



Agricultural Development in CLMV

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AGRICULTURAL REFORMS IN CLMV

Agricultural Reforms

Are government policies to:

- Lessen government restrictions in the agricultural sector
- Enable greater private sector participation
- Improve agricultural competitiveness and performance



Purpose:

- Provide incentives for farmers to produce more
- Attract private sector investments for increased production
- Improve quality, boost exports, generate earnings

Overview of agricultural reforms

- **Liberalization of prices** for inputs and outputs, elimination of subsidies, and removal of trade restrictions
- **Removal of regulatory controls** on input and product markets
- **Removal of quantity restrictions** and lifting of production quotas
- **Restructuring** of state-owned enterprise
- **Modernization of the financial systems** through tax reforms and unified exchange rates



Agricultural tied to economic reforms

- **Cambodia:** economic liberalization (1986-1989)
- **Lao PDR:** New Economic Mechanism (1986)
- **Myanmar:** Agricultural reform (1987); National Strategy on Rural Development and Poverty Alleviation 2011
- **Vietnam:** Doi Moi (1986); Resolution 10 on de-collectivization



Concerns on sustainability of reforms

- Key inputs to production, land and water, have been increasingly scarce: adverse impacts on productivity and production
- The quality of the ecosystem services have also deteriorated
- Yield across countries has been increasing at differential rates; widening gaps across the countries.
- Uncertain global environment: soaring food and fuel prices, volatile markets, and climate change presents new challenges



REFORM EXPERIENCES IN CLMV



Cambodia

Reforms

- Economic liberalization (1986-89) and external assistance led to rapid economic recovery (1990 onwards)
- Privatize markets: removal of price controls, restoration of private land ownership, allow private enterprises to participate in markets, and permit farmers to sell their surplus in the free market

Impacts

- 200-fold rice production: net rice importer to a net exporter
- Improved physical infrastructure
- Private sector development, employment generation and human resources development.
- Improved agricultural productivity, diversification toward commercialization

Cambodia

- Cambodia's agriculture sector has demonstrated stellar agricultural growth performance in the last 30 years as a result of new policies and programs
- However it still suffers from serious underinvestment in irrigation, rural roads, extension services, and rural credit.



Lao PDR

Reforms

- New Economic Mechanism; rapid move away from central planning toward a market-oriented economy
- Liberalization of foreign investment; investors allowed to hold 100% of capital; guaranteed against nationalization
- Exchange rate adjustment and institutionalization of tax reforms
- End involvement of major state monopolies

Impacts

- Modest inflow of FDI (1990s); rapid acceleration (2000s)
- Impact of the reforms lagged behind Vietnam and Cambodia
- Increased volume of crossborder trade with PR China, Thailand, and Vietnam
- Coffee production increased more than 500-fold; and enhanced vegetable trade with neighboring countries

Lao PDR

- As a mountainous country, Lao PDR has limited scope for lowland irrigation
- Challenge: expansion of rice production using similar high-yielding varieties in the lowlands adapted to the upland ecosystem
- Comparative advantage of Lao's agriculture does not lie in expansion of rice production; rather in the increase of high-value cash crops (e.g., coffee, soybeans)



Myanmar

Reforms

- Initiated agricultural reforms (1987) to reduce state intervention
- Reforms were partial; control of domestic rice prices continued
- Market restrictions for rice finally abolished in 2003; private traders allowed to participate in rice marketing
- Introduced National Strategy on Rural Development and Poverty Alleviation (2011)

Impacts

- Rice exports fluctuated (2000s) due partly to government policy that still imposed production quotas and restrictions on rice trading
- Rice allowed to be exported across the border to PR China (2012), resulting in doubling of rice exports
- From 2006-2012 Myanmar experienced 8-fold increase in rice production from the 1986–1990 average production level of 506,000 tons

Myanmar

- Myanmar has opened up and transformation processes are taking place even in poorer areas of the country
- However the present policy framework has still ineffective due to lack of investment in transport and other infrastructure



Vietnam

Reforms

- Vietnam pursued de-collectivization; household given production rights
- Farmers given land tenure; land market started to develop; land-use certificates were issued
- Internal control posts abolished; accelerated trade
- Agricultural prices were liberalized (198)(; tariffs replaced quantitative restrictions

Impact

- Intensified use of inputs (irrigation); liberalization of markets brought large inflows of foreign direct investments
- Viet Nam regained its number two (2) position in the rice export market
- Became a leading player in the world market for coffee, rubber, pepper, cashew nuts, aquaculture, wood, and wood products

Vietnam

- Rapid area expansion in Viet Nam was key to production growth; this motivated farmers to increase land productivity
- Production increases: sustained with the enhancement of cropping intensity and yield improvement
- Economic reforms complemented the effect of investments in irrigation made during the central planning period

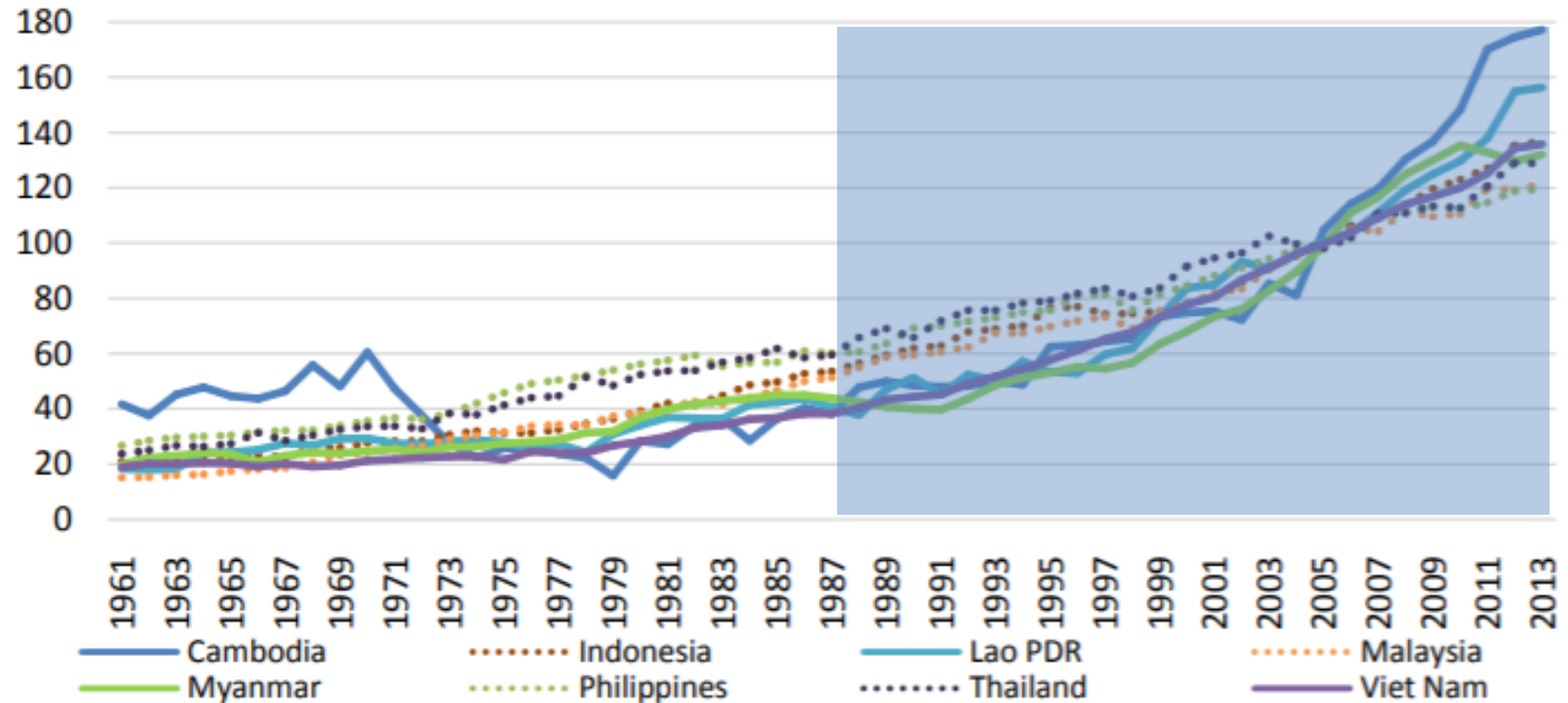


IMPACTS OF AGRICULTURAL REFORMS



Impacts of reforms on production

CLMV countries demonstrated a sharp increase in production from the mid-1980s onward compared to their neighbors in Southeast Asia

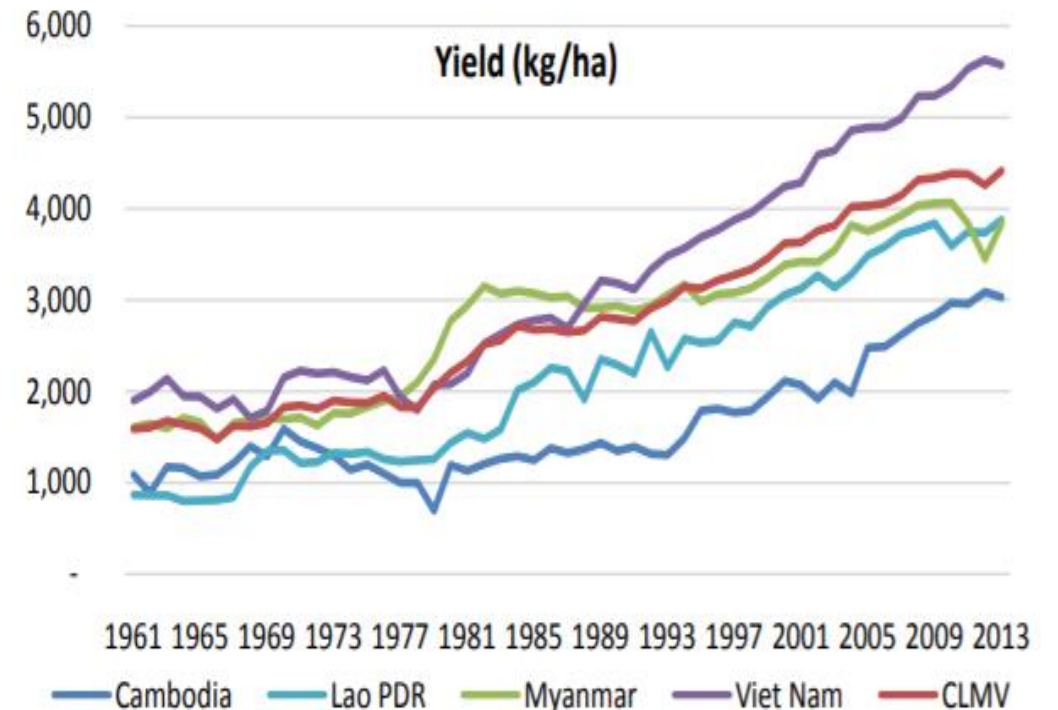
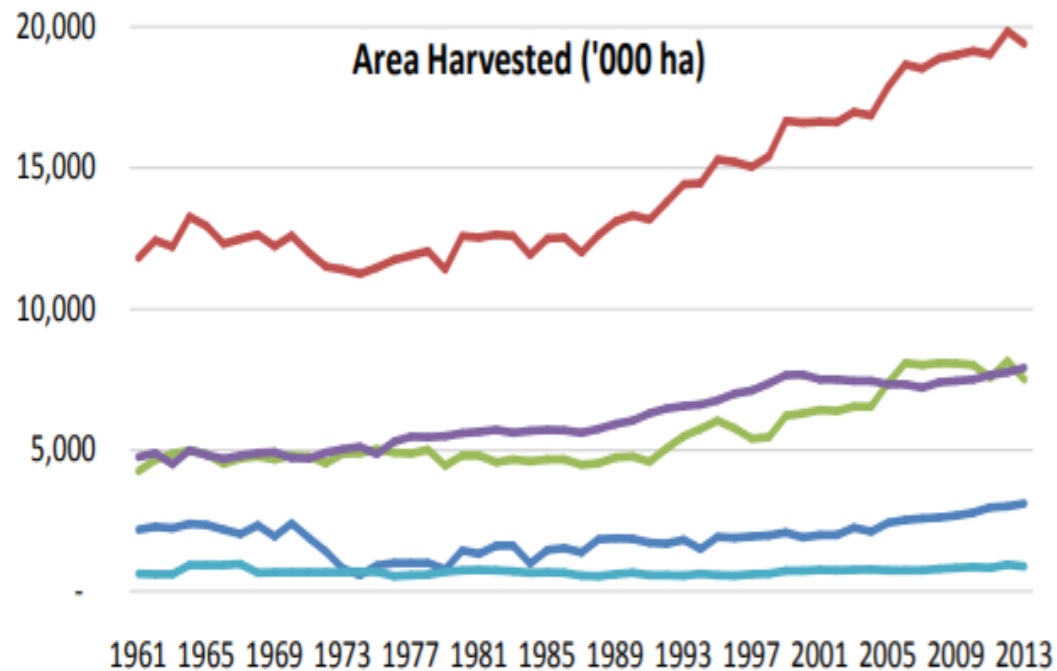


Lao PDR = Lao People's Democratic Republic.

Source: Food and Agriculture Organization of the United Nations, FAOSTAT online (accessed July 2015).

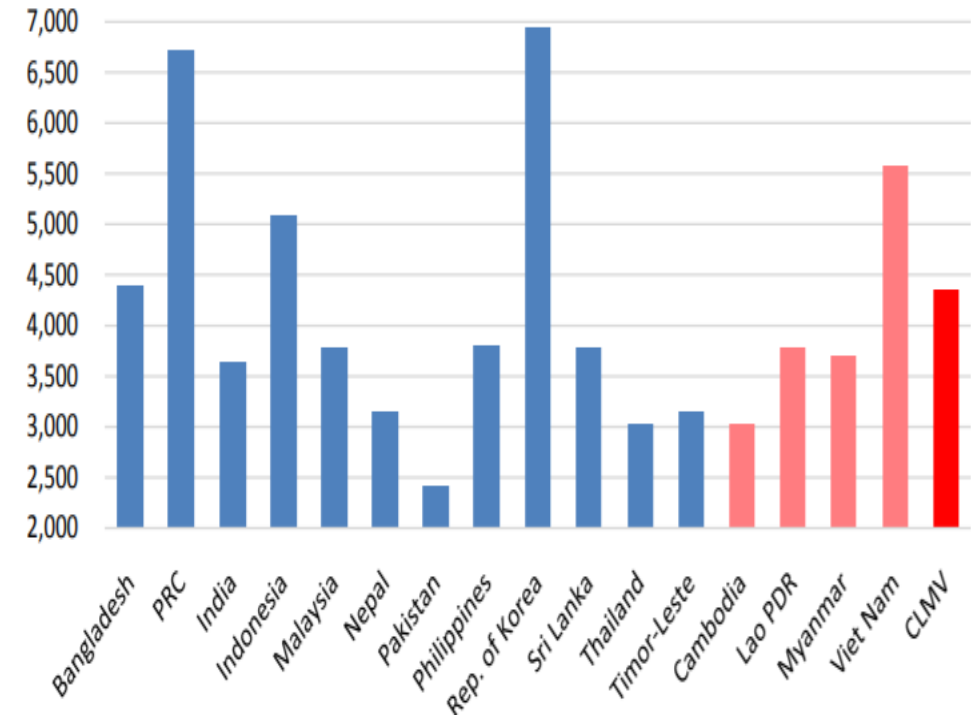
Higher rice production

- Increased area expansion and yield growth



Widening yield gaps

- Early 1960s: average yield levels in the CLMV countries were within the 0.8–2.0 tons/ha
- Viet Nam's average rice yield more than doubled (currently 5.3 tons/ha) since reforms
- Lao PDR's rice yield more than tripled (initially slightly over 1 ton/ha)
- Cambodia's yield level tripled
- Myanmar: before reforms rice yield was slightly lower than Vietnam; in 2013 the yield difference between these two countries increased by more than 1 ton/ha



Widening yield gaps

- Mainly attributed to varying landscapes, topographical characteristics, and soil qualities
- Difference in levels of commitment and quality of interventions particularly agricultural investments (e.g., irrigation)
- Despite the vast river deltas in CLMV, extensive areas cultivated are still rain-fed lowland
- Viet Nam's irrigated area is most extensive (49% of total cultivated area); Cambodia's is least extensive (9% of total cultivated area)



Performance of other crops

- Contributing to the growth in agricultural productivity is the relatively strong production performance of other crops
- Major crops: cassava, sugarcane, yellow corn/maize, cashew nuts, coffee, pulses, fruits, and vegetables
- For most crops, area expansion has been the key reason for production growth
- Yield improvement occurring for other crops, but at a relatively slower pace





AGRICULTURAL PRODUCTIVITY GROWTH

PRODUCTIVITY GAINS AND CHALLENGES

- Productivity increases through policy reforms have enabled CLMV to sustain agricultural growth
- Share of the agriculture sector to GDP has declined from 49% to 28% (1993-2014); however sector has remained strong
- CLMV experienced higher GDP growth rates (averaging 7.5%) compared to other countries in Southeast Asia (averaging 5.1%).



PRODUCTIVITY GAINS AND CHALLENGES

- The potential of CLMV to achieve higher agricultural productivity and production is not fully realized
- CLMV still face economic and technological constraints to agricultural productivity, particularly farm size and land tenure
- Limited access to technology for rain-fed and upland agriculture and the use of biotechnologies to develop new food varieties



PRODUCTIVITY GAINS AND CHALLENGES

- Globalization has exposed CLMV agriculture to increased market competition due to removal of trade barriers, higher food standards, and changes in terms of trade
- Due to their small size and increasing reliance on food imports, farmers are more vulnerable to changes in world market conditions; this lowers incentives for farmers to produce



PRODUCTIVITY GAINS AND CHALLENGES

- CLMV countries have to overcome emerging challenges posed by climate change and environmental risks, notably the degradation of natural resources, rising temperatures, and extreme weather events such as floods and droughts
- Key inputs to production, land and water, have been increasingly scarce: adverse impacts on productivity and production



Conclusion

- Stellar economic growth in CLMV can be attributed to agricultural reforms; agricultural productivity has positively impacted income and well-being of rural populations
- Performance across CLMV have not been even, however; it depends on commitment, investments, and acquisition of technology
- CLMV still face economic and technological constraints to agricultural productivity, particularly farm size and land tenure

THANK **Y**OU!

Merry Christmas!

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