seems to be the most effective measure to stabilize the rice price because it can help to raise the price of rice sold on both domestic and foreign markets. In addition, we had better build a system of warehouses that can store some 2 million tonnes of rice in Cần Thơ and upgrade the Cần Thơ Port in order to export rice gradually, thereby preventing price

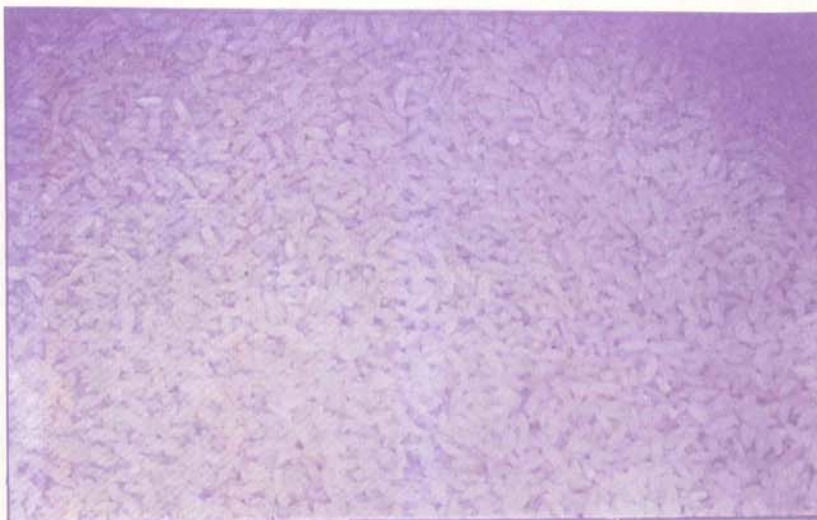
unstable. Should we review this plan? In Malaysia, there are plans to replace rubber trees with palms that can, after five years, produce oil and bring in higher income. We are of the opinion that we had better plant 200,000 hectares of palms and build a factory processing palm oil. In the past, palms have been grown in Vietnam but this program has ended in failure because of a lack of palm oil processing factories.

c. Coffee: In 1997, Vietnam had to sell out all its coffee, like rice, and suffered because its price was reduced to US\$1,000 a tonne. When the price rose to US\$1,500 a tonne, Vietnam had been out of stock of coffee. At present, Vietnam has some 350,000 tonnes of coffee for export and has become one of the world's biggest suppliers of coffee, if all coffee exporters compete with one another to offer a low price for coffee, price slashing is inevitable. Thus, the Ministry of Trade had better limit the number of coffee export companies and prevent them

Price of this kind of fish went down sharply last year because the supply exceeded the demand too much and this fish wasn't popular on the world market. Moreover, the fish output exceeded the local fish processing factory's installed capacity. To solve this problem, fish farmers have to research both foreign and local markets and produce different kinds of fish that are more marketable. If marketing campaigns are carried out properly in foreign countries and An Giang farmers can produce highly marketable fishes; their annual output can be sold out easily. In Germany, catfish imported from the US are sold at US\$15 per kilo. It's very easy for An Giang farmers to raise this fish and become a new rival to the American exporters.

2. Producing maricultural products with export prospects

a. Restoring the shrimp farming business in the Mekong Delta: At present, new techniques for farming shrimp have been introduced to Vi-





etnam: epidemic control, use of air streaming machines, etc. and the application of these techniques requires big investments. However, many of these techniques can be provided or done by local industries (for example, the Japan-designed Jet Streamer could be produced by HCMC industries with low production cost) and all investments could be made in domestic currency but shrimp farming business can earn a lot of foreign exchange (shrimp can be sold at US\$5 per kilo at least). We petition the Ministry of Mariculture to cooperate with the State Bank in supplying some VND500 billion worth of credit to shrimp farmers in the Mekong Delta with a view to help them restore the shrimp farming business.

b. Making more investment in open-sea fishing business: In 1997, when we ran out of offshore natural resource and the shrimp farming business was destroyed by epidemic, the maricultural industry kept on increasing its export earnings. Its achievement was due to the project to supply credit to the deep-sea fishing business (in 1997, VND400 billion were supplied to fishermen who wanted to build boat to catch fish at the deep-sea). In 1998, the Ministry of Mariculture had better loan from VND800 to 1,000 billion to this project.

c. Producing tropical fruits to export to East Asia: The North and Central Vietnam can export tropical fruits, especially banana, to East Asia (Japan, China, South Korea, Hong Kong and Taiwan) with the lowest transportation cost. Binh Dinh farmers have succeeded in producing tissue-cultured banana. This

strain of banana has the following advantages: (1) young plants can be produced rapidly by the tissue culture technique; (2) it can survive drought and be used for greening bare hills; (3) it bears fruit within nine months; (4) its fruits are highly marketable.

Thus, provinces in the North and Central Vietnam can follow in Binh Dinh farmers' footsteps in producing tissue-cultured banana, especially in provinces with conditions favorable for exporting it to East Asia.

The Government had better transfer outlay on the Program 327 to the program to develop the tissue-cultured banana because most projects included in this program need a long time to yield profit, while many farmers can escape from poverty within a year by pro-

ducing tissue-cultured banana. Moreover, growing banana can help to green bare hills within a short period, reduce poverty and hunger and help nomadic groups settle. Like the deep-sea fishing business, the banana-growing program needs help from the Ministry of Agriculture and the State Bank. An investment of VND300 billion is enough to carry out successfully this program.

II. DOMESTIC MARKET

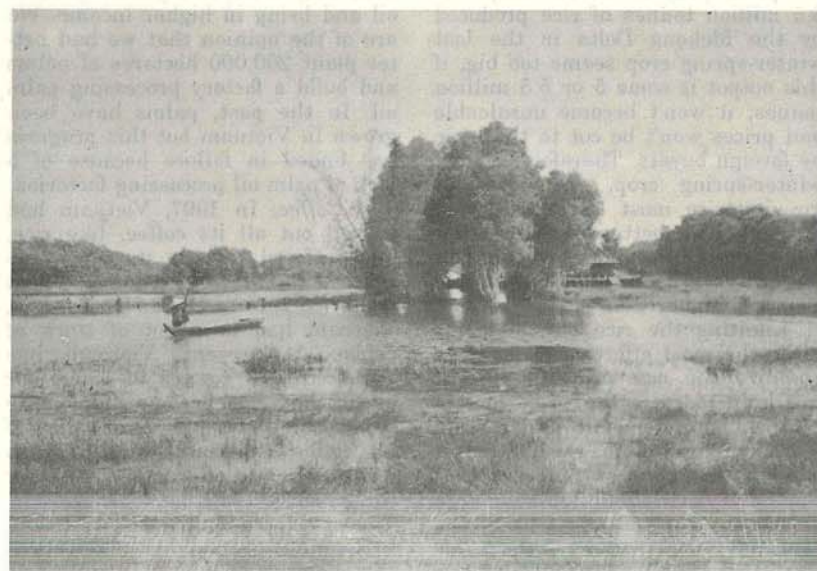
Vietnam can produce many agricultural products that it has had to import so far.

1. Cotton and cow milk

Vietnam's output of cotton and cow milk can only satisfy 10-15% of local market demand. The Government can establish a price support fund, its income will be customs duties charged on imported cotton and cow milk and will be used for paying support payments to producers of cotton and cow milk if market prices fall below the support price. If prices of cotton and rice rise by 20%, Vietnam can stop importing cotton and dried milk within several years and local producers can bridge this gap in the market. Moreover, soybean powder can be used in production of dried milk, that is, this program can encourage farmers to produce soybean, reduce spending in foreign exchange and reduce import of urea fertilizer (because soybean growing can help to improve soil fertility).

2. Production of hybrid cotton

At present, hybrid maize has been produced in Vietnam; therefore we had better make plan to produce



hybrid cottonseeds. The hybrid cotton can be grown in irrigated fields in Khánh Hoà in 1998, after one year, Vietnam can stop importing hybrid cotton seeds.

3. Raising fish in rice fields

In recent years, the Sông Hậu State Farm has succeeded in raising fish in rice fields. Farmers in Tiền Giang applying this technique have increased their annual income by VND4 million. This model is eco-friendly because it forces farmers to stop using chemical fertilizer and insecticide. However, this model hasn't been popular yet because it requires farmers to turn some 15% of the area into lakes and canals. This work also costs a remarkable sum of money. In our opinion, the State Bank had better supply soft loans with a term of two years to farmers who want to change from the rice monoculture to the fish-and-rice model.

4. Other measures to support farmers

In addition to the above-mentioned suggestions, the Government had better give support to farmers planting soybean, peanut and black bean (supplying soft loans, tax incentives, etc.) because these crops can help improve the fertility of the soil, reduce the demand for urea fertilizer and supply low-price protein to the poor.

III. MODERNIZATION OF VIETNAM'S AGRO-INDUSTRIES

In the years 1996-97, some 13 sugar refineries were under construction in an effort to reduce import of sugar and consume all sugarcane produced by farmers. This plan started to produce good results. Contrarily, farmers in many provinces have grown new strains of manioc and its price tended to drop (in Tây Ninh for example) because there was no manioc-processing factory. However, it's regrettable that the Khánh Hoà provincial government has bought an old sugar refinery from China instead of building a sugar refinery with local equipment and machines.

Studying the success of the plan to develop sugar refineries and the production capacity of local industries (steel and iron, building materials, engineering, etc.) we want to petition the Government to have a series of agro-industrial plants built by local engineering factories (if foreign equipment is needed, only modern and eco-friendly one is

imported) with a view to processing the following products:

- Manioc: we need a dozen of factories to turn manioc into powder, tapioca and glutamic acid.

- Some 20 factories are needed to make paper or pulp from residue of sugarcane. These factories will be of great service to the production of sugarcane and sugar.

- There must be at least one food-processing factory in each province. Vietnam can produce and export canned food, frozen food and animal feed (especially food for dogs and cats that are much needed in developed countries)

- Rubber: from rubber, we can make tires and inner tubes and many other products instead of exporting latex.

- Fertilizer factories can make urea from coal in the North and oil in the South.

IV. GOOD DIPLOMATIC RELATIONS AND EXPORT OF AGRICULTURAL PRODUCTS

Good diplomatic relations can always help to promote export. At present, the Vietnamese Government can ask many Asian countries (such as Japan, South Korea, Taiwan and Singapore) to import fruits, garments, rice, meat and other agricultural products from Vietnam in order to help Vietnam repay the ODA credit. This measure can help us to promote export of agricultural products and make the best use of the ODA source.

The multilateral trade between Vietnam, Russia and Ukraine can be raised to US\$2,000 or 3,000 billion a year. Vietnam can sell rice, fruits, garments, footwear, frozen

fish, etc. Russia and Ukraine can supply machines and equipment to hydropower plants in Đồng Nai, Vũ Gia, Sesan, Srépok, Sơn La or a new aluminum factory.

Vietnam can get loans from Arabic countries and repay in kind (agricultural products, footwear, garments, etc.). Arabic countries can act as bankers for Vietnam: they pay third parties that sell factories to Vietnam, and then, receive repayments in kind from Vietnam.

If the markets for agricultural products are sure, farmers will certainly increase their output.

V. CONCLUSION

The Government can ensure equality for farmers by:

- Removing the unreasonable difference in interest rates between loans supplied to farmers and manufacturers or traders.

- Using customs duties and non-tariff barriers to prevent import of cotton or dried milk and giving price support to farmers.

- Supplying soft loans to agriculture promotion programs, especially programs to produce cotton, cow, beans and build agro-industrial factories.

- Devaluating the domestic currency in order to encourage export of agricultural products (this situation happened once in the period 1985-1992 when the exchange rate was VND13,500 to the dollar).

- Supplying some VND300 billion worth of long-term credit to programs to produce tissue-cultured banana; build fishing boats, food-processing factories, tire factories; or build irrigation canals in the Mekong Delta in 1998.

