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Socioeconomic and environmental sustainability issues in the Vietnamese Tea Value chain – preliminary results

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Workshop *Fostering the positive linkages between trade and sustainable development – SDGs and global food value chains*

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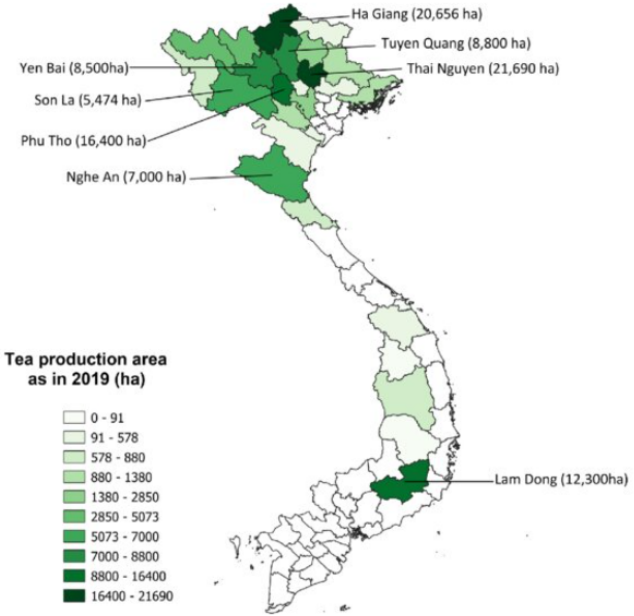
Vietnamese Tea – context and trade

Tea is one of the long-standing cultivated crops in Vietnam.

Pivotal role in domestic socioeconomic development and source of income especially for rural smallholders' farmers.

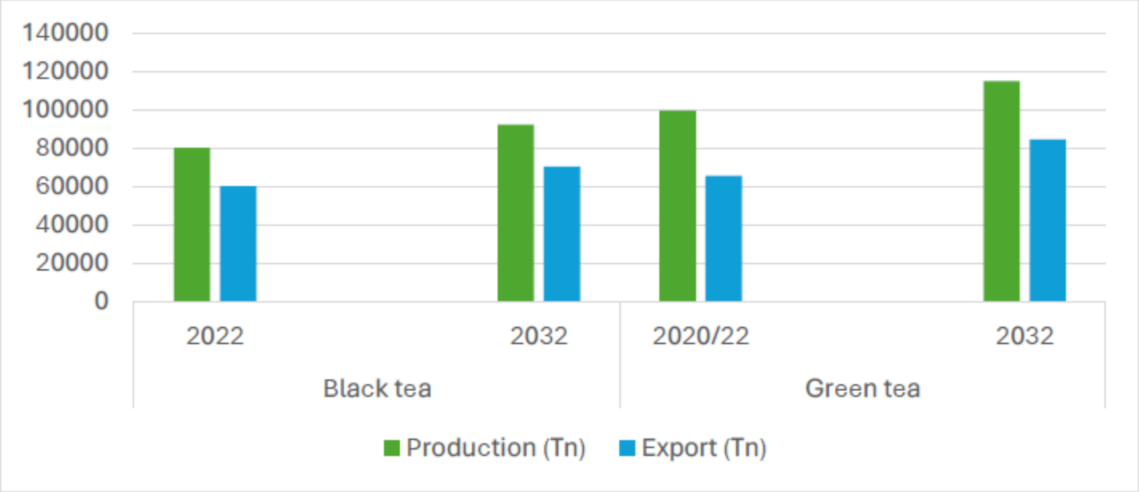
Produced across the country, some provinces are remarkable for quantity and quality in the northern and midland areas.

From the 90s, a significant increase in land used for tea crop growing has been registered, as well as tea productivity.



Le et al., 2021: Distribution of tea plantations in Vietnam in 2019. Data was soured from GSO (2020b), Ha Giang government (2019) and Thai Nguyen government (2019)

2023 was a more difficult year for Vietnamese tea exports, mainly due to **market restrictions** applied in import countries and a **weak market demand. However,** recent data and **projections confirm Vietnam's expected increase** in production and export, with a growth rate of respectively 0.9% and 2.5% for black tea and 1.5% and 2.6% for green tea.



Own elaboration from FAO (2024).

Trade with the European Union

EU-Vietnamese trade relations are regulated by a **Free Trade Agreement (EVFTA)** entered into force in August 2020.

→ **elimination of tariff and non-tariff measures**
→ **market access** for trade in goods,
→ **sustainable development** promotion and focus on **labour difficulties**
→ commitments for **trade liberalization in services**
→ support to Vietnamese main **global value chains**.

2019-2023: “coffee, tea, cocoa and spices” is the 1st category among the fifteen most imported agri-food goods in the EU from Vietnam.

Vietnam is the 12th agri-food import partner in the EU in 2023, for a value of more than 3 billion euros.

EVFTA opportunities, risks, barriers

Some studies affirm EVFTA brought some positive effects on agricultural products in terms of import and export volumes; others claim that opportunities also bring some negative shifts in terms of management and price competition in internal market.

Some needs emerge:

→ Businesses need to focus on innovation

→ Process and product quality need improvement to meet international standards.

Barriers to agrifood products trade with EU, including tea, are:

→ Non-tariff measures (NTMs), Sanitary and Phytosanitary measures (SPS) and technical barriers to trade (TBT): obstacles to the fruition of the preferential tariffs to which Vietnam is entitled.

<u>Consequence</u>: developing countries remain among the main importers in traditional markets with low requirements.

How is tea traded?

Tea is traded abroad mainly through
→ state enterprises
→ joint ventures or foreign businesses
→ private businesses
with the private sector becoming increasingly dominant.

To be underlined is that **most of tea exports are currently sold as raw material**, this means that the **added value for tea exporters remains low**, despite the product is sold in numerous countries worldwide.

Economic sustainability aspects

- → Poor quality and efficiency of the overall sector, with fluctuating prices and falling exports' earnings.
- → Small scale production with an average of 0.2 ha/household.
- → Not well-standardized farming practices linked to polluting pesticides and old varieties of tea with low productivity,
- → high international food safety standards
- → insufficient post-harvesting technology and lack of marketing promotion
- → outdated product processing technologies
- → Low wage in tea sector not following country's wage growth
- → Majority of own-account workers in small farms
- → Difficulties in accessing technology or certifications vs larger farms

SDGs 8 and 17 are affected, but some existing practices work in the right direction to boost farmers' income growth:

- → Cooperatives and associations; sustainability standards adoption (i.e. VietGAP); international development project with local communities.

Environmental sustainability aspects

- → Copious use of chemical pesticides which affect water, soil, product quality and consumers' health
- → Climate change affecting plantations' growth capacity because of the reliance on weather conditions
- → Water scarcity with a demand predicted to increase by 2100

SDGs 8 and 15 are affected; the need for a **paradigm shift** emerged and a transition from traditional **to alternative agroecological practices** is happening in these years, with **policies implementation** and **quality standards promotion:**

- → Organic agriculture and agroforestry (benefit in terms of income, soil recovery, water retention, organic fertilizers with improved product quality)
- → Projects and policies by Ministries and inter. Organizations in response to climate change
- → Diffusion of quality standards like VietGAP and sector associations (i.e. VOAA and VOSTEA)

Social sustainability aspects

→ Linked to eco and environmental issues, social sphere is shaped by production methods, affecting health and quality of life of farmers.
→ Strong presence of women like in the agricultural sector, facing gender inequalities in terms of salaries, access to credit, training and extension services.
→ Good level of education of farmers compared to other Asian countries like India and Indonesia
→ No presence of independent trade unions, which cause internal strikes and international pressures from parties involved in international agreement (like the EU) to boost human and workers rights.

SDGs 5 and 8 are affected, with a series of political and practical actions put in place to reach the targets:
→ The sustainable agriculture development strategy 2021-2030
→ International entities involved in projects securing livelihoods and decreasing tea farmers vulnerability like Rainforest, UNEP, Rikolto.

Thank you for your attention!

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Trade 4 Sustainable Development

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