

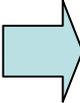
RISING ENERGY COSTS AND FARM ECONOMY



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The economy of Vietnam: some issues



- In 2005: The Vietnam's economy achieved high growth rate but... 
 - The concern for quality of growth: short-term versus long-term target.
 - The competitiveness of the economy still weak and its ranking reduced (World economic forum)
 - The dependence on state investment (50% of the overall social investment)
 - Inflation and the rising cost of inputs (oil price)

The economy of Vietnam: some issues



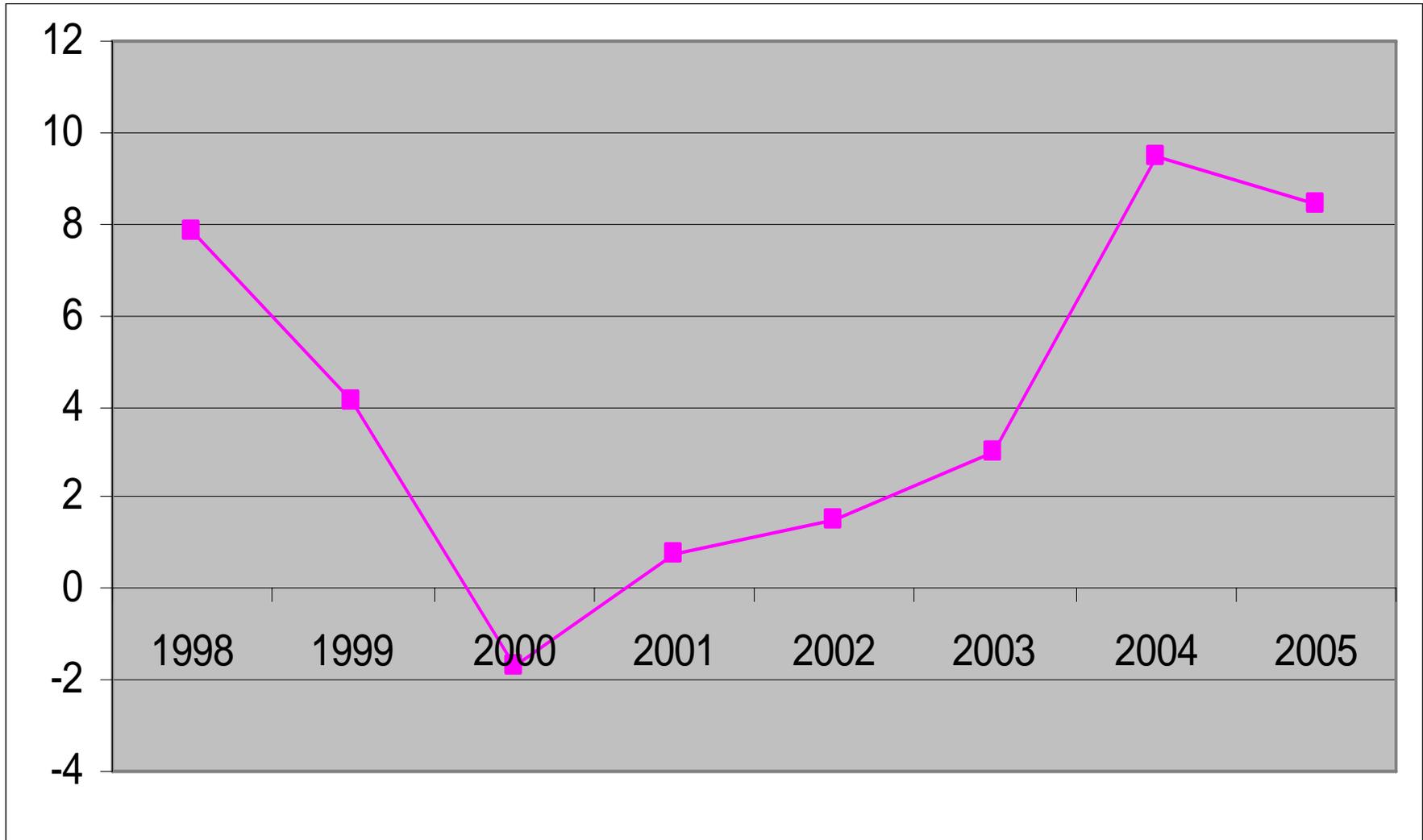
- Rising energy price:
- Rising energy price and a threat of high inflation?
 - Domestic petrol price is lower than imported price; companies in lost and high pressure on increasing domestic price
 - High demand for foreign currency for import => domestic price

Government's objectives and concerns



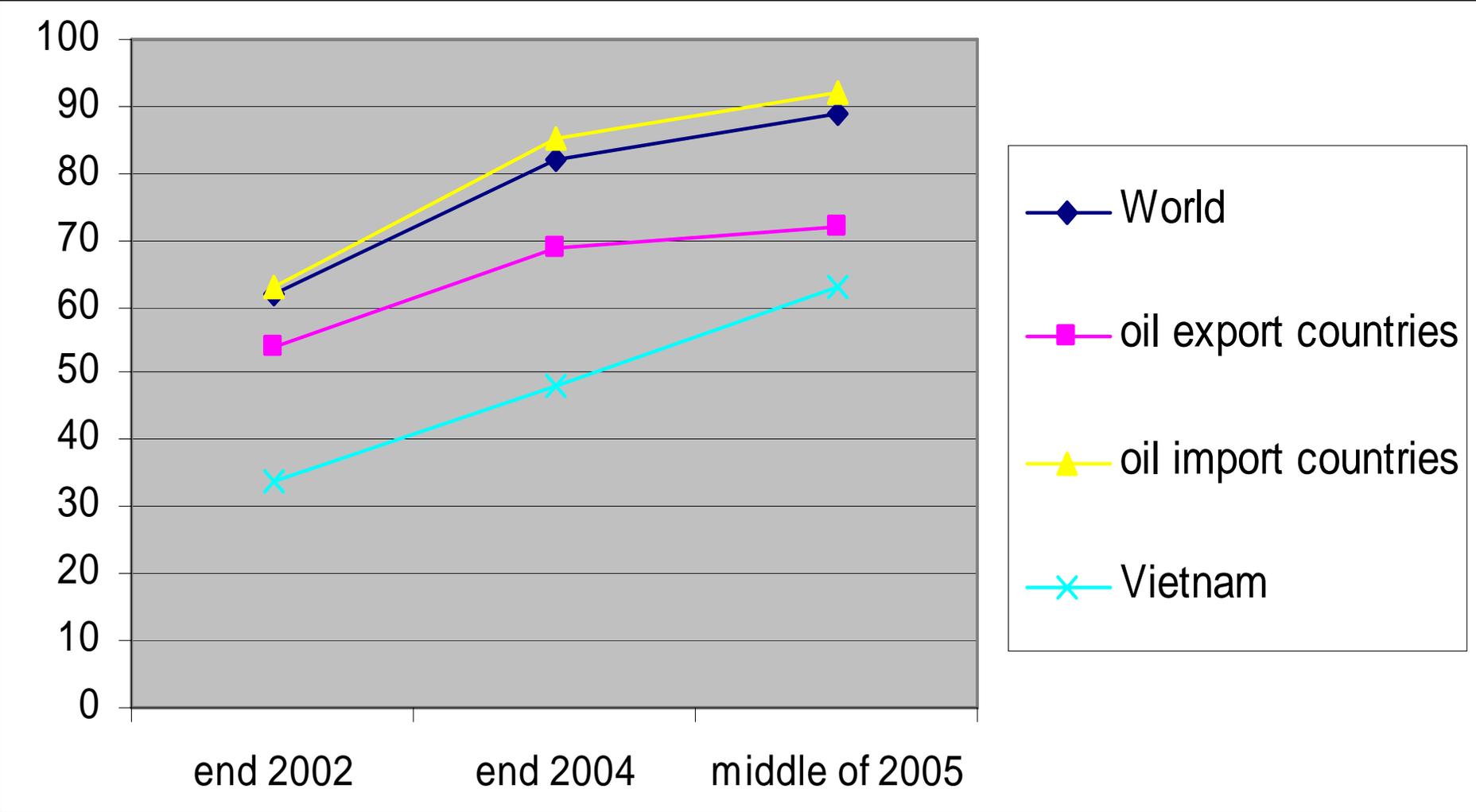
- Interview with minister of Finance (5/2004); Vice ministry of finance (3/2005); Government's interventions to keep domestic price low supporting business and ensure economic balance:
 - Tax import's reduction: 15% to 5% and 0%
 - Vietnam's petrol company in lost: 1.5 millions USD/day; during the first three months of 2006, the Government had to subsidize 350 millions USD; estimation for the year 2005, without price adjustment the subsidy would be 1.1 billions USD (10% total government revenue).
- => **price adjustment**

Inflation (%/year)





Petrol retail price (US cent/liter)



The economy of Vietnam: some issues

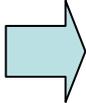
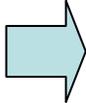


How petrol price's increase affected farm economy?





Energy price and farm economy

- Term of trade: price changes of food and other commodity
– => *not against farming activities?* 
- The affected are serious for more energy-intensive activities (industrial crops and fisheries) 
- The increase in price and salary, how about farmer income?
- Concern on farm income and the tendency moving out of rural areas

What should the government do?

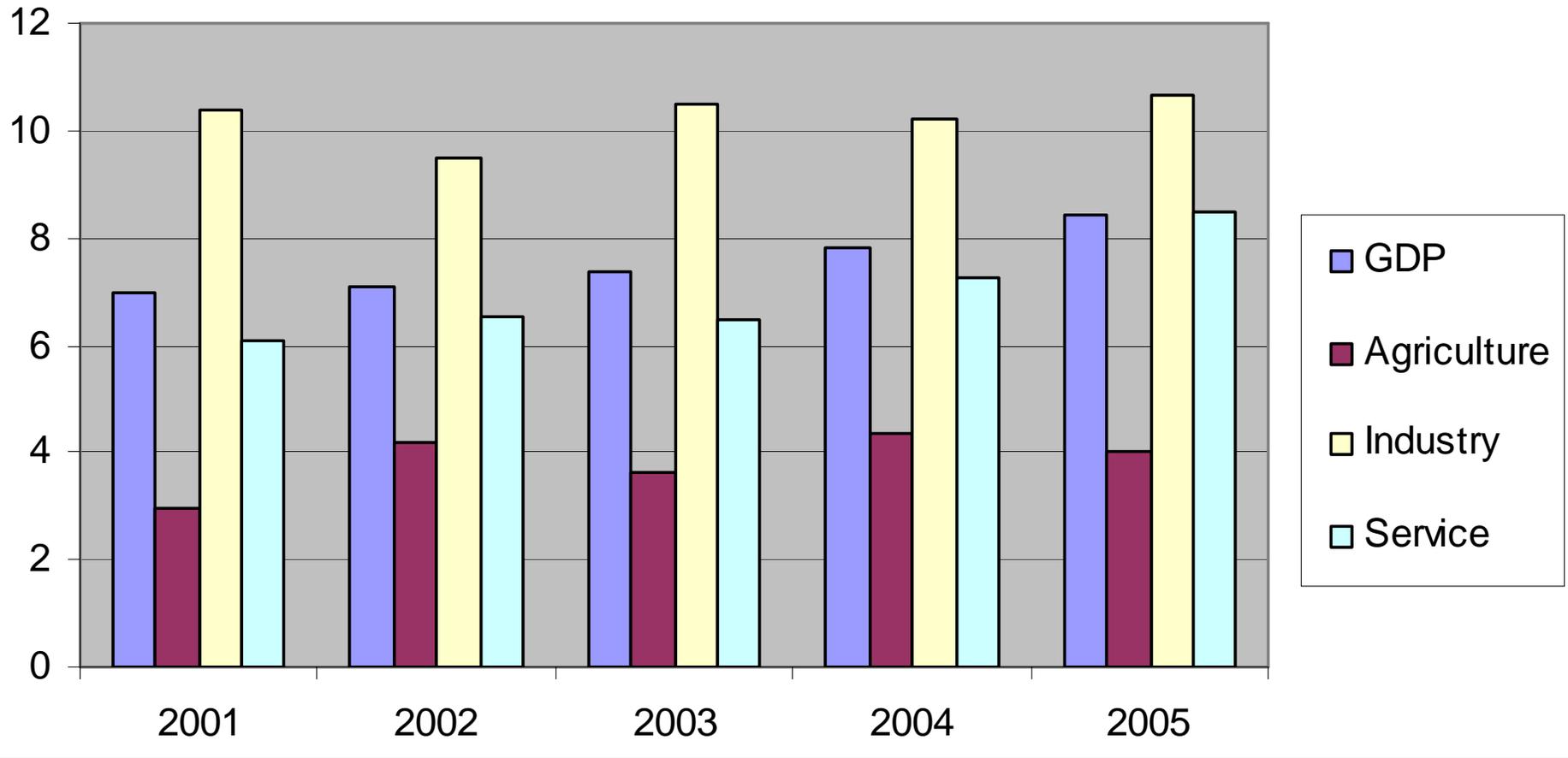


- Agricultural tax and fee
- Credit support
- Policies for input price (imported tax)
- Strategic oil reserved stock?

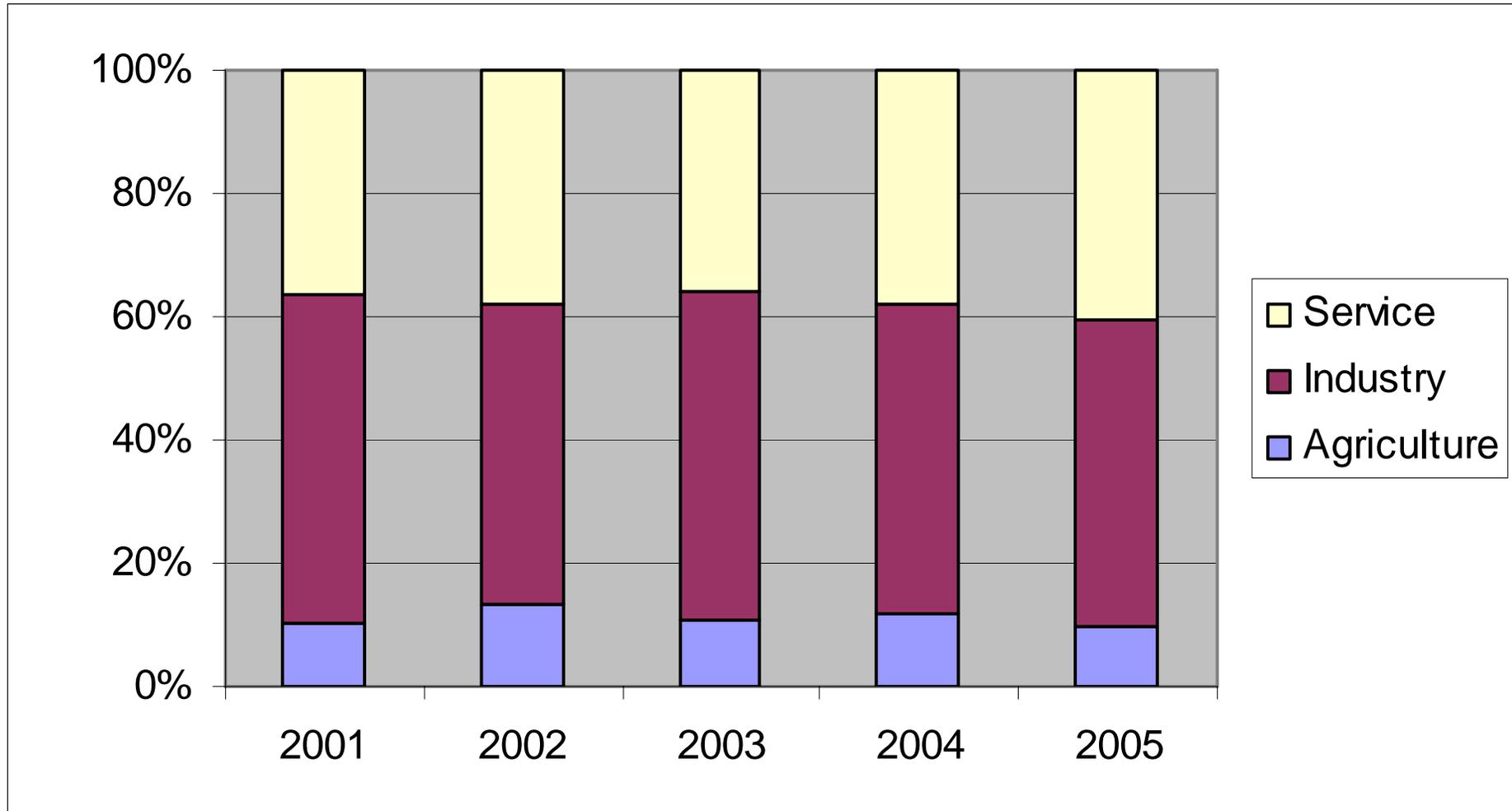
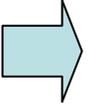
- ***=> the time for a new rural development strategy (investment; non-farm activities; processing...)***

**THANK YOU FOR YOUR
ATTENTION**

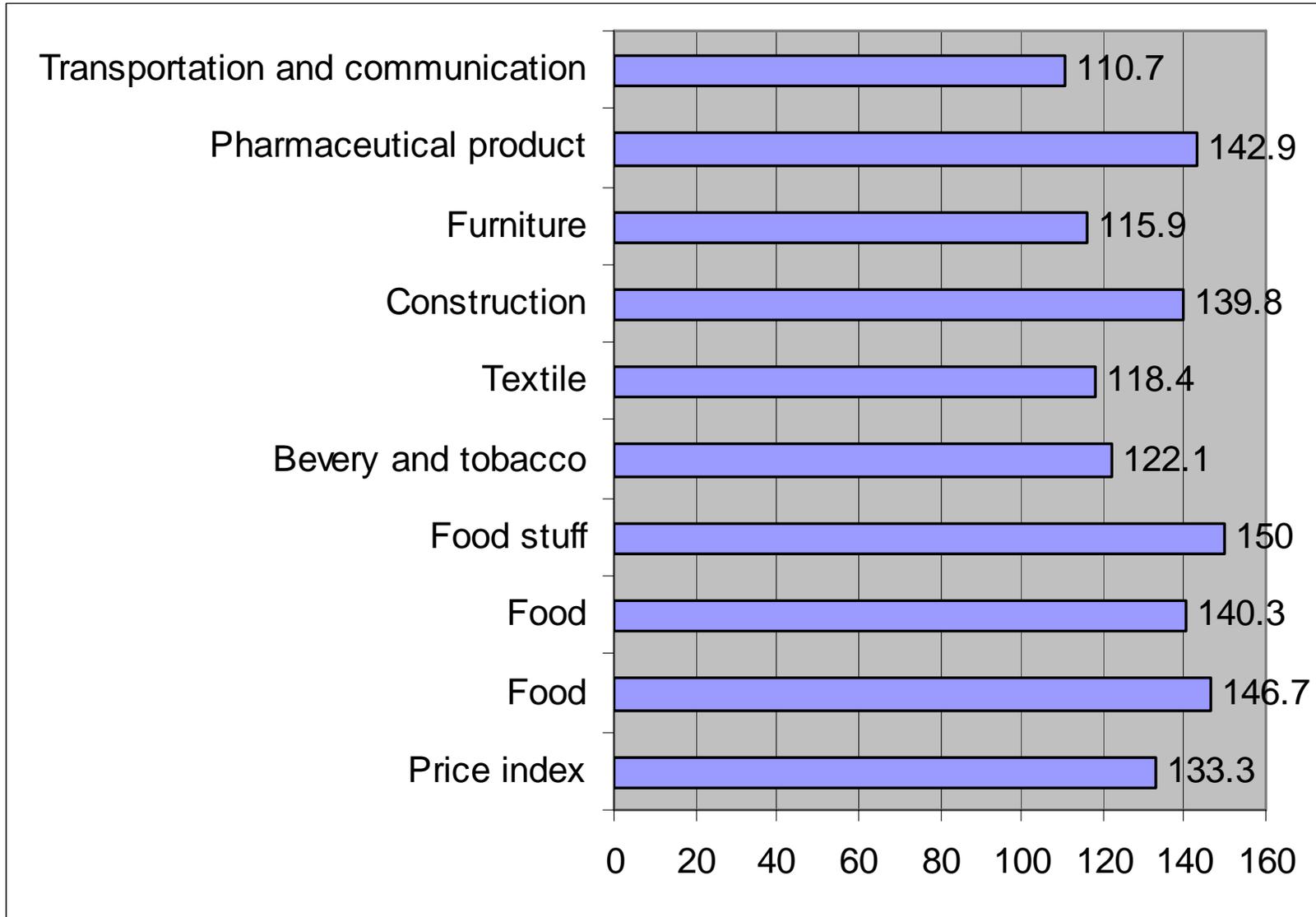
GDP growth rate (%/year)



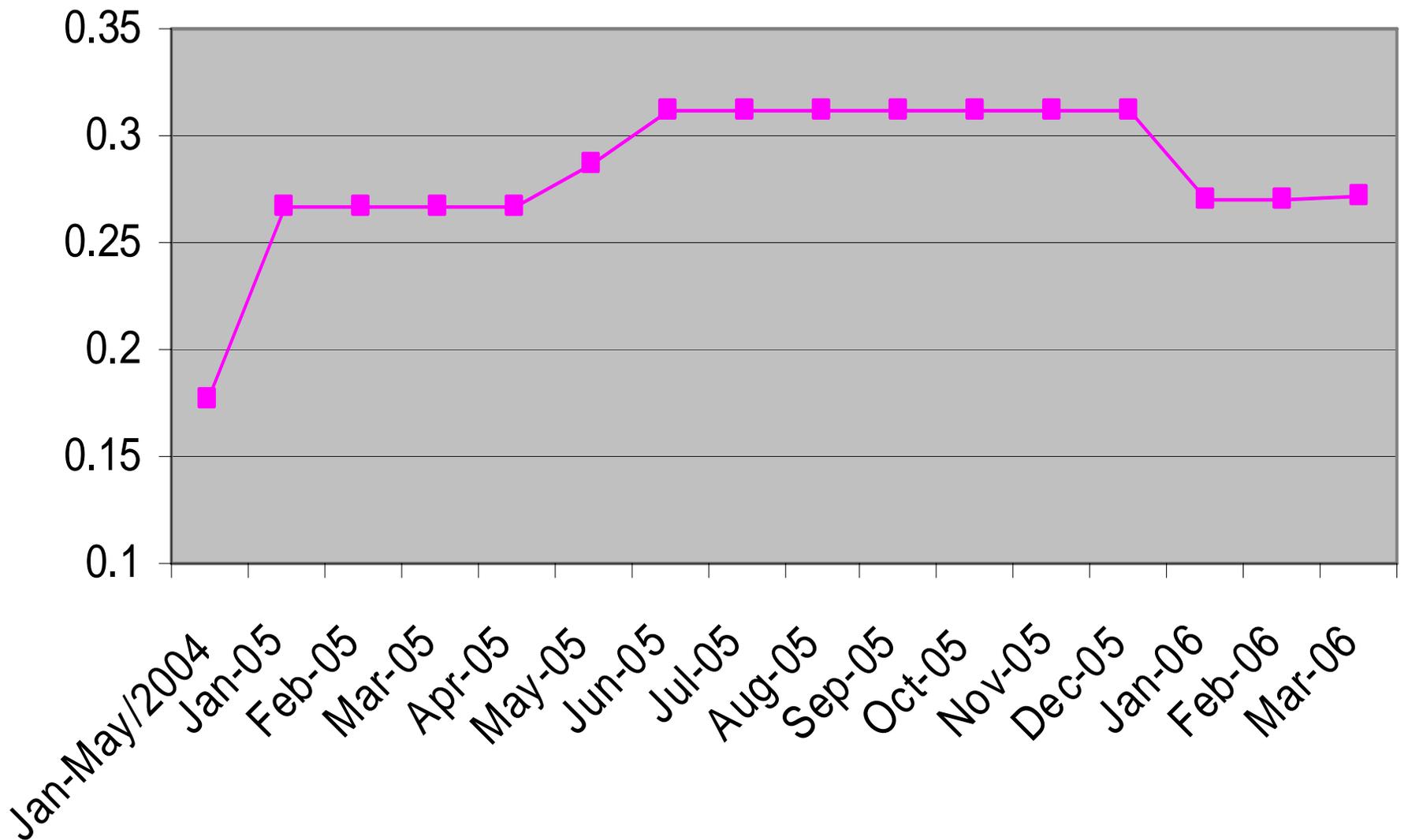
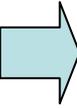
Contribution of different sector to GDP growth (%)



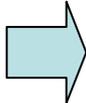
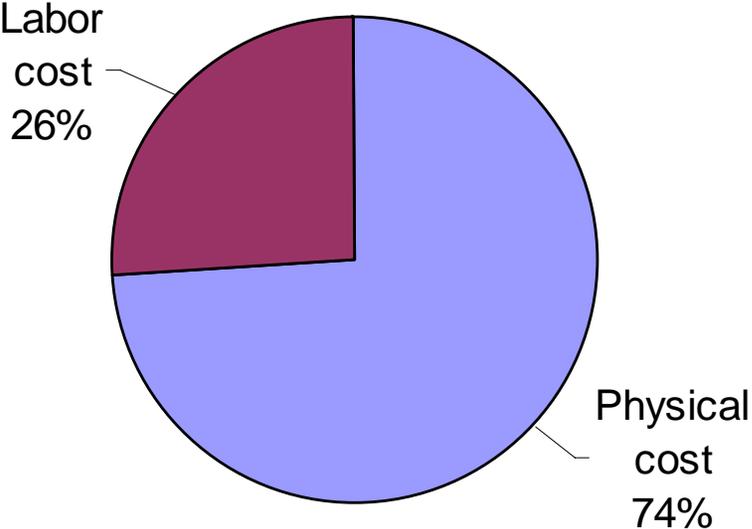
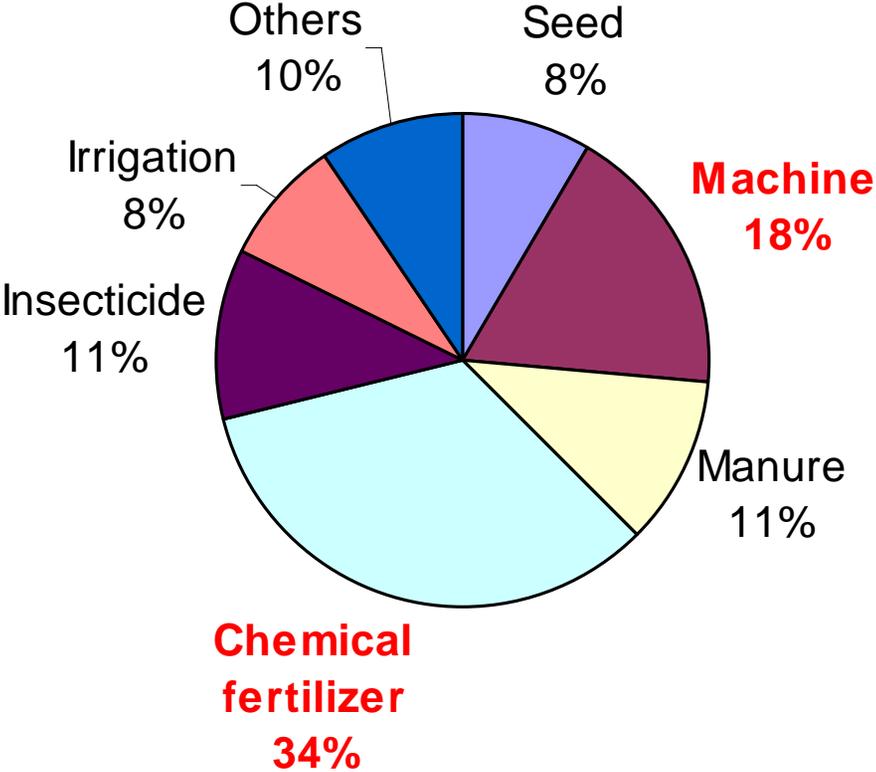
Price index of 4/2006 compared to the year 2000



Urea price (USD/kg)

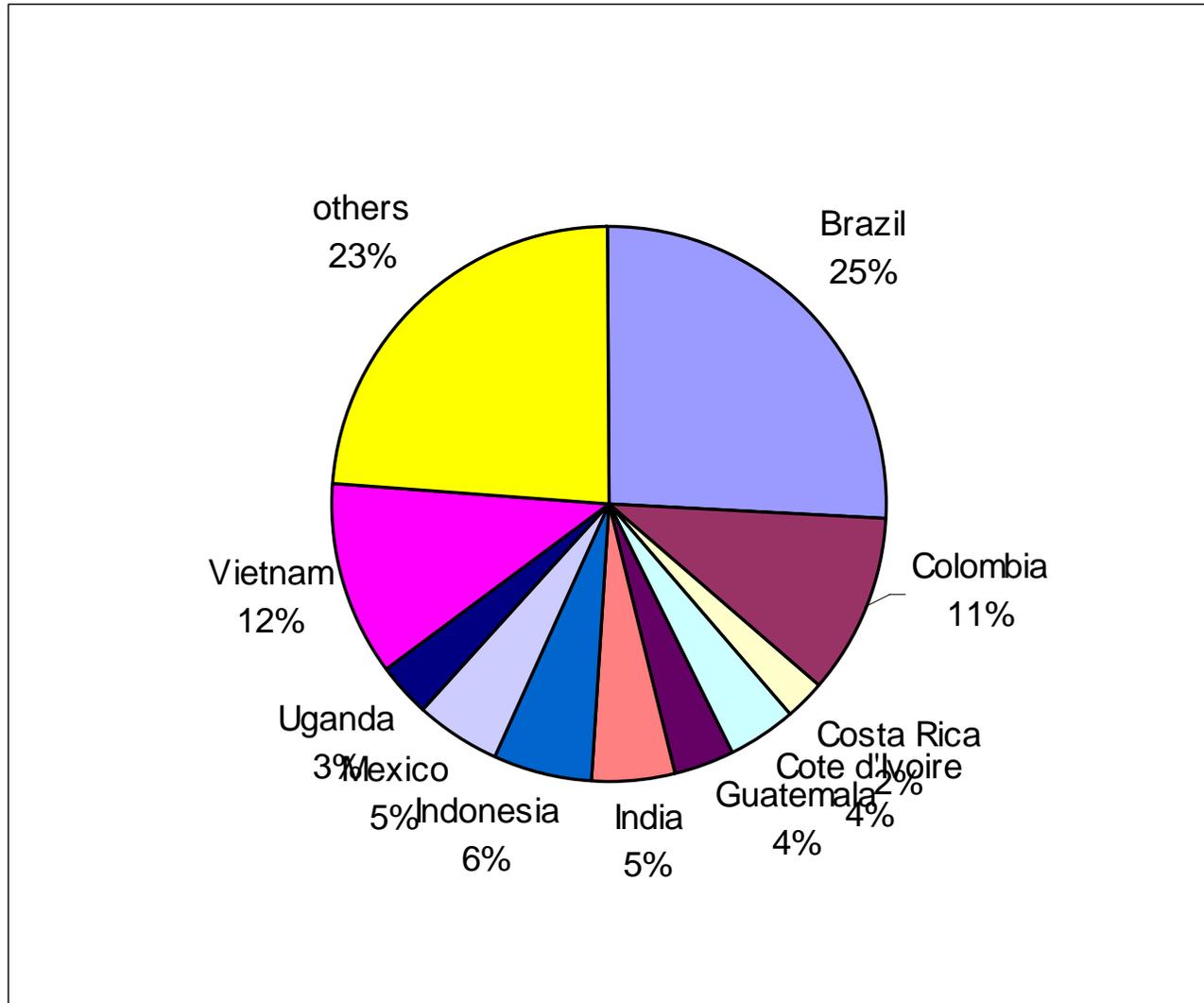


Cost of paddy production: how is the importance of energy price?

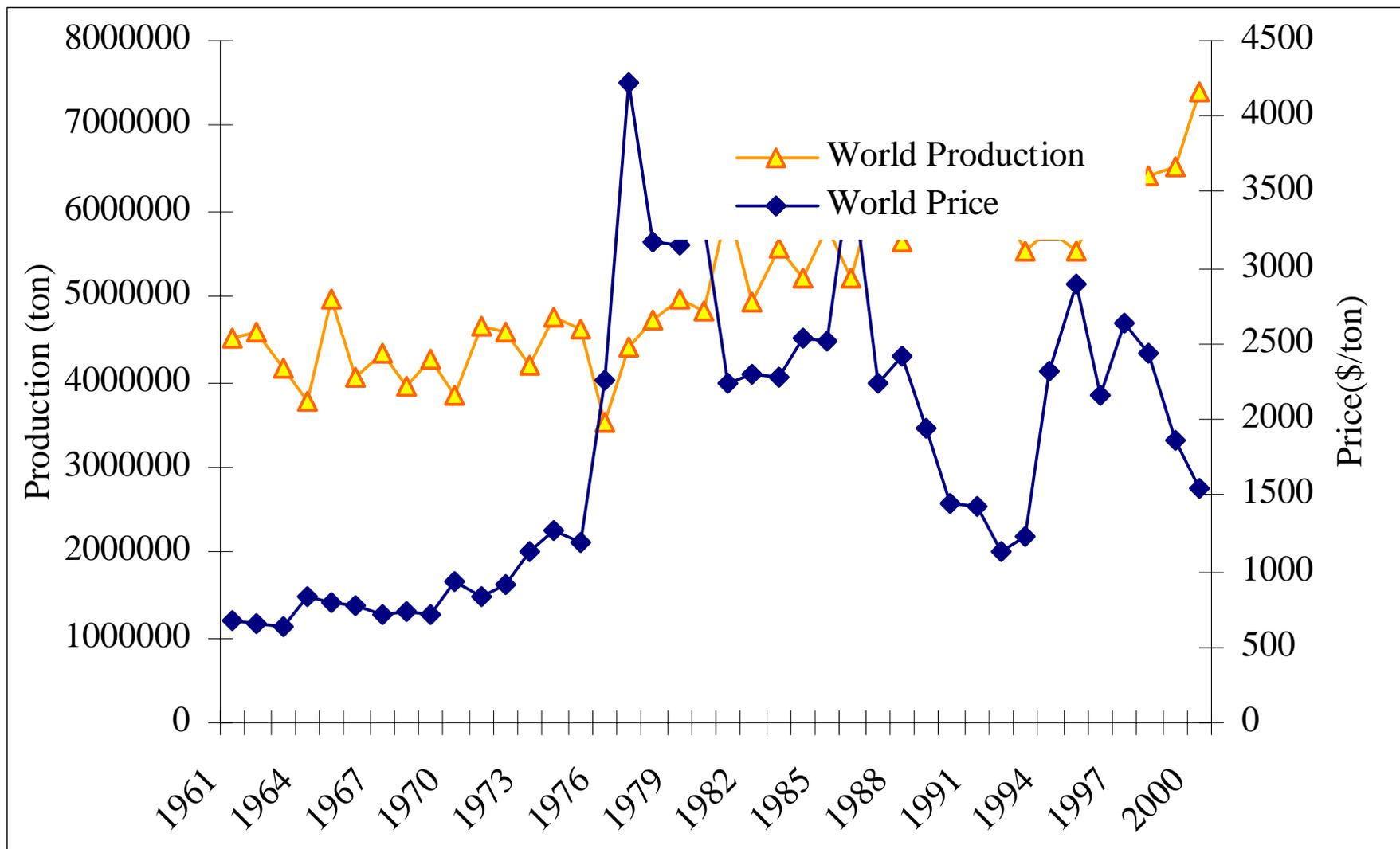


The case of coffee

Production share of main producers (%)



World coffee production and price



Gross revenue change (millions USD)

| Countries | 2000 | 2002 | Percentage changes (%) |
|-----------------|------------|------------|------------------------|
| Guatemala | 598 | 400 | -38 |
| Honduras | 345 | 167 | -33 |
| El Salvador | 276 | 108 | -61 |
| Nicaragua | 170 | 85 | -50 |
| Costa Rica | 289 | 178 | -52 |
| Tổng cộng | 1.678 | 938 | -44 |
| Việt Nam | 501 | 317 | -37 |

What now? The rising of oil price

- 2 years before: price 2 USD/kg getting profit
- Rising oil price: cost for irrigation of one hectare increase by 90 USD about 10% of total cost of irrigation.
- Decreasing of coffee price: from 2 USD to 1.1 USD/kg
- => lost 0.15 USD/kg



Currently a half million are coffee growers; 46% are in poverty, when the golden time back?

