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Impacts of COVID-19 Pandemic on Smallholder Farmers and Vulnerable Rural People in Viet Nam

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ABSTRACT

This paper aims to provide empirical evidence on the impact of the COVID-19 pandemic on agriculture and rural development in Viet Nam, with a focus on smallholder farmers and vulnerable rural people. Using contextual analysis, the paper, which based on a quick survey of 12 provinces in the country, provides a panorama of the COVID-19 pandemic's impacts on agriculture and rural development. Findings of the quick survey on the pandemic impacts on rural households' livelihoods, including agricultural and non-agricultural production activities are followed by identifying priority areas for government policy intervention to mitigate the adverse impacts of the pandemic. Findings of the survey show a wide range decrease in the income of rural households in Viet Nam since the COVID-19 pandemic occurred, in which non-farming income dropped the most, households in border provinces and poor households were affected more severely. Declining incomes and reverse migrant workers have raised concerns on food and nutrition security for the dependents, and social security network in rural areas. Under the unexpected COVID-19 outbreak, surveyed small farmers and rural households mostly adheres to self-relient measures to cope with negative effects of the pandemic such as reducing spending and using savings rather than other measures like availing of agricultural insurance and social insurance. Nevertheless, the surveyed households were quite optimistic about the future. The households that were planning to increase their production scale outnumbered those who were planning to reduce their production scale, and many rural households planned to have more off-farm jobs in the post COVID-19 time. The research also reveals trends of switching agricultural input suppliers due to input prices increases and interrupted input supplies, diversifying agricultural product consumption channels, and digitalizing agricultural production to cope with pandemic quarantine and hygiene measures. For more pandemic resilient livelihoods, most of respondents are expected to receive government support in forms of financial provisions, preferential loans, tax breaks and exemptions, job creation, agricultural input materials, export market opening, vocational training, and favorable conditions for their production and business.

Keywords: COVID-19 pandemic, agriculture, rural development, small farmers, vulnerable, livelihoods, Viet Nam.

INTRODUCTION

Since the beginning of 2020, the world has been coping with the pandemic caused by a new strain of Corona virus (COVID-19). In Viet Nam, the total number of COVID-19 patients had exceeded 1,000 by the end of August 2020, of which the majority were detected immediately upon entry or during quarantine isolation after entry. As an open economy, the pandemic control results of Viet Nam were relatively positive compared to the global and regional context. Both the Viet Namese government and the people tried to maintain a dual goal of keeping the pandemic under control while maintaining economic growth. However, the COVID-19 pandemic situation in the world is still complicated, the related risks may persist and lead to numerous consequences that could delay the global production and consumption. Even though the COVID-19 situation is well under control in Viet Nam, global pandemic impacts on the national socio-economic growth and development, including agriculture and rural areas, are enormous and persistent.

Viet Nam's agriculture and rural sector plays an important role in the economy. With its strength in agricultural production, Viet Nam has the advantage of ensuring national food security and contributing to food security in other countries. In addition, Viet Nam's agriculture sector has also created many high-value export products. With more than two-thirds of Viet Nam's population living in rural areas, rural Viet Nam has an abundant human resource source and a large market for urban and industrial products.

According to results of household living standard surveys, a half of rural household members mainly rely on non-farming jobs, of which about 35% are into waged employment and 15% self-employed. Among the population whose main employment is agricultural production, 45% have part-time non-farming jobs. Many rural residents migrate and work in the city without resident registration. They are unlikely entitled to the official bailout packages because they are not registered as local residents. Most of them moving to urban areas only do simple jobs such as working in construction, “motorbike taxi” riders, porters, helpers, etc., without stability, labor contracts, insurance, and secured accommodation. Only 19.5% of the rural workers working as hired labor are employed in the formal sector.

The crisis caused by the COVID-19 pandemic is a combination of both supply (and supply chain) and demand crises. Disrupted domestic and international supply chains and social distancing measures have stagnated production. At the same time, the export market was interrupted, consumers also cut down their spending because of declining income and the fear of an uncertain future. In that context, rural residents and farmers are vulnerable to the impacts of the COVID-19 pandemic on the household's livelihoods, income, and welfare.

This paper aims to provide empirical evidence on the impact of the COVID-19 pandemic on agriculture and rural development in Viet Nam, with a focus on smallholder farmers and vulnerable rural people. Basing on contextual analysis, it brings in a quick survey in 12 provinces along the country, to provide a panorama of the COVID-19 pandemic's impacts on agriculture and rural development. The findings of the quick survey on the pandemic impacts on rural households' livelihoods, including agricultural and non-agricultural production activities which are shared and for identifying priority areas for government policy intervention to mitigate the adverse impacts of the pandemic.

The paper includes 4 sections. Following the introduction, Section 2 analyzes the impact of the pandemic on agriculture and rural areas through different channels. Section 3 discusses rural household's responses and their access to government support policies. Then the conclusion and recommendations are drawn in Section 4.

IMPACTS FROM THE COVID-19 PANDEMIC ON VIET NAM'S AGRICULTURE AND RURAL AREAS

Even without the economic crisis caused by the COVID-19 pandemic, rural people are already vulnerable to many risks, especially those whose livelihoods rely mainly on agriculture. According to the analysis of Institute of Agriculture Market and Institution Research (AMI) and Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD) (2019) using the household living standard surveys of the General Statistics Office (GSO, 2018), households relying mainly on income from agriculture experience the most shocks (about 33%), compared to households with main income from salaries/wages (about 28%) and households with main income from non-farm activities or wages (about 25%). The risk of agricultural diseases in livestock and plants occurs with the highest frequency, followed by risks of floods and storms. Risks related to droughts and fires occur with less frequency, risks related to human diseases are rare, before the outbreak of the COVID-19 pandemic.

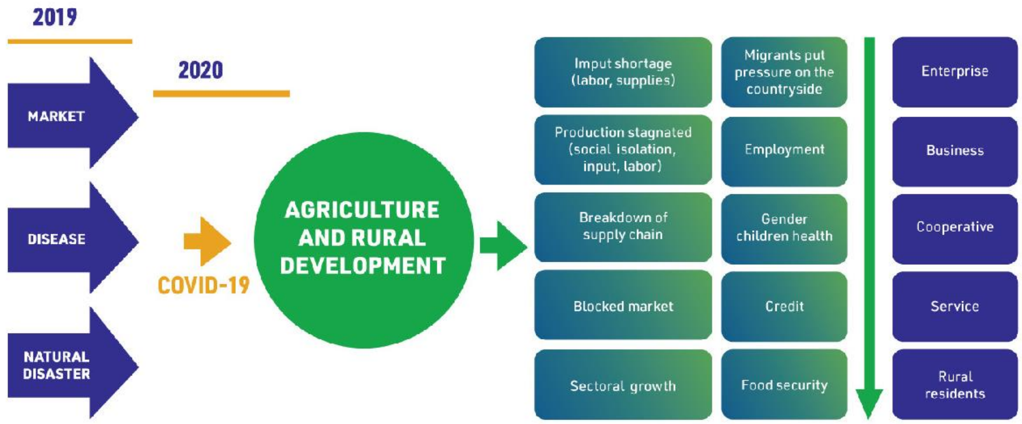

Figure 1. Channels of the COVID-19 pandemic impacts on agriculture and rural areas in Viet Nam
Source: The authors' own construction

Impacts on agricultural GDP

As of late June 2020, although the whole economy was heavily affected by the COVID-19 pandemic, agricultural production remained quite stable. In the first half of 2020, the whole sector has continued to achieve positive results (Table 1). The agricultural sector maintains growth, ensured stable food supply, and created a sound foundation for the national socio-political stability during the COVID-19 pandemic.

Table 1. National and agricultural growth in the first half of 2020

	Share in total GDP (%)	Growth rate in the first half of 2020 (%, YOY)
Whole country	100.00	1.81
Agriculture, forestry, and fisheries	14.16	1.19
Agriculture	10.45	0.83
Forestry	0.69	2.15
Fisheries	3.02	2.37

Source: The General Statistic Office (GSO), 2020.

During the COVID-19 outbreak, while many countries have to cope with crisis and food shortage, Viet Nam has ensured food security for the people and supported other countries on this matter, due to the encouraging performance of the agricultural sector. This is an important pillar of stability allowing Viet Nam to alleviate the negative effects caused by the COVID-19 pandemic.

Impacts on the agricultural commodity market

To prevent COVID-19 infection, many countries have closed borders and restricted imports, causing Viet Nam's agricultural exports to decrease slightly. However, it can be said that Viet Nam has still performed well as other countries have had much more severe impacts and experiences. According to Ministry of Agriculture and Rural Development (MARD, 2020), the rice export turnover of Viet Nam in the first six months of 2020 reached US$ 1.7 billion, higher by 17.9% over the same period in the previous year. Rice export price reached the highest level in the past 8 years.

The structure of Viet Nam's agricultural export market has changed in 2020. The United States once replaced China as the largest market with the turnover in May that recorded an increase of US$ 222 million (up by 7.0%), while exports to China decreased US$ 675 million (down by 15.5%), to the EU decreased

US$ 19 million (down by 1.1%). However, in July, the Chinese market showed clear signs of recovery, China is still the largest market for Viet Nam's exports. The accumulated export turnover to the Chinese market in the first seven months of 2020 reached nearly US$ 5.4 billion, decreased 11.1% over the same period and accounting for 24.1% of Viet Nam's export market share; followed by the United States with an estimated value of US$ 5.2 billion, increased 9.5% over the same period and accounting for 23.1% of the market share (MARD, 2020).

Contrary to fluctuations in export markets, the domestic market remains stable. Despite the pandemic, domestic commodity prices are generally stable, demand of consumers are constantly satisfied. Domestic consumption of agricultural products increased sharply, thanks to the drastic measures to connect supply - demand of the national and local governments.

Impacts on the agricultural supply chain

The most obvious impact of the COVID-19 pandemic on agriculture is the disruption of agricultural supply chains, especially the imported-input intensive ones such as aquaculture and animal husbandry. Agricultural businesses have suffered from various impacts by the pandemic, including reduced markets, which were unable to export products, had shortage of input materials, and lack of working capital, etc.

The social distancing and quarantine measures have caused significant impacts to traditional trading methods; thus, modern forms of trade, e-commerce, and exchange centers are developing. Many food suppliers reported strong increases in the revenue from online selling.

A rapid survey to assess the impact of the COVID-19 pandemic on smallholder farmers and vulnerable rural populations in Viet Nam was conducted from May to mid-June 2020 by the IPSARD in collaboration with International Fund for Agricultural Development (IFAD) and Asian Development Bank (ADB). The sample includes 1,300 rural households[1], providing primary qualitative and quantitative data on the impacts of the COVID-19 pandemic during the first outbreak and recovery phase in May and the first half of June 2020.

Samples of the survey are selected with criteria of having sufficient representation of popular forms of livelihood in rural Viet Nam, including: 17.2% of surveyed households which are purely farm households (producing cash and non-cash agricultural products); 50.9% of the surveyed households are agricultural households with additional income sources such as farm and non-farm paid work, running production and business activities, small production, etc.; 4.8% of surveyed households have main income sources from self-production and business activities; 12.6% of surveyed households are of livelihood sources based on wage employment; and 14.5% of the survey sample are households classified according to "other livelihood groups," which are mainly single households or of special conditions, mostly living on social assistance, remittances or donations from relatives.

Survey sample was also selected to meet sufficient representation of regions across the country. In which, the number of samples in the North Central region and the Central Coast accounts for 37%, the Northern Midland and Mountainous region accounts for 33%, the Central Highlands region accounts for 15% and the Mekong River Delta region accounts for 15%.

The sample includes poor households (30%), near poor households (21%) and other households (48%). 49.5% of household representatives responding to the survey are female. 48.6% of household representatives responding to the survey are ethnic minorities.

The survey results show that agricultural product consumption was also affected, about 60% of the respondents said their prices for agricultural products decreased during the period from January to the end of June, 2020. Some farming households even left their produce to rot or spoil due to difficulty in product sales. In particular, 8% of the surveyed farming households changed the form of agricultural product sale, some gradually switched to online sales (Figure 2).

[1] The survey was conducted in 12 provinces of Cao Bang, Bac Kan, Ha Giang, Ha Tinh, Quang Tri, Ben Tre, Tra Vinh, Quang Binh, Ninh Thuan, Khanh Hoa, Dak. Lak, Dak Nong.

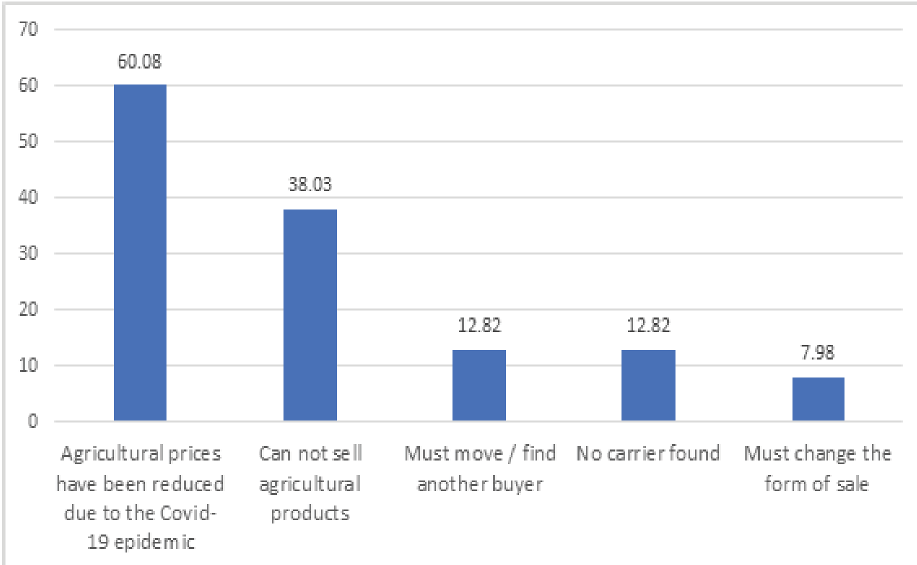

Figure 2. Impacts of the COVID-19 pandemic on agricultural product consumption
Source: Research team calculations from the survey data

Besides, input prices also increased. 45% of the agricultural households surveyed could not buy fertilizers and pesticides up to the desired quantity or had to switch to other sources. In terms of inputs supply, 40.5% of agricultural households could not buy the required inputs, 32.5% had difficulties due to the interruption of the supply of input materials, and 20.8% encountered obstacles due to undesirable time and supply amount (Figure 3).

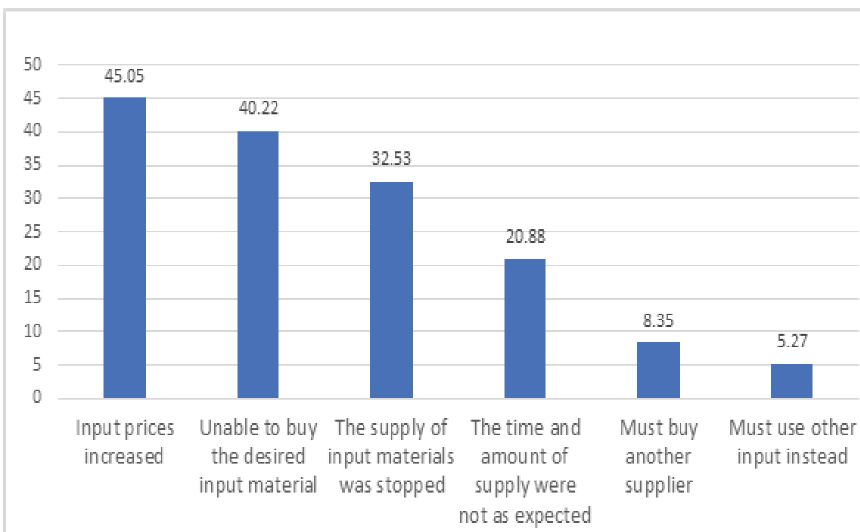

Figure 3. Impacts of the COVID-19 pandemic on agricultural input trading
Source: Research team calculations from the survey data

Impacts on rural jobs

The COVID-19 pandemic caused agricultural product markets to stagnate, affecting many agricultural households, especially those producing more perishable goods such as flowers and seafood. Moreover, the social distancing also affected households participating in non-farm activities, including local businesses, migrant workers in cities, and paid workers in businesses. Economic crisis could make unemployment increase and working conditions more difficult, leading to “returning-to- rural” migration, exacerbating underemployment in rural areas.

IPSARD's survey showed that 75% of rural households whose members work in enterprises reported adverse impacts from COVID-19 on the employment of family members. They are affected in forms of being suspended from or lost their jobs and reduced income. For rural households with members working in the informal sector, about 83% of surveyed households reported severe impacts on their informal jobs from the COVID-19 pandemic, with the income dropping to nil during those periods of social distancing.

The proportion of rural households with members working in enterprises that are negatively affected is very large (74.5%). For households running production and business facilities, the biggest problem is being suspended or asked to leave (60.1%). Among production and business households that hired labor, 13.5% reported that their workers quit their jobs, 51.7% had to dismiss their employees, 21.4% reported labor shortage, and 24.7% had to reduce labor wages and some had to let workers switch to other positions or skills due to the impact of social distancing.

Impacts on income and expenditure, social security, poverty in rural areas

Paid jobs have been hit extremely hard because some business services were either suspended during the pandemic or had to be closed. Due to the decline in market demand, the prices of non-essential agricultural products also dropped by 10-15% on average. It is estimated that the COVID-19 pandemic can reduce the income of rural households by 35-40%. Falling income has significant impacts on household expenditure, especially in the context that a majority of farmers and rural households have little or no savings, and most of their incomes have been spent on basic needs even before the COVID-19 pandemic.

The survey conducted by the IPSARD showed that about 56% of rural households experienced decreases in income during the COVID-19 pandemic outbreak from January to March 2020 due to the influence of disease control measures. Households whose main income sources from non-farm activities were most negatively affected: 73% reported income decreases with an average decrease of 46.8%. Among households with main livelihoods from agricultural production, 52% of the households experienced a decrease in income with an average reduction of 29.4%. Among households whose main income is from wage employment, 59% reported a decrease in income with an average reduction of 38.3%. Households in border provinces are more affected: on average, household income in border provinces decreased by 41.4%, and the number in other provinces is 33.4%.

Impacts on rural migrant workers

Rural migrant workers are particularly vulnerable and are less likely to receive insurances (social insurance, health insurance, unemployment insurance, etc.). According to the IPSARD's survey, 66.3% of households whose workers work far away from home reported suspension or were laid-off due to the COVID-19 pandemic. In cases of lost jobs, they have to return to their hometowns, putting further pressure on rural employment to absorb the repatriation workforce. At the same time, when migrant workers' employment declines, their remittances to their families, the main income of many rural households, are also reduced. This has caused significant impacts on livelihoods, food, and nutrition security of the dependents.

RURAL HOUSEHOLD'S RESPONSE TO THE IMPACTS OF THE COVID-19 PANDEMIC AND THEIR ACCESS TO GOVERNMENT SUPPORT POLICIES

According to AMI and IPSARD (2019, since 2010, the status of health care access for Viet Namese people has always been maintained at 40% of the population having medical examination and treatment within 12 months. Specifically, this rate was about 38.2% in rural areas in 2016. The rate of rural people with health insurance tends to increase rapidly, gradually decreasing the gap in urban areas. In 2004, 35.2% of rural people had health insurance. In 2016, this figure has increased to 77.6%. Although all medical expenses caused by the COVID-19 virus are currently covered by the state budget, other medical expenses are not subjected to any further exemption or reduction. Therefore, if living conditions are more difficult, and health risks are higher, it will be a challenge for rural people, especially the group of people without health insurance, poor households with no savings, no lands, and no alternative means of livelihood.

The IPSARD's survey in 2020 showed that most of households' coping methods included: being self-reliant to such an unexpected and severe crisis: spending cuts (up to 95% of respondents), using savings, asking relatives and friends for help (Figure 4). Farmers, mostly poor or near poor households, are the most vulnerable group due to their limited self-reliant capacity.

The annual accumulation of rural households is only about VND 10 million/household on average (equivalent to US$450). With this accumulation level, rural households can afford expenditures at a moderate level (about US$ 100/person/month in rural areas, according to the 2018 Viet Nam Household Living Standard Survey (VHLSS) for about 4 - 5 months, provided that there are no unexpected expenditures, such as medical examination and treatment or any spike in prices.

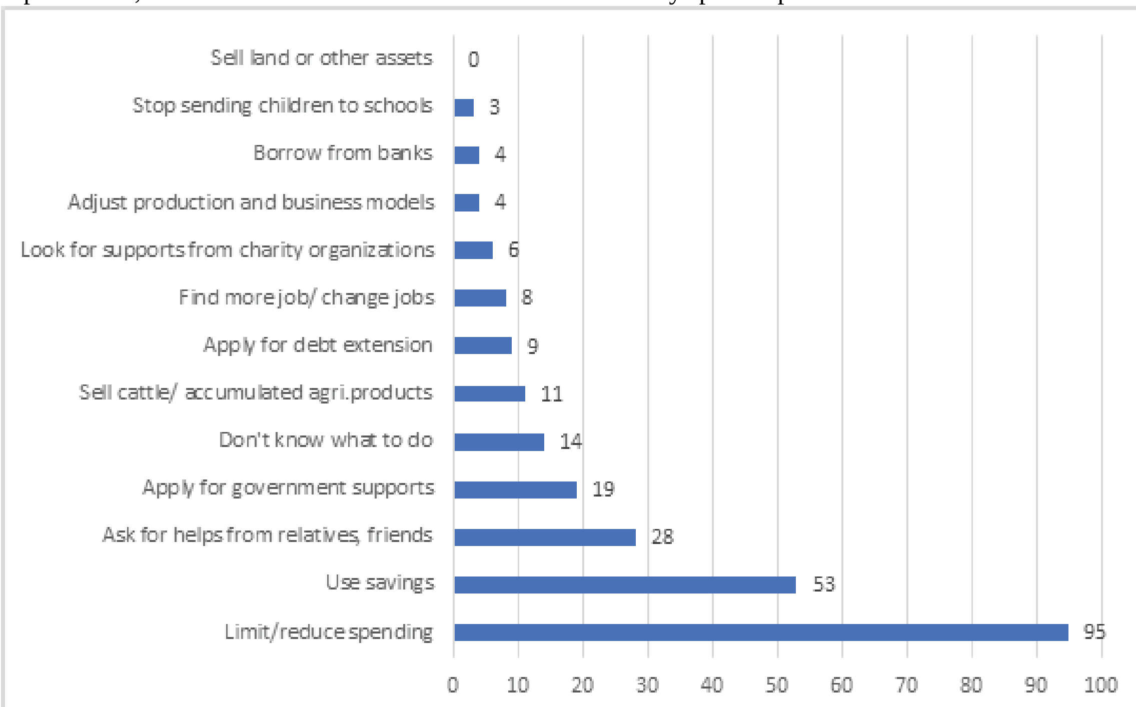

Figure 4. The proportion of households applying specific measures to cope with the COVID-19 pandemic (%).
Source: Research team calculations from the survey data

The survey results showed that rural households' access to other forms of assistance is still very limited. Support for income loss for rural households is meaningful, but only 12.8% of surveyed households said that they have accessed or been accessing such assistance. In particular, the rate of access to other forms of support, such as free necessities provision, is exceptionally low, less than 5%; about 1% received or applied for support for business households, including credit support, debt repayment extension, insurance, tax extension. Meanwhile, agricultural insurance is almost not available.

The main constraints in accessing supporting policy include taking too long to receive the support, complicated procedure for availing these policies, and the unlikelihood of being eligible for such benefits. Such constraints imply the need for reviewing, checking, and redesigning the security policy package so that no beneficiaries are left behind.

The surveyed households also suggested the support they wish to receive, including capital and credit support, vocational training and job promotion, agricultural production materials subsidies, social security subsidies, market development for agricultural products, and facilitation of production and business activities.

CONCLUSION AND RECOMMENDATIONS

Agriculture and rural areas are very vulnerable to fluctuations and risks, particularly the risks of natural disasters, pandemics, and markets. In terms of pandemic, it mainly happens to livestock, poultry, and seedlings, while the risk of disease affecting human health also exists, but this is the first time that these sectors got affected on a pandemic scale. The global economic crisis caused by the COVID-19 pandemic and the pandemic control measures had many impacts on the Viet Namese economy in general and the agricultural and rural sector in particular, through the economic slowdown, affecting considerable income and livelihoods of agricultural workers and rural people.

Although many policies have been issued and many organizations have been established to strengthen the safety nets and social support, the results of the survey on rural households show that most of rural households have to be self-reliant to cope with risks they face. Although recently, the proportion of households dealing with risks on their own has decreased slightly, but still accounts for 90%. Households affected by natural disasters, pests and diseases, agricultural product price shocks, food shortages or input materials prices, are more likely to recover than households experiencing shocks due to human diseases, injuries or deaths, unemployment, loss of lands, and unsuccessful investments. In self-reliant risk coping mechanisms, most households reduced their spending, used their savings, or received support from relatives and friends. Only few households received insurance payments. However, the impact of the COVID-19 crisis is very wide, making it difficult for households to receive support from relatives and friends. Therefore, the role of the government in ensuring social security in this pandemic is particularly important.

In order to provide practical and effective supportive policies that help farmers and rural residents overcome the negative impacts and take advantage of the economic opportunities following the COVID-19 pandemic, it is important to focus on a number of measures as below:

Supporting farmers and rural people, so that no-one is left behind

Extend debt, reduce interest rates, and facilitate new loans for farmers. Quickly review and supplement rural residents to include them in the supported group. Review and design the basis for the stimulus package for the entire economy, stimulate demand through public investments so that people can have jobs and generate income.

Promote exports, open the markets, and pay special attention to domestic market development

Continue to promote export, facilitate border trade, guide domestic enterprises to meet quarantine requirements and ensure food safety and hygiene. Provide orientation to further transform to official export channels through marine and airways to minimize the risk of border trade concentration. Support businesses to build linkages with retailers in the domestic market. Link the production areas with the retail systems and consumers through different distribution channels.

Support investments in logistics services, promote e-commerce, trading platforms

It is necessary to study, evaluate and develop a methodical strategy for agri-trade logistics services. Build a system of industrial clusters (warehouse, processing, cold storage, and transportation facilities), connecting production areas to major domestic markets. Promote modern forms of trading such as e-commerce.

Improve the investment environment to prepare for new investment opportunities

Continue to promote administrative reform, complete laws and regulations, improve the doing business environment, prepare infrastructure, train skills for workers, especially young workers in rural areas to catch FDI waves to Viet Nam after the COVID-19 pandemic.

Conduct research and formulate evidence-based policies.

Develop rural and agricultural development strategy for the period 2021-2030 to orient the development of the agriculture and rural sectors in a new context, given the lessons learned from the global crisis caused by COVID-19 and new global trends. Study and propose supporting packages for agriculture sector, recovering and developing agri-processing industries and logistics services for agricultural production. Build monitoring systems to supervise, control and report regularly on national food security.

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