



YOUR LOGO



Agricultural Development in CLMV

FACULTY OF ECONOMICS
THAMMASAT UNIVERSITY

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

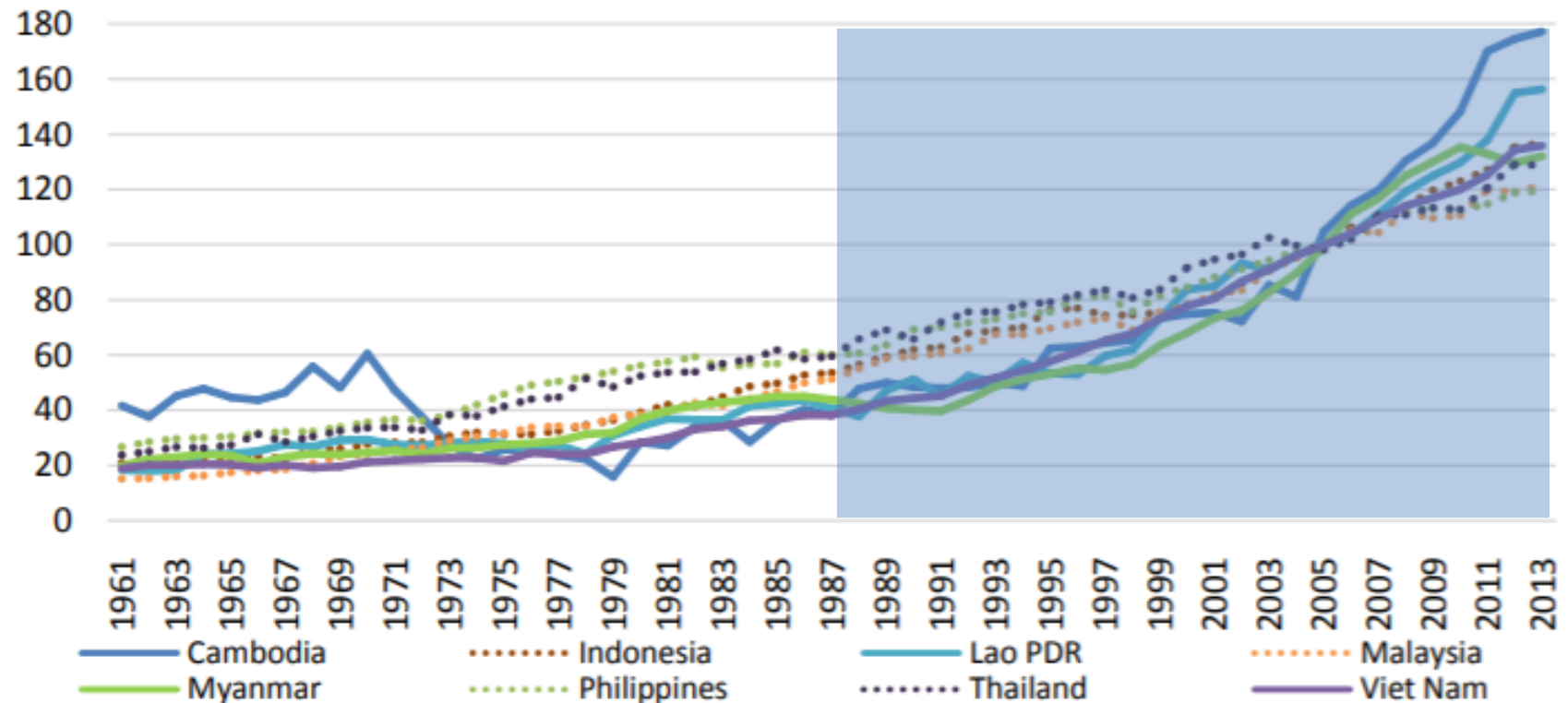


IMPACTS OF AGRICULTURAL REFORMS



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

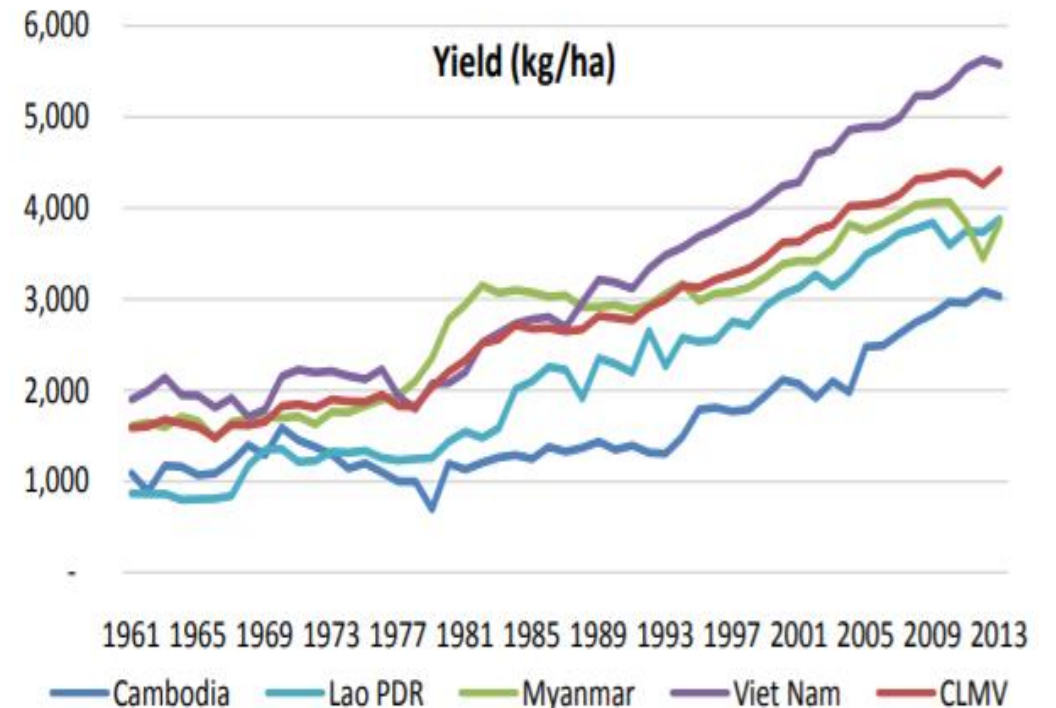
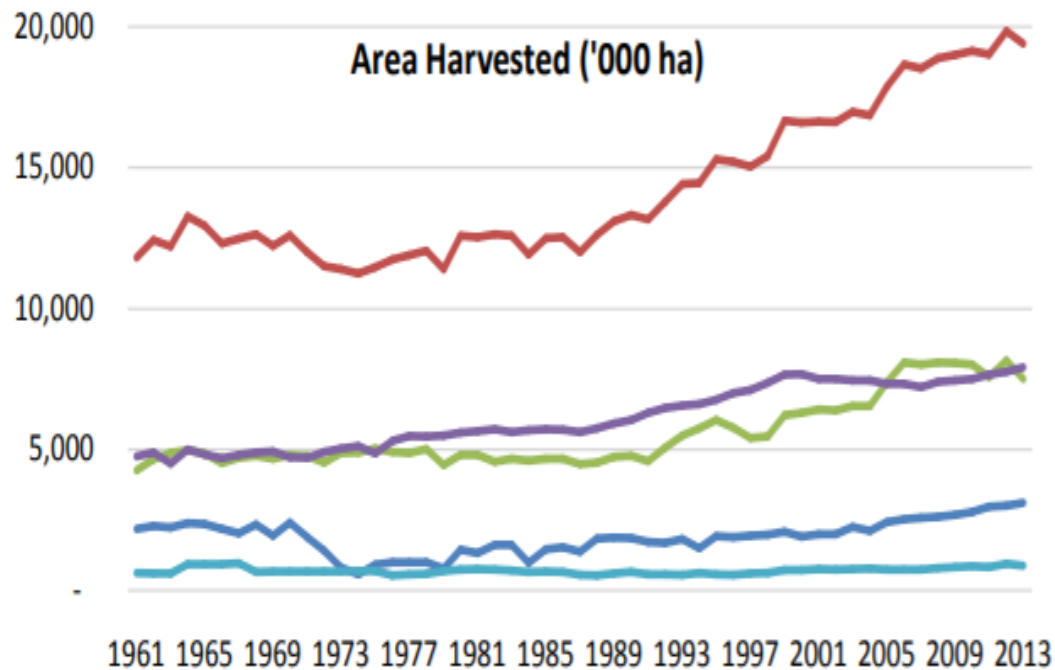


Lao PDR = Lao People's Democratic Republic.

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

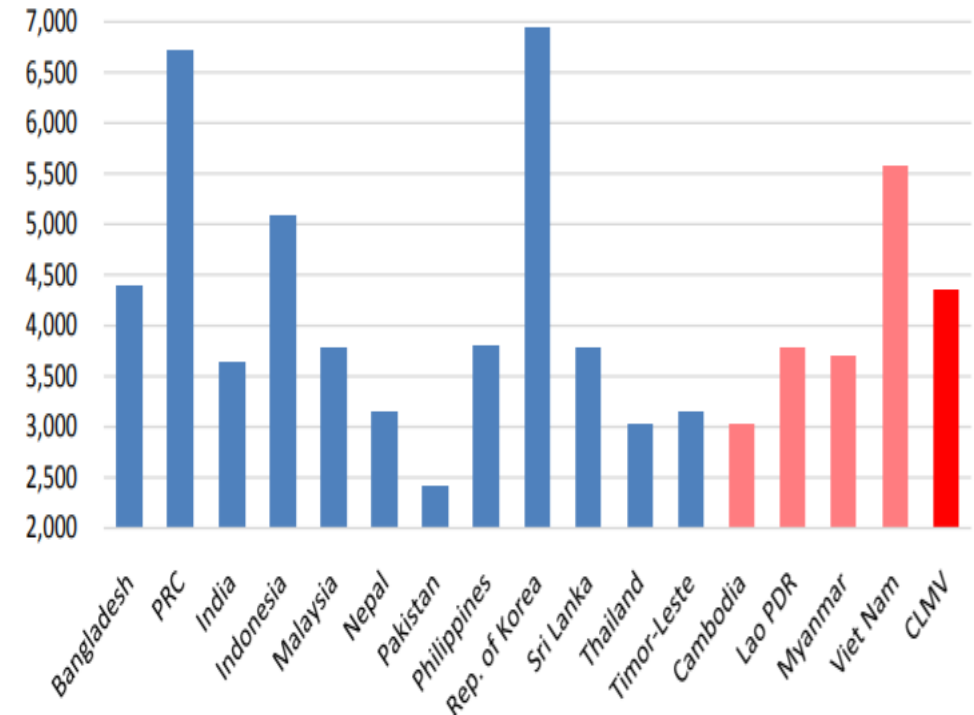
Higher rice production

- 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

- Reforms have enabled productivity increases, sustained agricultural output growth, and overall GDP growth (7.5% compared to ASEAN 5.1%)
- Investments in infrastructure, extension services and access to markets have increased production
- Declining share of agriculture sector to GDP (49% to 28% from 1993-2014)



CHALLENGES

- Small farm size and land tenure limits agricultural productivity
- Limited technology for rain-fed and upland agriculture
- Vulnerability of farmers to changes in world market conditions lowers incentives for farmers to produce
- Globalization increases market competition due to removal of trade barriers, higher food standards, and changes in terms of trade



CHALLENGES

- Climate change and environmental risks: degradation of natural resources, rising temperatures, extreme weather, floods and droughts
- Increasing scarcity of land and water causes adverse impacts on productivity and production



Conclusion

- Rapid 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!