POSITION PAPER OF AGRIBUSINESS WORKING GROUP

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Agribusiness Working Group
Vietnam Business Forum

Productivity improvement through harmonization, technology and international standards.

The following issues are of concern to the Agribusiness Working Group of the Vietnam Business Forum:

1. IT and High Technology Farming Solutions.
2. Antimicrobial Resistance (AMR).
3. Registering products and their use.
4. Animal identification and recording.
5. Banned hormones.
6. Inspection of Heat-treated Milk Products, and
7. Salt used for direct consumption and for food processing must be supplemented with iodine.
8. A science-based approach to regulations on management and registration of Plan Crop Protection Products.
9. Importance of a clear, predictable regulatory framework on GMO Food, Feed Approval and GM Hybrid Recognition.

1. IT and High Technology Farming Solutions

The face and nature of Agriculture has changed, both internationally and in Vietnam.
The size of holdings, together with farmer's knowledge and use of technology and markets, have moved agriculture from a family activity to a business enterprise. The face and nature of the Vietnamese farmer has also changed, no longer a poor, en-educated rural land holder; today's farmer is a businessman with large holdings, significant investment and understanding of technology and international markets – the Smart farmer of today not only fully understands his or her physical environment, but can actually change it with technology. Today's farmers are often international FDI corporate enterprises involved in rice, coffee, grains, feed and livestock on the international market working closely with local farmers. We believe that the application of IT and high technology solutions in agriculture is valuable, effective and makes great business sense. In these days of increasing consumer awareness about food cleanliness, hygiene and traceability, it is imperative for agribusinesses to do all they can to have processes and systems that are reliable, efficient and safe. Also, in order to operate in the international market place, modern farmers must meet international standards of growing and breeding, use of pesticides, herbicides and other inputs, handling, packaging, storage, transport and supply chains. This cannot be achieved without sophisticated advanced technology systems and effective supply chain management.

Sustainable agriculture must simultaneously deliver food security, environmental sustainability and economic opportunity. In order to achieve those goals there must be a transformation of the agriculture sector through a coordinated effort by all stakeholders, including farmers, government, civil society and the private sector. The key success factors of agriculture-sector transformation at the national level include setting the right direction through effective

leadership, strategy and investment models, and scaling the transformation through finance, infrastructure, institutions and monitoring. The significant fluctuation in the selling price of pork meat in 2017 and early 2018 in Vietnam is a prime example of unplanned and ineffective market management, together with uncontrolled escalation of low quality pig farms and animal feed manufacturers, and lack of price control. This example clearly shows the need for improvement in management of supply and demand, attention to markets both local and international, and government intervention to stabilize prices.

The Fourth Industrial Revolution (4IR) will see the convergence of artificial intelligence and data technology as a new solution to address industrial and social problems across the globe, by integrating cyber and physical fields. The 4IR will have far-reaching repercussions for the labor-intensive field of agriculture. Combining artificial intelligence and big data will evolve into a high-tech industry that operates itself. For example, use of camera drones and GPS position locators managed by technologically advanced control systems will allow Smart farmers to make smart decisions about crop management, livestock movements and feeding and watering. These technologies allow for precision agriculture, such as yield monitoring, diagnosing insect pests, measuring soil moisture, making decisions about harvest time, and monitoring crop health status. In particular, the Internet of things (IoT) will measure temperature, humidity, and amount of sunlight in production farms, making it possible for remote control via mobile devices. It will not only boost the production of farms, but also add to their value. By applying 4IR technology, comprehensive data (including agricultural production, climate information, population structure, and consumer data) can be analyzed comprehensively. In this way, it is possible to produce customized products to optimize supply and demand. At the same time, the government can adjust timing and output in order to stabilize prices.

Just as the first, second, and third industrial revolutions did, the emergence of new technologies achieved via revolution always begins with the break-down of an existing order. Breaking the existing order creates a gap in which opportunities can emerge. The 4IR technology in farming presents a great opportunity to increase agricultural competitiveness, and an opportunity to overcome the structural weaknesses of the current agricultural system and the limits of intensive agriculture.

We are at the beginning of a new agricultural age. An age where Smart farmers can control their environment, their product and their market like never before, with the use of technology and systems that provide data, information and knowledge so that Smart farmers can make smart decisions about what and when to plant, grow, harvest and send to market.

We seek the government's support of this agricultural transformation, through effective leadership and legislation to allow Vietnam to become an agricultural powerhouse driven by Smart farming and Smart farmers.

2. Antimicrobial Resistance (AMR)

Based on scientific evaluation, Antimicrobial Resistance (AMR) will cause millions of deaths per year globally with particularly high degree in Asian countries[1]. Preventive measures include only

[1] Antimicrobial Resistance: Tackling a crisis for the health and wealth of nations (2014), The Review on Antimicrobial Resistance Chaired by Jim O'Neill.

using antibiotics when needed, thereby stopping misuse of antibiotics or antimicrobials[2]. Narrow-spectrum antibiotics should be used over broad-spectrum antibiotics when possible, as effectively and accurately targeting specific organisms is less likely to cause resistance[3]. For people who take these medications at home, education about proper use is essential. Health care providers can minimize spread of resistant infections by use of proper sanitation and hygiene, including hand-washing and disinfecting between patients, and should encourage the same of the patient, visitors, and family members. AMR is on the rise globally, predominantly due to greater access to antibiotic drugs in developing countries like Vietnam[4]. There are public calls for global collective action to address the threat including proposals for international treaties on antimicrobial resistance[5]. Worldwide antibiotic resistance is not fully mapped, but poorer countries with weak healthcare systems like Vietnam are more affected.

To promote further food safety, the Government should engage with local and foreign private sectors to reduce AMR, encourage research on alternative treatments to antibiotics and increase awareness and educate farmers on the risks associated with the misuse of antibiotics. Good husbandry practices should also be applied to reduce demand for antibiotic treatment in farms through agricultural extension programs and related activities.

Agricultural product exports have increased in recent times, but the sector remains vulnerable to climate change and volatility of buyers. We are, therefore, pleased with the directives of the Minister of Agriculture and Rural Development to focus on the restructuring and development of the agricultural sector as well as promoting ten key products for export.

3. Product registration

A risk-based assessment should be applied when registering products and their use, and there should be a partnership between the Government, crop protection product industry and relevant stakeholders to jointly promote the safe use of products and practices. The application of Circular 21 with regard to GHS and PHI criteria should be abolished, and continued efforts should be made to monitor domestic markets in terms of consumer safety.

4. Animal identification and recording

An animal identification and recording system containing a traceability component should be financed and set up, starting with a product in which Vietnam is competitive and which has export potential. The Government should roll out the Ho Chi Minh City pilot nationwide to increase the reputation of Vietnamese products, food safety and exports; draft regulations to prevent the sale of products that are being tested; look at best practice from around the world; and improve food safety through involving producers and committing them to supply safe food products.

[2] https://en.wikipedia.org/wiki/Antimicrobial_resistance#cite_note-About_Antimicrobial_Resistance-7 https://en.wikipedia.org/wiki/Antimicrobial_resistance#cite_note-Swedish-8
[3] https://en.wikipedia.org/wiki/Antimicrobial_resistance#cite_note-NPS2013-9
[4] https://en.wikipedia.org/wiki/Antimicrobial_resistance#cite_note-Hoffman-18
[5] https://en.wikipedia.org/wiki/Antimicrobial_resistance#cite_note-Hoffman-18

5. Banned hormones

The Government should enforce existing regulations on the use of banned hormones**,** provide easy access to products to be used in livestock production imported from countries with which a Free Trade Agreement exists, and increase awareness of the use of banned antibiotics, especially as a growth promoter.

6. Unnecessary and Prolonged Veterinary Inspection of Heat-treated Milk Products stipulated in MARD's Circular 25/2016/TT-BNNPTNT and Circular 24/2017/TT-BNNPTNT

These circulars require veterinary inspections for any product containing milk, regardless of whether milk has been processed or not (for example, a cookie containing a few drops of milk is still subject to veterinary inspection). This requirement conflicts with international best practice: OIE and Codex require veterinary inspections for milk and milk products, but not for processed milk (heat-treatment) or food products containing heat-treated milk or dairy ingredients, since the risk of disease (if any) has already been eliminated. It also does not comply with current procedure on issuing legal documents. For example, MARD issued Circular 25/2016/TT-BNNPTNT[6] without the list of HS Code.

Then, on November 15, 2017, MARD promulgated Circular 24/2017/TT-BNNPTNT[7] with the list of HS Code. However, these circulars were introduced without consulting affected stakeholders, which led to products that are not "milk and milk products" being subject to veterinary inspections. In addition, the regulations are inconsistent with the Government's Resolution 19 on reducing import inspection, and create significant costs for firms without any benefit. It delays product clearance at ports for 1-2 weeks, which could cost millions of working days and a waste of hundreds of billions of VND per year.

We propose eliminating veterinary inspection for packaged heat-treated milk and food products containing heat-treated milk or milk constituents (milk protein, casein, lactose), taking inspiration from Decree 15/2018/ND-CP[8] (which cuts 95% of food safety inspections) to simplify/reduce veterinary inspections.

7. Decree 09/2016/ND-CP[9] regulates that "Salt used for direct consumption and for food processing must be supplemented with iodine" (Article 6, Clause 1, Sub-clause a)

This requirement creates significant challenges for the food processing industry. The industry has significant concerns about technical difficulties, retention, losses and changes in organoleptic properties of final products, with the inclusion of iodized salt in industrialised processed foods. Potassium iodide is an oxidant, so it could change the organoleptic properties of final products (for example, changes in colour, flavour, etc.).

[6] Circular 25/2016/TT- BNNPTNT dated 30 June 2016 providing for the quarantine of terrestrial animals and animal products.

[7] Circular 24/2017/TT-BNNPTNT dated 15 November 2017, promulgating list of harmonized system (HS) codes for export and imports under management of the Ministry of Agriculture and Rural Development.

[8] Decree 15/2018/ND-CP of the Government dated 2 February 2018 guiding the Law on Food Safety.

[9] Decree 09/2016/ND-CP date 28 January 2016, providing for fortification of food with micronutrients

It has been reported that considerable losses, up to 100%, are possible during food processing, depending on the product and the procedure, moisture, heating and storage. Some countries, such as Japan and Australia, refuse to import foods with iodized salt in the product ingredient. Several food products (formula milk for young children, for example) use specialised iodine and sodium separately to retain the iodine & sodium amounts in the final products rather than fortifying iodine salt directly in the products as the quality of those food products will be significantly affected.

No country in the world uses iodine salt in the production of formula milk. MOH issued Official Letter No.6134/BYT-PC dated 27/10/2017 guiding "not to inspect food manufacturing business which use iodized salt". However, it is not clear whether food manufacturing firms are allowed to use non-iodized salt in the production of packaged food products.
We support the Government's implementation of the iodine deficiency prevention program in Vietnam. However, due to the irrationalities mentioned, we recommend Decree 09/2016/ND-CP is amended to remove the phrase "iodine salt must be used during food processing".
The fortification policy should be focused on iodization of table salt alone to achieve optimal iodine nutrition of the population while saving the cost of production for the food industry.

8. A science-based approach to regulations on management and registration of Plan Crop Protection Products ***(****Exemplified by: Increased reliance on hazard criteria - Circular on Management of Plant Protection Products (Circular No. 21 / 2015) of 08/6/2015)*

Particular provisions are contained in the Circular that pose a potential threat to Vietnam's farmers, economy, environment and consumers. These provisions are:

- Banning and no registration of pesticides with actives or finished products falling under GHS Category 3 & 4 for use with vegetable, fruit and tea.
- Banning and no registration of crop protection products with PHI >7 days for use with vegetable, fruit and tea.

These regulations are non-science based and Vietnam would be the first country in the world adopting these provisions. In our view this regulation is limiting and even banning the number of technologies available to Vietnam's vegetable, fruit, and tea farmers. This would result in limited access to the most technologically-advanced and safest options to combat pests, disease and climate-related issues. If fully realised, these developments would put Vietnam's farmers, consumers, environment and national economy at greater risk, and ultimately bring about a significant competitive disadvantage to the country's agriculture sector relative to its ASEAN neighbours and beyond.

Recommendations:

The industry strongly supports the Vietnamese Government's desire to provide a regulatory framework for crop protection products that protects farmers' interests and consumer health. Restricting use of a pesticide should be based on an appropriate safety evaluation and risk assessment in consideration of various toxicological aspects of formulated products without considering toxicity class of relevant active ingredient, rather than referring to toxicity category under the GHS as restriction criteria. We therefore recommend:

- Registrations of any products and their use should be allowed unless there are unacceptable risks in terms of consumer, operator exposure, or environmental safety. Their use should not be restricted by unprecedented and unreasonable criteria like use of GHS classification for cut-off and use of PHI for restriction on specific crops

9. Importance of a clear, predictable regulatory framework on GMO Food, Feed Approval and GM Hybrid Recognition.

- From 2014 until today, 51 dossiers have been officially submitted for food and feed approval specifically in Vietnam – of these, only 21 events were approved, and 30 submissions are pending approval by the MARD.
- Over this time, the industry has conducted numerous activities to raise concerns about delayed approvals with key members of the GM Food Feed Safety Committee and MARD and has respectfully requested MARD to accelerate this process (particularly as most reviews were extended well beyond the respective statutory timelines).
- Of the 30 food and feed submissions that are pending, the product breakdown is as follows: corn (5); soybean (8); canola (5); alfalfa (3); and other crops (9). All regulatory requirements have been met and all that is required is the Minister's approval.
- Vietnam is missing a key opportunity to realize greater economic growth through its agriculture sector. This can be remedied by review/approval of: 1) eight submissions for new corn hybrids containing insect resistance and weed control technologies; and 2) 30 submissions for GM plants to be used as Food and Feed. The review/approval of these have been delayed (some for more than 3 years) despite all regulatory requirements having been met.
- The timely approval of these new seeds and crops will help the government achieve its agricultural restructuring agenda and boost the sustainability and productivity of farmers and the food supply chain (for example, the total economic benefit to Vietnam's rural economy could be as high as USD $110.8 million per year if 60% of corn-growing areas were planted with the hybrids awaiting review/approval).

Recommendations:

- Accelerate both review and approval processes for GM hybrids and GM Food Feed as they have been delayed well beyond the respective statuary timelines:
  - For 8 GM hybrids, if not resolved soon, will impact farmers' access to advanced hybrids.
  - For GM Food Feed, if approval for the aforementioned 30 products is not obtained, restrictions could potentially be imposed on imports of those technically not--yet compliant products, which would lead to severe long-term economic consequences and suffering for traders and customers, i.e., literally millions of Vietnamese farmers and producers of pork, poultry, and aquaculture, as well as food manufacturers.

- Foster Industry opportunities for constructive dialogue to address any outstanding topics or concerns Government may have on further adoption of agricultural biotechnology in Vietnam, and on on how industry can support and contribute to an efficient and stable process of approvals and registrations.