

The Effectiveness of the Management Policy in the Food Industry: The Case of Animal Feed Production Sector



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ABSTRACT: Vietnam has Southeast Asia's highest animal feed output, with an annual growth rate of 10-15%. However, in addition to the potential for businesses and consumers, the situation in Vietnam demonstrates that there are still significant constraints in the administration of the animal feed industry. As a result, the current condition and variables influencing state management of the animal feed business in Vietnam are examined in this paper. Data were collected from 450 surveys and analyzed by using the SEM model and SPSS22 software. According to the findings, the three most important elements influencing State management efficiency are (i) human resources, (ii) investment, and (iii) infrastructure and equipment. Based on the findings of the study, several recommendations are made to increase the effectiveness of state management in the animal feed production business, thereby contributing to sustainable development.

KEYWORDS: Animal feed, state management, food industry, SEM, Vietnam.

1. INTRODUCTION

The animal industry is continuously growing, along with the increasing demand for animal products such as meat, eggs, milk, and other etc. These products not only meet daily consumer needs but also serve as raw materials for the food processing industry and play a crucial role in exports. As a result, the supply sources for the animal feed industry are becoming increasingly diverse.

Vietnam is an agricultural country, with over 70% of the population engaged in agricultural production. It has abundant human resources, rich raw materials, and a suitable climate, which are advantages for developing animal husbandry and animal feed production. According to the Department of Animal Production, after more than 20 years of integration, the animal husbandry industry has achieved significant achievements, with an average growth rate of 10-15% per year, making Vietnam the fastest-growing country in the animal industry in Southeast Asia. In 1992, the total output of new animal feed reached 65,000 tons, while industrial animal feed production in 2022 reached about 20.0 million tons. Therefore, after 30 years, the output of animal feed in Vietnam has grown by over 200%. Thus, we can see that the potential for developing the animal feed industry is enormous. Consequently, in recent years, the animal feed processing industry has developed strongly both in terms of the number of factories and types of feed. With high development potential, Vietnam's animal industry has attracted many businesses to join the industry, creating fierce competition. Therefore, finding a new direction to promote the development of the animal industry in the coming time is essential.

According to the Ministry of Agriculture and Rural Development, Vietnam currently has about 265 animal feed factories, including 85 foreign-owned factories (accounting for 32%) and 180 domestic factories (accounting for 68%). However, small and medium-sized domestic enterprises are weak in terms of competitiveness compared to foreign-owned enterprises. As a result, foreign-owned enterprises hold 65% of the market share, while domestic enterprises hold the remaining 35%. In addition, in the cost structure of animal feed products, feed costs account for 65%-70% of the product's cost, which is considered a decisive factor in production efficiency and animal development. However, domestic enterprises currently depend on 70% of raw materials from foreign markets. The value of imported animal feed raw materials in 2016 reached 1.9 billion US dollars. Moreover, some businesses have violated business ethics by adding banned substances to animal feed to stimulate animal growth, which has made the image of domestic animal feed products not highly regarded by animal farmers.

Due to the reasons mentioned above, the state's management of the animal feed production industry needs more attention. To clarify and provide scientifically-based solutions and recommendations that are meaningful in theory and practice to improve the quality, efficiency, and impact of state management on Vietnam's animal feed production industry, this study employs both qualitative and quantitative methods to fully determine the current situation and factors affecting management in the animal feed

The Effectiveness of the Management Policy in the Food Industry: The Case of Animal Feed Production Sector

production industry. From there, appropriate policies are proposed to achieve sustainable development goals for Vietnam's animal feed industry.

2. THEORETICAL BASIS

1.1. The content of state management for the animal feed industry

State management is the impact of state power entities on managed subjects through law to perform the functions and external functions of the state. The subjects of state management activities include state agencies and individuals authorized to carry out state management activities. Current management activities are carried out in the fields of legislation, administration, and justice to perform functions related to state management activities.

Based on the decrees, state management activities for the animal feed production industry have been implemented, including policies: (1) Development promotion policy, (2) Regulation policy, (3) Output support policy, and (4) Quality monitoring and inspection policy for animal feed products.

The state has issued resolutions on the designation of testing laboratories to check the quality of animal feed, especially in the current integration context, to help Vietnamese animal products partially meet the technical standards (especially food safety and hygiene standards) of partner countries.

The state's management content for animal feed has been specifically regulated in a special policy of the government of the year 2010 on animal feed management.

The state's management content for animal feed includes:

1. Develop planning, and plans for the production and use of animal feed.
2. Issuing and organizing the implementation of legal documents on management, production processes, standards, regulations, mechanisms, and policies to encourage the development of animal feed.
3. Testing and recognizing new animal feed.
4. Collecting and managing information and materials on animal feed.
5. Organizing research and applying advanced science and technology to activities in the field of animal feed.
6. Investing in developing a testing and inspection system that meets state requirements for quality control of animal feed production and business management.
7. Training, fostering, and certifying human resources to serve state management activities in animal feed.
8. Disseminating knowledge and experience in the production, management, and use of animal feed.
9. Inspecting compliance with state regulations, and resolving complaints, accusations, and disputes related to animal feed.
10. International cooperation in the field of animal feed.

1.2. The factors affecting state management of the animal feed production industry.

(1) The policy environment of the industry

The policy environment of the industry is a model that the government implements to regulate and support the development of a specific industry. Policy tools often target "young" industries, but can also promote mature industries or help them implement new technologies. The most visible industrial policies include public investment in industry, public procurement policies, and tax reductions for private investors. Less clear policy tools include tax incentives, foreign direct investment incentives, intellectual property rights programs, financial policies, trade policies, labor market policies, and science and technology policies (Cimoli et al., 2009). H. van Meijl's research (2006) has shown that the policy environment has a profound impact on management for each industry and that different policy environments lead to different impacts, especially those related to taxes.

(2) Business development expansion.

International integration is both an opportunity and a challenge for the animal feed production industry. Firstly, integration brings opportunities to receive technology transfer, develop processing machinery and equipment, approach international standards, and meet production requirements. In addition, the strong integration process also creates favorable conditions for Vietnam's animal feed production industry to access a larger animal feed market, creating momentum for domestic businesses to invest more deeply and widely, and improving the quality of animal feed services.

However, globalization has brought competitive pressures from different regions. The integration process will make businesses adapt to the comparative advantages and labor allocation of regions and the world. Moreover, the shift of animal feed raw materials to the international market poses a challenge for production activities in ensuring product quality at reasonable costs. This is both a challenge and a motivation to promote the development of the animal feed industry.

(3) Human resources

One of the indispensable factors for maintaining and developing any industry is human resources. Human resources are a core factor that plays a decisive role in economic growth and development. Nguyen Tiep (2002) believes that human resources with potential knowledge are a competitive advantage for every business, every industry, and the entire economy.

The Effectiveness of the Management Policy in the Food Industry: The Case of Animal Feed Production Sector

For the animal feed processing industry, human resources include the following subjects with different roles in the research, production, and distribution chain in the animal feed processing industry: (1) Labor force is directly involved in production, (2) Indirect labor force, (3) Labor force is technology engineers, agricultural engineers, animal engineers, (4) The workforce is leading experts in nutrition research.

(4) Technology

According to author Nguyen Duc Trong (2023), in recent years, promoting research and application of science and technology is considered a foundation and motivation to increase added value, and sustainable development of the Agriculture industry. The application of science and technology, especially high technology, in animal feed production aims to improve economic value, quality, and competitiveness for businesses and local food. In addition, digital transformation has also promoted automatic retail operations and reduced operating costs

(5) Infrastructure and equipment

The animal feed production industry is a complex industry with a high level of application of science and technology and continuous improvement. Infrastructure and equipment are fundamental factors that affect agricultural development, especially in disaster resistance and reducing agricultural inputs (Wu, 2019). In general, infrastructure includes public utilities (such as electricity, telecommunications, tap water supply, sanitation and drainage, solid waste collection and treatment, and gas pipelines), public works, and other transportation sectors (World Bank, 1994), roads and water conservancy Ostrom E (2011), including dams, canals, and ports, which have a special impact on agriculture in general and the animal feed industry in particular, based on practices in different regions.

(6) Investment

The potential for development in the food processing industry in general and the animal feed production industry in particular is enormous. There are still many shortcomings in investment for the animal feed production industry. The market share of foreign-invested animal feed companies is relatively large. There is a phenomenon of small businesses pricing according to large businesses, loose price linkages, exclusive distribution systems with large discounts, and unhealthy competition.

(7) Credit

Opening up credit to agriculture and rural areas is still very difficult, with many obstacles due to many reasons such as shortcomings in lending procedures and collateral assets for loans mainly being fields, issues of issuing land use rights certificates, selling assets when bad debts arise often cause banks to encounter many difficulties, although assets are substantial because they are built on agricultural land, they cannot be used as collateral. Moreover, credit institutions still have a psychological fear of lending in agriculture and rural areas because this is a low-profit sector with many risks, ineffective production, and business plans often face many difficulties when approving loans.

After analyzing the current situation of the animal feed production industry by synthesizing secondary data, the study identified 7 factors that have a significant impact on state management of the animal feed production industry. These factors include:

- Policy environment (MTCS): Policies of the Vietnamese state for the animal feed production industry.
- Business development expansion (KD): Expanding and developing the business market in Vietnam's animal feed production industry.
- Human resources (NNL): Human resources in Vietnam's animal feed production industry.
- Technology (CN): Information technology support in Vietnam's animal feed production industry.
- Infrastructure and equipment (HTTB): Infrastructure and equipment support in Vietnam's animal feed production industry.
- Investment (DT): Investment potential in Vietnam's animal feed production industry.
- Credit (TD): State policies create conditions for businesses or institutions to access credit for Vietnam's animal feed production industry.

2. RESEARCH METHODOLOGY

The following is the English translation of your message: "Qualitative and quantitative methods are combined to perform research tasks, thereby achieving research objectives. To measure the impact of these factors on state management for animal feed production, the author first consulted some experts on the questionnaire. Then send a trial questionnaire to 15 animal feed producers. The author adjusted the questionnaire to be more understandable to obtain the most accurate and reliable answers. Next, the official questionnaire was sent to animal feed producers and received responses from 112 businesses. At each business, the questionnaire was sent to one to five representatives of management and employees working in departments related to animal feed production. The author sent the questionnaire from February 2023 to April 2023, with 478 ballots received and 455 ballots received with enough information to analyze meeting the condition of over 450.

After collecting information from the questionnaire, the study used a multivariate regression model to evaluate the data obtained to eliminate inappropriate data and evaluate the influence of factors on state management for animal feed production. The evaluation steps include: Testing the reliability of scales using Cronbach's Alpha, exploratory factor analysis (EFA), confirmatory

The Effectiveness of the Management Policy in the Food Industry: The Case of Animal Feed Production Sector

factor analysis (CFA), and testing theoretical models. Which state management for animal feed production is a dependent variable and seven factors influencing state management for animal feed production are seven independent variables. Based on identifying research objectives, subjects, and scope, the research process is carried out as follows:

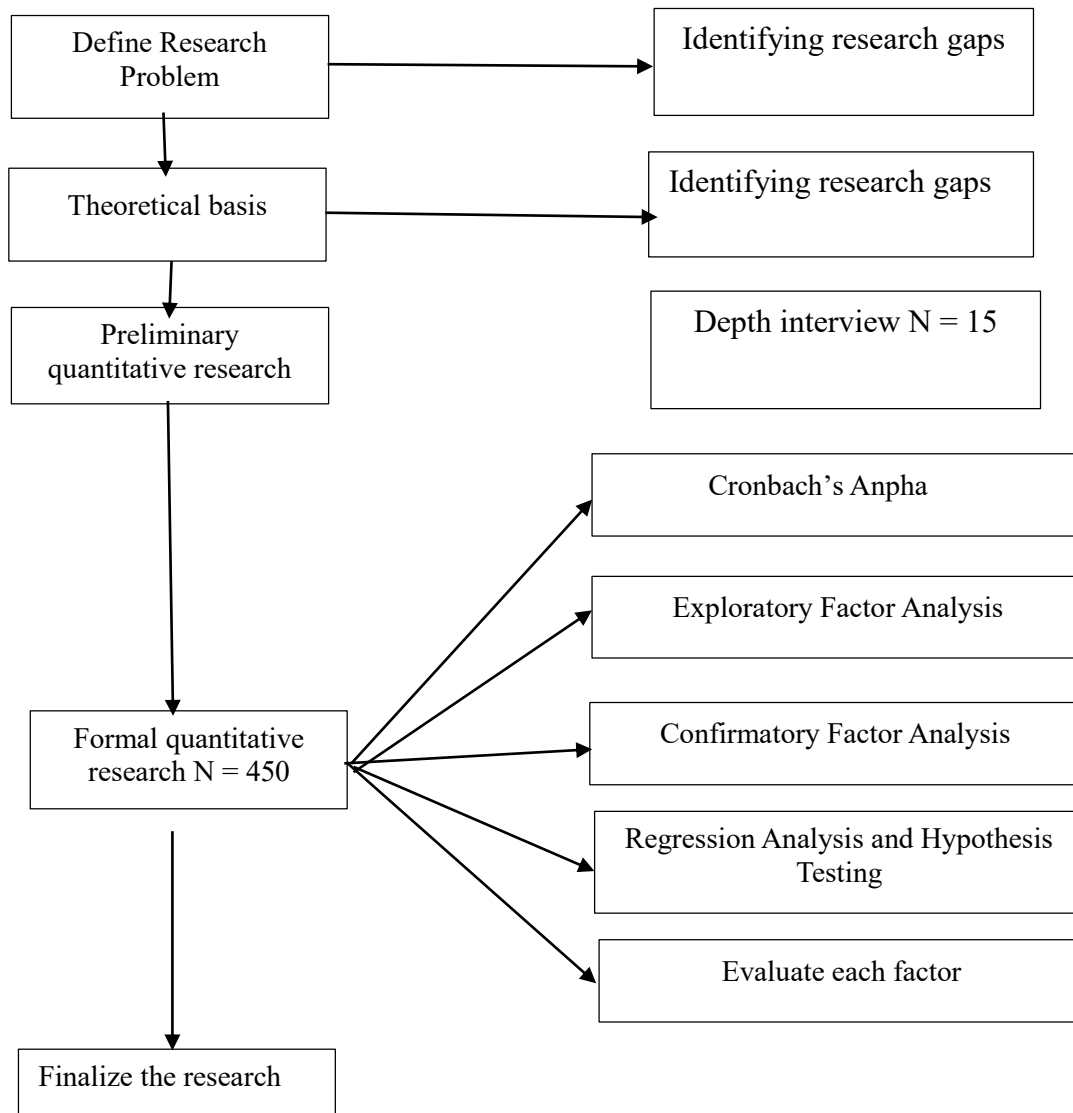


Figure 1. Research process

3. RESULT

3.1. Evaluate the suitability of factors using Cronbach's Alpha scale.

Evaluate the suitability of all factors in the questionnaire with reality by using SPSS software to test the Cronbach's Alpha (CA) coefficient for each observation variable group belonging to different factor groups. Suppose any factor has a Cronbach's Alpha coefficient less than 0.6. In that case, it will be removed from the research model (Peterson, 1994), and observation variables with a total correlation coefficient less than 0.3 are considered unsuitable variables. They are also removed from the scale of the factors (Nunnally and Burnstein, 1994). After removing a variable, the author will rerun the model for evaluation, and this process will stop when all variables are considered suitable.

Details of the reliability analysis results through Cronbach's Alpha coefficient are presented in the table below, which shows the Cronbach's Alpha coefficient of each group and the variables that meet the requirements.

The Effectiveness of the Management Policy in the Food Industry: The Case of Animal Feed Production Sector

Table 1. The reliability evaluation results of the scale

Rank	Symbol	Correlation coefficient	Cronbach's Alpha if remove a variable
(1) Factor "Policy environment" Cronbach's Alpha = 0.778			
1	MTCS1	.473	.756
2	MTCS2	.400	.768
3	MTCS3	.509	.749
4	MTCS4	.491	.752
5	MTCS5	.548	.740
6	MTCS6	.570	.735
7	MTCS7	.517	.747
(2) Factor "Business" Cronbach's Alpha = 0.751			
8	KD2	.575	.678
9	KD3	.546	.694
10	KD4	.564	.684
11	KD5	.502	.718
(3) Factor "Human resources" Cronbach's Alpha = 0.824			
12	NNL1	.598	.800
13	NNL2	.693	.757
14	NNL3	.672	.766
	NNL4	.628	.787
(4) Factor "Technology" Cronbach's Alpha = 0.749			
15	CNTT1	.506	.708
16	CNTT2	.562	.686
17	CNTT3	.477	.717
18	CNTT4	.547	.692

The Effectiveness of the Management Policy in the Food Industry: The Case of Animal Feed Production Sector

19	CNTT5	.479	.717
(5) Factor group “Infrastructure and equipment” Cronbach’s Alpha = 0.868			
20	HTTB1	.627	.868
21	HTTB2	.772	.811
22	HTBB3	.749	.820
23	HTBB4	.735	.826
(6) Factor “Investment” Cronbach’s Alpha = 0.819			
24	DT1	.664	.762
25	DT2	.713	.738
26	DT3	.689	.750
27	DT4	.504	.832
(7) Factor “Credit” Cronbach’s Alpha = 0.757			
28	TD2	.374	.792
29	TD3	.624	.663
30	TD4	.712	.614
31	TD5	.536	.713
(8) Factor “ Management” Cronbach’s Alpha = 0.799			
32	QL1	.467	.771
33	QL2	.721	.642
34	QL3	.687	.715
35	QL4	.665	.686
36	QL5	.774	.766

After testing KMO and Bartlett’s Test, the study continued to test the Factor Loading coefficient to evaluate the correlation between observation variables of factors affecting state management for animal feed production, thereby obtaining 36 observation variables that meet the requirements for analysis in the next round - exploratory factor analysis (EFA).

3.2. Exploratory factor analysis (EFA)

After testing with Cronbach’s Alpha coefficient, 36 variables that meet the requirements will continue to be evaluated for reliability and scale value by performing exploratory factor analysis (EFA).

Variance extraction test of factors (% Cumulative variance): The results show that the total variance extracted (Total Variance Explained) and Cumulative % have a cumulative variance value of factors of 52.461% > 50% meeting the standard.

The Effectiveness of the Management Policy in the Food Industry: The Case of Animal Feed Production Sector

From the above quantities, the study concluded that 52.461% of the variation of factors is explained by the component measuring variables of Factor. The results are shown in the tables below.

Table 2. The results of KMO and Bartlett's Test

KMO and Bartlett's Test		First	Final
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.836	.816
Bartlett's Test of Sphericity	Approx. Chi-Square	5569.830	4348.435
	Df	496	325
	Sig.	.000	.000
Total Variance Explained		50.886	52.461

Source: Analysis of survey results

After testing with KMO and Bartlett's Test, the study continued to test the Factor Loading coefficient to evaluate the correlation between observation variables of factors affecting state management for animal feed production in Vietnam.

The EFA analysis results after two iterations for independent variables of the rotated factor matrix show that, after removing 5 factors in the analysis rounds, the factor loading coefficient of the remaining measuring variables satisfies the condition when analyzing factors is a Factor loading coefficient of 0.5 and the factor generated after factor analysis is seven independent factors with 26 measuring variables. Therefore, observation variables of factors affecting state management for animal feed production in Vietnam are correlated with each other overall. The table below provides specific information about the results of exploratory factor analysis.

Table 3. Results of exploratory factor analysis (Final)

	Factor						
	1	2	3	4	5	6	7
HTTB2	.833						
HTTB3	.811						
HTTB4	.780						
HTTB1	.724						
NNL2		.801					
NNL3		.764					
NNL1		.696					
NNL4		.664					
DT1			.865				
DT2			.814				
DT3			.663				
MTCS4				.702			
MTCS3				.695			
MTCS5				.651			
MTCS6				.589			
TD4					.886		
TD3					.707		
TD5					.681		
KD3						.690	

The Effectiveness of the Management Policy in the Food Industry: The Case of Animal Feed Production Sector

KD4						.684	
KD2						.679	
KD5						.579	
CN2							.651
CN1							.638
CN4							.635
CN3							.573
Extraction Method: Principal Axis Factoring.							
Rotation Method: Promax with Kaiser Normalization.							
Rotation converged in 6 iterations.							

Source: Analysis of survey results

3.3. Confirmatory factor analysis

After conducting exploratory factor analysis, the study continued to evaluate the suitability of factors in each factor affecting state management for animal feed production by performing confirmatory factor analysis (CFA). In this analysis, 26 factors from the results of exploratory factor analysis of independent variables were used for further analysis in this model using AMOS 22 structural equation modeling software. Confirmatory factor analysis is the next step to test whether the concept model meets the requirements.

After analyzing and adjusting the model, the author obtained the results as shown in the figure below, and concluded that the second CFA model's indices met the criteria for evaluating the model's suitability. The regression values of variables in each factor are within the range of zero point five to one.

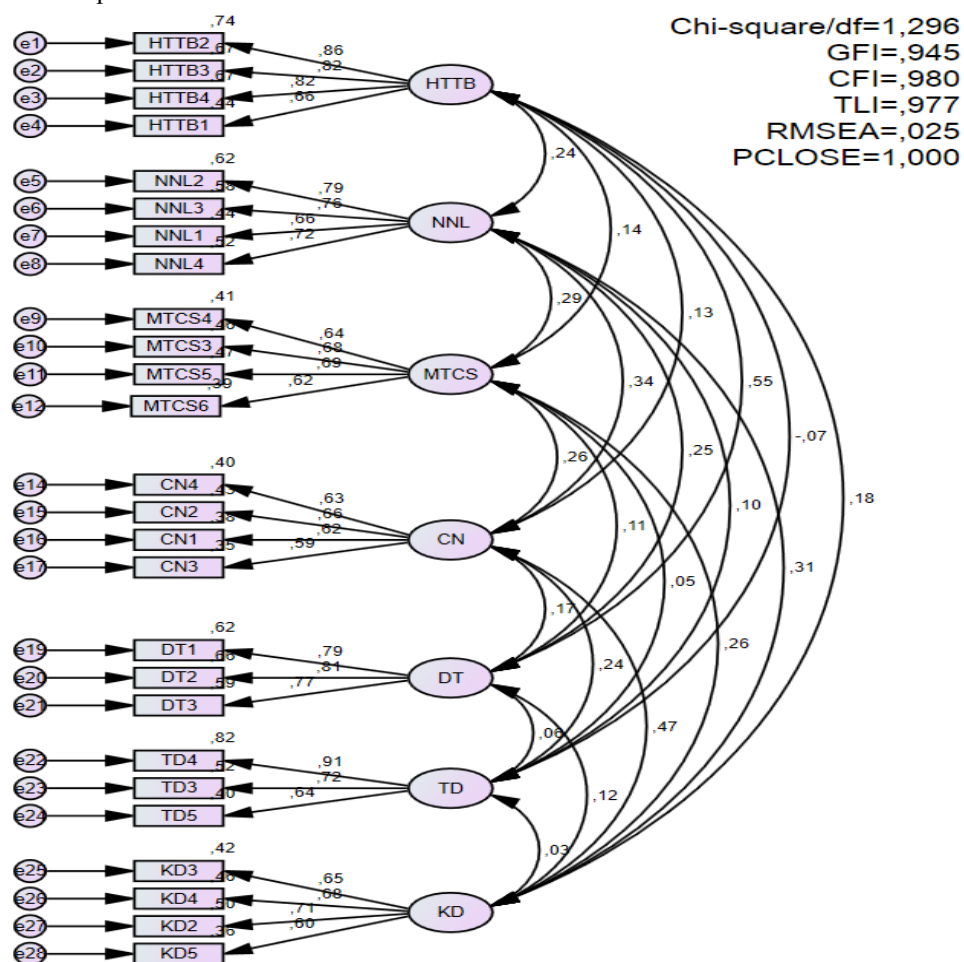


Figure 2. The CFA model of the study after adjustment

Source: Analysis of survey results

The Effectiveness of the Management Policy in the Food Industry: The Case of Animal Feed Production Sector

The regression analysis results show that $R^2 = 0.672$, indicating that the model is appropriate at 67.2%, or in other words, 67.2% of the variation in “state management” is explained by the seven influencing factors in the model (Policy environment, Business, Human resources, Technology, Infrastructure and equipment, Investment, Credit). The Durbin-Watson statistic = 2.825 (meets the requirement within the range of one to three), indicating that the model has no autocorrelation.

To test the overall suitability of the regression model, NCS considers the F-statistic value in the ANOVA variance analysis table.

Table 4. ANOVA variance analysis results table

Model		Sum of Squares	Degrees of freedom (df)	Variance	F	Sig.
1	Regression	118,523	7	21,436	73,935	0,000 ^b
	Residual	127,859	466	0,282		
	Total	256,522	481			
a. Dependent Variable: QL						
b. Predictors: (Constant), MTCS. KD. NNL. CN. HTTPB. DT. TD						

Thus, the F value has a significance level of Sig. = 0.000 < 0.05, which initially indicates that the linear regression model is suitable for the dataset and can be used.

The multiple regression results:

Table 5. Multiple regression results table

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	Sig.	Collinearity Statistics	
		B	Std. Error	Beta		Tolerance	VIF
1	(Constant)				.000		
	MTCS	.269	.159	.183	.000	.846	1.471
	KD	.101	.071	.162	.000	.959	1.106
	NNL	.188	.165	.269	.000	.832	1.465
	CN	.254	.071	.187	.001	.813	1.145
	HTTPB	.210	.076	.214	.000	.874	1.317
	DT	.259	.156	.231	.002	.735	1.186
	TD	.269	.067	.196	.001	.805	1.471
a. Dependent Variable: QL							

Source: Analysis of survey results

The regression results indicate that seven independent variables have a positive impact on the dependent variable, as the p-values of these variables are all less than 0.05. Moreover, the regression coefficients between state management in the animal feed production industry and the impact factors such as “MTCS_policy environment factor”, “KD_Business factor”, “NNL_Labor factor”, “CN_Technology factor”, “HTTPB_Infrastructure and equipment factor”, “DT_Investment factor” and “TD_Credit factor” are all less than 1 and different from 0 in a statistically significant way.

The hypotheses tested include:

Hypothesis	Content	Result
H1	Environmental policy factor has a positive impact on state management in the animal feed production industry	Accepted
H2	Business factor has a positive impact on state management in the animal feed production industry	Accepted
H3	Labor factor has a positive impact on state management in the animal feed production industry	Accepted

The Effectiveness of the Management Policy in the Food Industry: The Case of Animal Feed Production Sector

H4	Technology factor has a positive impact on state management in the animal feed production industry	Accepted
H5	Infrastructure and equipment factor has a positive impact on state management in the animal feed production industry	Accepted
H6	Investment factor has a positive impact on state management in the animal feed production industry	Accepted
H7	Credit policy has a positive impact on state management in the animal feed production industry	Accepted

Source: Compiled by the author.

The results show that all sig. values in the Pearson correlation between all independent variables and the dependent variable are 0.000, less than 0.05, indicating that all independent variables have a strong linear correlation with the dependent variable, meaning that when the values of the influencing factors are higher, the value of state management is also higher. The Pearson correlation coefficient between each pair of independent variables is < 0.5 , so it can be predicted that there will be no multicollinearity phenomenon.

4. DISCUSSION AND POLICY IMPLICATIONS

4.1. Discussion

According to the quantitative analysis, the study concludes that seven factors including “Environmental policy factor”, “Business development expansion factor”, “Labor factor”, “Technology factor”, “Infrastructure and equipment factor”, “Investment factor” and “Credit factor” all have a positive impact on state management in the animal feed production industry. Based on the $\alpha 5$ coefficient - the larger the result, the greater the impact, the study concludes that these seven factors can be arranged in descending order of importance for state management in Vietnam’s animal feed production industry: (i) Labor factor, (ii) Investment factor, (iii) Infrastructure and equipment factor, (iv) Credit factor, (v) Technology policy, (vi) Environmental policy factor of the industry, (vii) Business development expansion factor.

Among them, the most influential factor is the labor factor. The research results once again confirm the role of human resources in the animal feed production industry. To have a good market requires workers, technical specialists, business management executives, and a highly skilled workforce that can grasp industry trends and apply advanced technical technologies to help increase productivity and reduce costs for animal feed prices. Similarly, investment policies once again emphasize that the state expands and creates even more favorable conditions for investment activities in the animal feed production industry, such as reducing administrative procedures and helping investment activities to be developed more diversely and comprehensively. In addition, there needs to be infrastructure connection planning, optimal warehouses, loan support policies, promoting enterprises in the animal feed production industry to purchase transportation equipment and farms suitable for the characteristics of agricultural products, and international standard technical regulations.

4.2. Policy implications

According to the research results, the authors recommend improving sustainable development policies for the animal feed industry, including:

Firstly, for the industry’s environmental policy. The state must have a comprehensive policy for farmers to promote large-scale animal farming, development, change in animal farming methods, and innovation in traditional animal farming methods with low efficiency. In this way, the demand for new industries will increase. State solutions related to input factors such as animal breeds, credit investment, veterinary medicine, animal farming techniques, solving output of animal products, large-scale animal planning areas, focusing on exporting and supplying raw materials to processing factories and end consumers. At the same time, the state needs to reduce import taxes on raw materials. Currently, manufacturers mainly depend on imported raw materials, but import taxes are high. On the other hand, raw material prices in the world market are always fluctuating badly. This affects the cost of products as well as the high input costs of Vietnamese farmers. Therefore, reducing import taxes is necessary.

Secondly, for expanding business development policies. The state also needs to strengthen marketing work. Animal feed processing enterprises, need to identify some key objectives: segment and quantify potential market segments for each type of product that the enterprise can supply, develop market penetration strategies, and identify distribution channels suitable for each market segment that the enterprise has identified for product consumption.

Thirdly, for human resource policies. Animal feed processing business associations need to coordinate with universities and research institutes to develop professional human resource training programs and plans with high standardization to ensure demand. At the same time, it is necessary to clearly define the issuance of patents, intellectual property rights, and authorship rights for the research results achieved. Ensuring the interests of researchers and research institutions through the economic benefits

The Effectiveness of the Management Policy in the Food Industry: The Case of Animal Feed Production Sector

obtained from research results is a motivation to attract and promote research work to achieve good, feasible, and practical results in application to food production and animal husbandry.

Fourthly, for technology policies. It is necessary to encourage animal feed processing enterprises to increase the application of advanced technology in production. Digital technology will allow a much more effective resolution of the major challenges currently facing and will face in the future for the animal feed production industry. Digital transformation in production processes and management will help businesses reduce the cost of producing animal feed, and save time. The application of digital technology is not only in business management but also needs to be deployed in logistics, and recruitment. It is necessary to strengthen agricultural promotion work and build a team of high-level agricultural promotion officials at the commune and village levels. The state continues supporting enterprises to invest in expanding scale and modernizing processing technology to attract raw materials and diversify processed pork products for export to many markets, including high-end markets like the EU, and Japan.

Fifthly, regarding infrastructure policies. Animal feed production businesses should invest in automated production lines that meet international standards. The state needs to have policies that encourage and support businesses to move factories out of residential areas. In particular, it is important to pay attention to policies that support relocation costs through preferential credit sources, and policies that support businesses to buy or rent land to build factories in planned areas. Avoiding environmental pollution and ensuring that factories are built in areas convenient for the transportation of raw materials and finished products.

Sixthly, regarding investment policies. Functional agencies need to apply preferential policies fairly between domestic and foreign businesses. Avoid the current situation where foreign businesses are prioritized for land lease costs, taxes, and technology imports, while domestic businesses have to “swim on their own”. Another urgent factor is that functional agencies must control and promptly prevent unhealthy competition, where foreign businesses generally join hands to undercut the domestic market.

Seventhly, regarding credit policies. The state proposes a 100% short-term loan interest rate support for all businesses and farmers producing animal feed. Improving procedures for lending and collateral conditions for poor households. It is necessary to strengthen the role of mass organizations in rural areas so that these organizations can provide credit to poor households. For households with moderate or high income who want to develop large-scale animal feed production but do not have enough collateral conditions, organizations and associations are allowed to provide credit for the shortage of assets so that these households have enough capital to expand production scale.

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