

## **AGRIBUSINESS WORKING GROUP'S POSITION PAPER**

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### **INTRODUCTION**

The Agribusiness Working Group of the Vietnamese Business Forum would like to raise its voice on some issues of primary concern for the agribusiness and food sector which are closely connected.

In the position paper we prepared for the annual VBF on 5 December 2016 we have described many issues in detail. We will not repeat them here, but refer to that paper as most of the issues have not been addressed yet considering the short time that has passed since that meeting. In this paper we will summarise some points and mention issues that have not been addressed in that paper yet.

In the December paper we pointed out that in our view it is important to address food safety issues. Food safety is a major concern for the Government, the National Assembly and of course the (rest of the) population of Vietnam. Food safety; not only causes Vietnam to lose export opportunities but also increases healthcare costs (rise in cancer cases is believed to be related to unsafe food). In our view traceability, an independent centralised Food Safety Agency, the improvement of the quality of laboratories and testing, legal enforcement and risk-based assessment can reduce food safety issues.

We addressed also concerns on market access both in Vietnam and neighbouring countries. Opening the market to FDI would help stimulate the economy, allow innovation and modernisation of the agricultural sector and thus raise the production standard of Vietnamese products. We pointed out issues related to seeds, crop protection products and fertilisers which are connected to the sustainability of the agricultural sector.

The climate change and the use of natural resources such as water have an impact on the sustainability of the agricultural sector. Creating a sustainable and high-tech agricultural sector is important. By improving sustainability Vietnam can continue to have a productive agricultural sector without impacting the environment and potential future productivity. For greater international recognition it is important that Vietnam deals with the issues of the environment and sustainability.

Several of the issues have been previously raised by this Working Group but in our view they have not been (properly) addressed or are still not resolved.

We would like to thank the Government for their feedback on the issues we have raised in the past and hope to receive their feedback and input in the future. We are always available and willing to discuss with the Government on how to achieve the best result for Vietnam to stay, and grow as, an agricultural and food producer and exporter.

It is clear that Vietnam manages to grow sufficient agricultural products as it lists in the top five of exporting countries for various agricultural products. However, changes are required for the following reasons. Vietnam encounters increased competition on the global marketplace, also because Vietnam is one of the most expensive countries for export and import. Furthermore, the current agricultural methods impact the climate and agricultural resources, which in return impacts Vietnam's economy.

The Government set an ambitious export goal for agricultural products (30 billion USD). This could be higher if several issues such as the food safety reputation of Vietnam are addressed. A centralised Food Safety Agency, risk-based assessment, stricter enforcement and an up-to-global standards' laboratory network can address most of these issues and therefore improve food safety. Vietnam also needs to develop a sustainable production and supply chain to keep – or improve – its position as agricultural producer and exporter. In order to beat the competition and reduce climate change and its impact, it is paramount that Vietnam shifts from food security to food safety. To achieve this it is in our view important there will be more focus on food safety through amongst others, more transparency and traceability. At the same time this will satisfy the increasing consumers' demand for safer food. All this will help increasing scale, quality of produce, food safety and the farmers' position, and reduce the carbon footprint as well.

## **1. EVFTA – SPS**

The European Union Vietnam Free Trade Agreement (EVFTA) is expected to enter into force in 2018. In the Sanitary and Phytosanitary (SPS) chapter of the EVFTA the possibility of pre-listing is mentioned as a way to facilitate and speed up export from the EU into Vietnam. Pre-listing means that once Vietnam has approved a category of food product from the EU and is confident about the capacity of the competent authority of that particular EU Member State to control the compliance of EU food safety requirements, imports from all the other establishments submitted by that country will automatically be allowed. This does not mean that Vietnam gives up control of food safety checks, because if there are doubts about a particular establishment, Vietnam could still undertake an inspection visit but – as stated in the EVFTA – the costs of such inspection should be borne by Vietnam. This principle will facilitate trade as the Vietnamese Government will no longer require prior individual inspections of exporting establishments as it will rely on compliance control by the competent authority of the exporting country. The products can easily go through customs and enter the Vietnamese market without further checks and inspections. In the same SPS chapter the principle of equivalence of SPS measures is mentioned.

### ***Recommendation***

- Publish the Government's implementation plan with regard to the SPS chapter of the EVFTA as soon as possible, especially with regard to pre-listing and equivalence of SPS measures.

## **2. Laboratories and testing**

As mentioned in the position paper for the VBF annual meeting, the quality of labs and testing is hindering to meet the food safety requirements of importing countries. The fact that only a limited number of laboratories can perform tests to obtain a license causes in our view more food safety issues than necessary. The quality of the labs in Europe is also better, more relevant tests are possible and costs are lower than for most labs in Vietnam, especially the ones appointed based on the Food Safety Law. It is in our view important to increase the efficiency of the labs in Vietnam and bridge the difference with the European labs and thus increase local standards

***Recommendations***

- Liberalize the market for laboratories to increase the overall quality (so all accredited labs can do all kinds of testing).
- increase the quality of labs and testing to reduce food safety issues (export and in Vietnam) and development of a plan to achieve that; and
- Synchronize international and national standards.

**3. Awareness and enforcement**

Even if the quality of labs and testing improves, we believe that the farmers/producers are sometimes not aware enough of food safety and how they contribute (unwillingly) to food safety issues. Sometimes farmers use the wrong product, use it at the wrong time or are not aware that the product is not suitable because the label is not clear or incorrect; or the product is sub-standard.

***Recommendation***

- We would like to encourage the Government to increase awareness of farmers and to strictly enforce existing regulations.

**4. Risk-based approach**

In the Food Safety Law the principle of risk-based approach of food safety issues is already mentioned as an important principle. However, in our view this approach is not much applied yet. Moreover, it is not included in the curricula of universities in Vietnam. Application of this approach is in our view important to reduce food safety issues in Vietnam, but also reduce them in products for exports.

***Recommendation***

- Start implementation of the risk-based approach principle;
- Increase the knowledge on this as soon as possible by organising trainings and developing a curriculum at universities.

**5. Centralised Food Safety Agency**

As described in the December position paper food safety issues are in our view caused because the responsibility and management is divided over 3 Ministries. The Government should establish a centralised Food Safety Agency, and the HCMC initiative, could serve as a template/basis. In preparation of this establishment we think it would be good to have only one responsible ministry for a company, meaning that a company does not have to deal with more than one ministry as they make/import/sell various products belonging to different ministries, with clear applicable regulations.

***Recommendations***

- Establish a centralized Food Safety Agency under the responsibility of one ministry with input/feedback from other relevant ministries could address many food safety issues;
- Put a system in place where a company only has to deal with one ministry with regard to food safety.

## **6. Global standards**

There is currently a draft circular amending and supplementing some articles of Decree No. 38/2012/NĐ-CP of 25 April 2012 (Decree 38). We believe it would be helpful to amend Decree 38 as follows. Currently in various articles it is stipulated that companies have to submit a HACCP, ISO 22000 or equivalent certificate as part of the file to obtain the necessary declaration of conformity. We have noticed that issues arise when it comes to equivalent certificates. Because whenever a company submits one of such “equivalent standards”, the competent authority asks the company to prove such equivalence by producing another certificate or confirmation. In our view it would therefore facilitate trade if more globally recognised standards, such as Global Food Standard of the British Retail Consortium (BRC), International Features Standard Food (IFS Food), Food Safety System Certification 22000 (FSSC 22000) would be explicitly listed in Decree 38. These standards are globally accepted and by explicitly mentioning them it will make management by the authorities easier and administrative procedures for companies simpler. We realise that these standards sometimes cover different parts of the production and processing process than HACCP and ISO, but in our view this would not be a problem. There might even be others such as Global Food Safety Initiative (GFSI), Safe Quality Food 2000 (SQF 2000), or Global Good Agricultural Practices (Global Gap) that could be included.

### ***Recommendation***

- Add more globally approved standards such as IFS Food, FSSC 22000, Global Food Standard (BRC) to all articles of Decree 38.

## **7. Licensing**

The Government would like to increase investment in agriculture and in high-tech agriculture in particular; and develop a sustainable agricultural and food sector. However, foreign companies that would like to acquire land to cultivate agricultural products, such as rice, or build a factory are experiencing difficulties in obtaining a license. Local authorities in rural areas seem not to be familiar with the relevant procedures and therefore the procedure take longer than necessary or cannot be completed at all. An additional complicating factor is that the level of English is often not high enough to facilitate communication between the foreign investor and the local authorities.

### ***Recommendations***

- Increase knowledge of local authorities about relevant legislation;
- Put a hot-line in place which foreign investors can call in case of difficulties.