

# **Development and Structural Transformation of Vietnam's Agricultural Economy – Current Status and Solutions**

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## **Abstract**

*The article analyzes the current state of development and the challenges faced by Vietnam's agricultural sector in recent years. Despite significant achievements such as ensuring food security, restructuring crop systems, and advancing modern agricultural models, the sector still encounters limitations, including small-scale management, fragmented production, and inadequate investment. To foster sustainable development in the context of deeper international integration, the article proposes solutions such as innovating growth models, reorganizing production towards enhanced collaboration, developing professional agricultural human resources, expanding markets, and emphasizing environmental protection. These measures aim to increase added value, improve labor productivity, and establish a solid foundation for the sustainable growth of the agricultural sector.*

**Keywords:** *agricultural economy, transformation, sustainable growth.*

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## **I. Introduction**

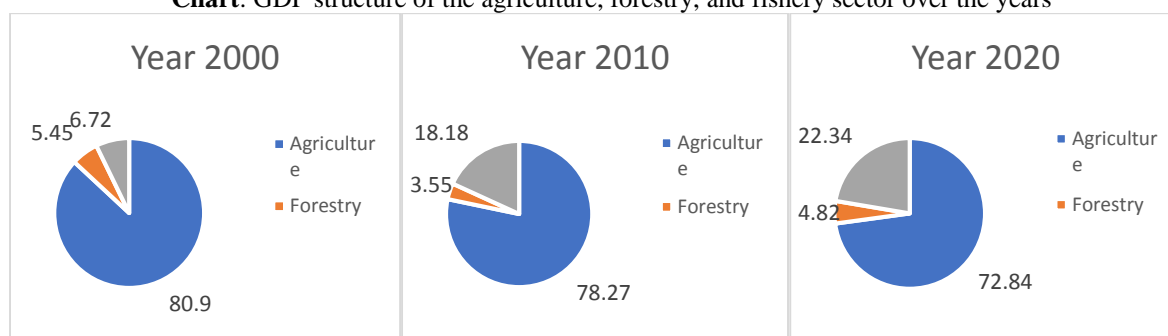
The implementation of the national renovation process, particularly the economic restructuring, has propelled Vietnam's agriculture into a period of robust growth and deeper integration into the global market, achieving sustained and significant growth over an extended period. Agriculture not only serves as a comparative advantage and a crucial national resource but also represents a pivotal and essential strategic choice, playing a decisive role in the industrialization and modernization of the country, as well as in its comprehensive international integration. To enable Vietnam's agricultural sector to "take off" in line with the spirit of Resolution No. 19-NQ/TW, dated June 24, 2022, by the 5<sup>th</sup> Central Committee of the 13<sup>th</sup> tenure, titled "On Agriculture, Farmers, and Rural Areas until 2030, with a Vision to 2045", the simultaneous implementation of numerous comprehensive solutions is required.

### **1. Current status of agricultural development in Vietnam**

Empirical evidence has demonstrated that the agricultural sector consistently acts as the backbone of the national economy, providing a foundation for societal stability during challenging times. Alongside economic development, the internal structure of the agriculture, forestry, and fishery sectors has witnessed a shift from agriculture toward forestry and fisheries, as well as an internal reorientation within agricultural production activities toward enhanced productivity and quality over quantity. This inevitable transition ensures the sector's adaptability and integration into the economy, facilitating continued growth in the agricultural sector, which serves as a driving force for overall economic development.

According to data from the General Statistics Office, over the past two decades (2000-2020), Vietnam's agricultural sector has experienced a structural shift from agriculture toward forestry and fisheries, characterized by a gradual decline in the share of agriculture and a corresponding increase in the shares of forestry and fisheries. In 2000, agriculture accounted for 80.79% of the added value in the agriculture, forestry, and fishery sector, fisheries accounted for 13.76%, and forestry for only 5.45% [1]. By 2010, agriculture's share had declined to 78.27%, a decrease of 2.52 percentage points compared to 2000; forestry's share was 3.55%, down by 1.9 percentage points; while fisheries' share increased to 18.18%, up by 4.42 percentage points [2]. By 2020, agriculture's share further decreased to 72.84%, down by 5.43 percentage points compared to 2010 and by 7.95 percentage points compared to 2000; forestry's share rose to 4.82%, an increase of 1.27 percentage points but a decrease of 0.63 percentage points compared to 2000; while fisheries' share rose to 22.34%, an increase of 4.16 percentage points compared to 2010 and 8.59 percentage points compared to 2000 [3].

**Chart:** GDP structure of the agriculture, forestry, and fishery sector over the years



**Source:** Vietnam Statistical Yearbooks from 2001, 2011, 2021.

It can be said that over the past period, the agricultural sector has continued to focus on addressing bottlenecks and obstacles to promote development and restructure the industry.

**Crop production** is a key sector in agriculture, accounting for 64-68% of the total production value of the industry. Currently, the agricultural sector is restructuring agriculture, diversifying products, enhancing the value of agricultural exports, and transferring advanced technology and high-quality plant and animal breeds that meet international standards. Crop production emphasizes crop restructuring to improve quality and efficiency. Specifically, there has been a shift from low-yield annual crops to higher-value alternatives, such as converting drought-prone or saline-affected rice fields to vegetable crops, industrial perennial crops, and fruit trees. These crops yield products with markets both domestically and internationally, generating higher economic returns than rice cultivation. For instance, in 2015, annual crops accounted for 78.3% of the total crop area, while perennial crops accounted for 21.7%, of which fruit trees represented 5.5% [4]. By 2020, the proportion of annual crops had decreased to 75.1%, while perennial crops had increased to 24.9%, with fruit trees accounting for 7.8% [5].

**Livestock production** also plays an important role in agriculture. The livestock sector is undergoing structural changes aimed at increasing the proportion of poultry and large livestock; implementing measures to boost pig herd recovery; promoting farm-scale livestock production; maintaining household-scale farming but with an emphasis on organic and specialized practices; expanding livestock production under good agricultural practices to ensure biosecurity, disease safety, environmental friendliness, and the export of certain livestock products.

The shift towards a more efficient and high-quality structure in agriculture demonstrates practical effectiveness and soundness, optimizing the exploitation of potential and advantages while responding to climate change. Successful restructuring has contributed to the development of modern agricultural production, increased farmer incomes, and the building of new rural areas in various localities. Structural shifts have enabled Vietnam's agricultural, forestry, and fishery production to achieve impressive accomplishments in recent years. The most notable achievement is ensuring national food security, transforming from a country with a backward agricultural base to one with a commodity-based agricultural economy that holds a significant position regionally and globally.

However, despite these achievements, Vietnam's agricultural sector still faces several challenges. First, Vietnam's agriculture fundamentally remains extensive, with small-scale management, leading to high risks and low efficiency, and low added value of agricultural commodities. Second, the competitiveness of agricultural products is low due to limited diversity, inconsistent size and color, lack of branding and traceability, and fragmented and small-scale production. The average farming household cultivates less than 0.5 hectares [6]. Third, the household farming model has been slow to innovate. Household farming remains the primary organizational form, accounting for 90% of total agricultural production area, largely unchanged since the post-renovation era. Fourth, investment in agriculture has not been commensurate with its potential. Investment levels remain limited and spread thinly, not aligning with the sector's potential or its contribution to the national economy. Fifth, the economic life of farmers is still unstable and low. Although rural areas have seen many changes, and farmers' incomes and living standards have significantly improved, income growth has been slow compared to rising expenditures, resulting in minimal real savings. Sixth, the majority of the agricultural workforce has low educational levels, with about 70% lacking any formal training; only 9% have a university-level education [7]. Seventh, the trend of migration out of rural areas is strong, although the absolute number of rural households continues to increase. Farmers are shifting their livelihoods away from agriculture, but the rate of informal employment is very high. Eighth, villages, the traditional living space of farmers, are undergoing transformation. The unique characteristics and living space of Vietnamese villages, which form the core of Vietnam's cultural and historical identity, are diminishing. It is necessary to "sift and preserve" the essence

during the process of building new rural areas to retain the village's cultural space while infusing modern elements reflective of the current era.

## 2. Solutions for the development of Vietnam's agriculture in the coming period

Vietnam is increasingly integrating more deeply and broadly into the global economy, enhancing the agricultural sector's status and providing opportunities to participate in the global agricultural supply chain. The quality of agricultural products will conquer and expand markets, embodying the shape, stature, and position of Vietnamese culture and the inherent strength of the Vietnamese people. The agricultural sector is poised to attract new investment flows, particularly in high-tech agriculture, organic farming, and supporting industries for agriculture—fields that are currently underdeveloped due to limited resources. The multiplier effects of increased investment in agriculture will be crucial for the Vietnamese economy. We must align agricultural development with the trends of innovation, openness, and deeper international integration by implementing a series of synchronized solutions:

**First**, there must be a deeper and more comprehensive understanding of the importance of agriculture and Vietnam's agricultural advantages. Public awareness should be raised, especially among national administrative bodies, policymakers, and farmers, to fully and deeply recognize the significance of agriculture in sustainable socio-economic development.

**Second**, growth models should be renewed, ensuring an organic link between the development of agriculture, industry, services, and the urban-rural continuum. Agricultural restructuring should continue towards increasing added value and sustainable development, integrated with new rural construction.

**Third**, implement "smart" agricultural planning oriented towards open markets. It is not necessary to fix rice cultivation areas, but food security must be maintained while preserving agricultural land.

**Fourth**, develop and cultivate a new class of farmers. In an era of global integration, agriculture requires a new generation of farmers with modern "portraits" and "faces." Therefore, investment in agricultural human resource development is essential, especially during the "golden window" of demographic opportunity, so that Vietnamese farmers become truly professional agricultural workers. Agriculture should be seen as agricultural business, recognized as a dignified and equal profession like any other.

**Fifth**, reorganize agricultural production through cooperative and linked models involving extensive participation from enterprises. This must be based on a strong reform of suitable and effective production organizations and the implementation of breakthrough support policies to encourage cooperative economic development. This includes the development of cooperatives as part of an agricultural value chain, where cooperatives play a role in bringing together small farmers to "partner" with large enterprises, leading to the formation of professional associations and rural labor unions.

**Sixth**, pay special attention to market development, focusing on the domestic market of 100 million people with a significant middle class. Concurrently, sustain and develop the Chinese market and expand agricultural markets to other potential regions. Additionally, continue to explore new ways to organize and manage agricultural product sectors, possibly forming "sector coordination boards" capable of mastering both domestic and international agricultural markets.

**Seventh**, environmental protection and related issues should be a top priority. The rural environment is not only the living space for residents but also a determinant of agricultural product quality, competitiveness, and added value for Vietnamese agricultural products, contributing to high labor productivity in farming. Hence, it is essential to develop circular and organic agriculture and promote green growth.

## II. Conclusion

Vietnam's agricultural sector has made significant strides, playing a crucial role in ensuring food security and economic development. However, to meet the demands of international integration and sustainable development, the sector must overcome challenges such as small-scale management, insufficient investment, and a low-skilled workforce. Implementing strategic solutions such as innovating growth models, improving product quality, reorganizing production with a focus on collaboration, and emphasizing sustainable development is essential. Particularly, investing in human resources and fostering an environmentally friendly agricultural foundation will help establish a robust platform for long-term growth. Consequently, Vietnam's agriculture can continue to grow vigorously, compete, and reach a higher international standing.

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