Vietnam Investment Review

Modern agri incentives now required

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In spite of the Vietnamese government's ongoing efforts, foreign investment in the agriculture sector remains modest. Vaibhav Saxena, lawyer at Vietnam International Law Firm, outlines the reasons and discusses how the sector can learn from successful models to improve the situation.

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Experts have attributed low foreign direct investment (FDI) inflows into the agricultural sector to the high risks that accompany it, being directly affected by general weather, natural disasters, epidemics, and ultimately, low profit margins. Therefore, many domestic and foreign businesses are hesitant to invest in this sector if they do not have enough strength in technology and capital sources.

In addition, foreign-invested enterprises find it difficult to access land, with most of it utilised for rice cultivation and no easy method to change its purpose.

Besides that, supporting industries, especially in mechanical engineering and transport, are underdeveloped, affecting mechanisation in agriculture and the application of modern technologies.

Vietnam also heavily depends on road transport which incurs high costs, and long transport durations affect the quality of farm produce. An average agriculture enterprise can suffer up to 40 per cent loss to their farm produce value due to these delays.

Most workers in the sector, meanwhile, are unaware of the latest technology available to the farmers of other neighbouring nations to enhance productivity. Furthermore, at the root, schools lack facilities to support study and provide exposure to young citizens who can be potential assets in enhancing competitiveness by bringing in their modern mindset.

The state's policies require close consideration with refined overhauling. Vietnam aims to attract more FDI into hi-tech agriculture and has been advised to consider a model from Israel, a powerhouse in both agriculture and technology.

Vietnam should accelerate investment in research and development and adopt new agriculture technologies, a factor that determines future success. Israel has around 300 multinational companies researching and developing agricultural tech. As Israel began to realise the true business prospects of the agro sector in FDI, a promising shift of around $80 million was being invested in tech development in the first half of 2017 alone, in order to upgrade the efficiency of agricultural production.

Vietnam on the other hand needs to adapt good practices from around the world to enhance its socio-economic participation in the global market chain.

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