

Farm Organizations in Agriculture in Vietnam

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FARM ORGANIZATIONS IN AGRICULTURE IN VIETNAM

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1. INTRODUCTION

'Farm' is a popular economic organization pattern in agriculture in many countries all over the world. However, in Vietnam, this organization pattern in agriculture, which has a relatively larger scale of land than household agricultural field, and in which industrial crops are grown or livestock are raised, has only been established and developing since the end of 1980s and early 1990s when Vietnam started the economic renovation process and renovation of the agricultural sector, and rural areas towards a market economy. Changes in land policies and patterns of production organization in agriculture towards diversification of ownership, different patterns of business, amongst other factors have created a foundation for the development of households, farms and other patterns of economic organizations in agriculture. As of 2001, there were more than 61 thousand agricultural, forestry and aquatic organizations registered as '*farms*' (*Trang trai* in Vietnamese)¹ in the whole country, attracting and employing more than 368.6 thousand laborers in rural areas. *Farms* also generate a large volume of agricultural products, contributing a new 'driving force' for agricultural development, and at the same time creating employment and incomes for the poor in this sector.

However, the development of *farm* organizations has also raised some issues that should be investigated in terms of policy, the State's policy implementation as well as management, business and development of *farm* organizations in agriculture and the criteria for identifying agricultural *farm* patterns in Vietnam (to be seen in Section 2 of this report). Legal frameworks and policies on *farm* development are described briefly through some of the main policies that have been set up (Section 3). Sections 4 and 5 describe and analyze the current status and development of the various patterns of *farms* in different regions, the business as well as the management of *farms*, and the relationship between *farms* and other organizations inside and outside the agricultural sector. This study also discusses the roles of *farms* in agricultural and rural development in general and the impacts of the *farm* economy on the living standards of the poor in this sector (Section 6).

¹ Hereunder, this report uses the term *farm* (in Italics) to indicate *Trang trai*.

The study is based on reviews of official documents and statistical data, particularly data from the Census on Agriculture, Forestry and Fishery Production in Vietnam conducted by the General Statistical Office (GSO) in 2001 (GSO [2003]) and materials from other studies that have been published in Vietnam. Moreover, the study also uses materials and data from the surveys of other projects done by various organizations and documents of the author's own field surveys (case studies) in some local areas within the framework of this research project.

2. ESTABLISHMENT OF *FARM* ORGANIZATIONS AND CRITERIA FOR IDENTIFYING VARIOUS *FARM* PATTERNS

For decades before '*Doi Moi*', especially since the end of the 1950s in the North of Vietnam and after 1975 in the South, organizations for agricultural development in Vietnam mainly followed the pattern of agricultural organizations in the former Socialist Countries. These organizations established common collective agricultural organizations (in the form of cooperatives, agricultural production groups) and other state-owned agricultural organizations (such as state agriculture, forestry, and state farms). Most of the land, laborers, production means and the main material and technical facilities in agricultural production belonged to agricultural collectives and state organizations, under the management and operation of the cooperatives, state farms and forestry plantations. By 1985, there were more than 55.7 thousand cooperatives and agricultural production teams and more than 800 agricultural and forestry state farms. Cooperatives and agricultural production groups themselves encompassed about 83 percent of farm households, managed about 80 percent of cultivated land and 87 percent of agricultural labor in general (GSO [1988]). In such contexts and conditions, *farm* economy, private economy, individual economy and other types of agricultural organizations (apart from state and collective economy) did not receive enough support from the state and barely received favorable conditions for their development (Phan Si Man [2000]).

Types of *farm* organizations in agriculture in Vietnam (apart from agricultural and forestry state-owned farms) were only established and developed at the end of the 1980s, and at the beginning of the 1990s thanks to policy renovations in the whole economy in general, and due to policy renovations in agricultural and the rural sector (Nguyen Dien [2000]). On the one hand, the Government has recognized the long existing and positive impacts of the individual and private economy, 'recognizing legal status, protecting legitimate working rights, legal incomes of individual households and private

persons’; ‘creating favorable conditions and environments for these people to develop cultivation, animal husbandry, forestry, and aquaculture production’; ‘encouraging individuals and private persons to invest capital, productive labor and techniques for production expansion’ (Resolution No.10, 1988)². Private persons and individuals have the right to hire labor and the right to hire or use some agricultural, forestry or surface land for production development. On the other hand, the Government has also renovated the organization model and management mechanism in the cooperatives, production groups, and in the agricultural and forestry state-owned farms; land allocation to farm-households, contracted products, giving the right to produce products to the members of cooperatives, and state-owned farms. The Government has encouraged and created favorable conditions for the members of the cooperatives, workers and officials working in the agricultural and forestry state-owned farms for developing family economies such as gardening, fruit and industrial crop planting, garden-forestry, animal raising and aquaculture production. At the same time, the Government has also permitted the liberalization of the material and fertilizer markets, and markets for agricultural, forestry and aquaculture products, permitting households and private persons/individuals to have the right to use their products and to sell their products at market by way of Resolution No 10 of 1988.

The above changes in mechanisms as well as policies have created opportunities and conditions for the strong development of family economy, private economy, individuals and other forms of economic organization in agriculture and rural areas. Many households, private persons, and individuals who may have more favorable conditions in terms of land, capital, techniques and production experience have developed commercial production, establishing agricultural, forestry and aquaculture *farms* of various forms and different scales.

Up to the mid 1990s, there were thousands of *farm* organizations in agriculture in Vietnam, including horticultural *farms*, animal *farms*, forestry *farms*, aquatic animal *farms* as well as *farms* on mixed activities business, *farms* for producing and supplying animal breeding and crop seeds, and many more. Ownership for the *farm* as well as forms of business and production organization of the *farms* also became diversified, including *farms* of the farmer's households, worker households, officials in agricultural, forestry state-owned *farms*; *farms* of workers, officials, and retired people living in rural areas; *farms* of organizations, individuals with different ownership (private company, joint stock

² Resolution No.10/1988/NQTV of the Vietnamese Central Communist Party dated 5 April 1988.

company, urban households or individuals who are not farmers) who were leased land, had land transferred from the state or leased land from other people for agricultural business; *farms* of households, organizations or individuals who invested their capital to exploit unused land, fallow land, bare hillside (which belongs to land for farm development planning and has a state permit) with the purpose of agricultural, forestry and aquaculture production.

However, until the end of the 1990s, in Vietnam there was still controversy over the concept ‘What is an agricultural *farm*?’ as well as the criteria for identifying forms of *farm* organization in agriculture. That is why there was no official data on the number of agricultural *farms* in the whole country (Nguyen The Nha [1999]). Criteria for identifying *farms* and the number of *farms* set up by local authorities were not consistent and quite different. To overcome this problem, in 2000 the Government issued regulations for the *farm* economy (Decision No.03/CP, 2000)³ and after that the Ministry of Agriculture and Rural Development (MARD) in collaboration with GSO promulgated an inter-ministerial circular (Circular No.69/TTLT, 2000)⁴ to set the criteria for identifying and classifying types of *farms* in different regions all over the country. According to the criteria set by MARD and GSO, agricultural, forestry and aquaculture households can be classified as *farms* if they meet two main criteria: (i) the average value of goods and services offered for sale in a year should reach at least 40 million VND for *farms* in North Vietnam and Central Coastal Region, 50 million VND for *farms* in South Vietnam and Central Highlands; the size of a *farm* and its produce should be superior to that of a farmer's household making the same produce for different sectors and economic regions, meeting specific criteria of certain type of *farms* (see Box 1). Hence at present, identifying and classifying *farms* and types of *farms* is mainly based on economic-technical criteria, production field and production scale of *farms*, and does not depend on the land source used or ownership of the Farm owners.

³ Decision No.03/2000/CP of the Government on the Farm Economy dated 2 February, 2000.

⁴ Circular No.69/2000/TTLT of MARD and GSO dated 23 June 2000.

Box 1: Some criteria for identifying and classifying scale and types of farms

- as for plant growing *farms*, the minimum area is two hectares for annual crop *farms* in the North Vietnam and Central Coastal Region, 3 hectares for annual crop *farms* in South Vietnam and Central Highlands; the minimum area for perennial *farms* in the respective zones is three hectares and five hectares;
- as for forestry *farms*, the minimum area is 10 ha (for all regions);
- cattle breeding and dairy *farms* must have at least 10 head; 50 head for fattening
- pig breeding *farms* should have at least 20 head, 100 head for pig fattening; 100 head for sheep and goat breeding *farms*, 200 head for sheep and goat fattening *farms*; 2000 head for poultry *farms* (chicken, ducks, geese, etc.) ;
- as for aquatic animal *farms*, the minimum surface water area is 2 ha, but only 1 ha for shrimp *farms*
- as for mixed activity *farms* and *farms* producing other agricultural, forestry and aquaculture *farms* (such as bee raising, mushroom planting, flower planting, ornamental plants, etc), the criteria will be defined based on the value of goods (criterion 1)

Source: Circular No.69/LT promulgated by MARD and GSO, 2000.

3. THE LEGAL FRAMEWORK AND POLICY FOR FARM DEVELOPMENT

The establishment of *farm* organizations in agriculture in Vietnam is a result of policy reform of the economy and renovation in agriculture and rural areas (as mentioned above). However, policy as well as legal framework, and policy on development of agricultural farms were not established at the beginning of the renovation process. Only in the mid 1990s when *farm* organizations in agriculture began to develop at an increased pace in many provinces did the legal framework and policy on *farm* economy start to gain people's attention. Resolution No.5 of the Central Committee of the Vietnamese Communist Party in 1993⁵ was one of the first policy documents to mention the development of the *farm* economy, encouraging different economic ownerships to invest

⁵ Resolution No.5/1993/NQTV of the Central Committee of the Vietnamese Communist Party dated 10 June 1993

in and exploit 'bare hillside, coastal alluvial land, aquaculture, offshore fishing, building of agriculture, forestry and aquaculture *farms* on appropriate scales'. Resolution No.6 of the Central Committee of the Communist Party⁶ continued to affirm the policy encouraging the development of family *farms*, and at the same time encouraging people who have capital and experience in investment management to develop *farms* on a large scale.

In recent years, the legal framework as well as policy on development of the *farm* economy in Vietnam have been firmly established and expanded. The objectives of the policies are to encourage the *farm* economy of households and individuals in order to efficiently exploit land for production development, scale expansion and efficiency in terms of land use for agriculture, forestry production, aquaculture and salt production (Land Law, 2003). This promoted commercial agricultural, forestry and aquaculture production on a large scale (Circular No.69/LT, 2000), at the same time as contributing to sustainable agricultural development, creating employment, increasing incomes; encouraging hunger eradication and poverty reduction in rural areas; promoting industrialization, the modernization process in agriculture and rural areas (Decision No.3/CP, 2000). The subjects of the policy on the development of *farm* economy included farmer households, worker households, officials, retired people, urban households and organizations and individuals specialized in agricultural, forestry and aquaculture production who have a demand for and the chance to develop agricultural, forestry and aquaculture Farms (Circular No.69/LT, 2000). Apart from the general policy for household economy, policies on Farm development have their own detailed regulations with respect to land, labor, taxes, credit, technology-technical support, market policy and invested asset protection, as well as other areas.

3.1 Tax policy

The State does not collect land use fees for land that is allocated within quota to households, individuals and *farms* using land for agricultural, forestry and aquaculture production. Land Law 2003 stipulates that the State may collect land fees for any land area in excess of a quota and land leased by the State, but *farm* owners are exempt from land use fees, land lease fees and agricultural land use taxes in the case of using bare hillside, fallow land or land located in areas with no previous investment for agricultural,

⁶ Resolution No.6/1998/NQTW of the Central Committee of the Vietnamese Communist Party dated 10 November 1998.

forestry and aquaculture production purposes (Decision No.3/CP, 2000, Circular No.82/BTC, 2000⁷). *Farms* and farmers are also considered by the State to be exempt from agricultural land use taxes in any case where they face risk from market and price (Resolution No.9/CP, 2000⁸).

The State exempts *farms* from income taxes with the maximum permitted period stipulated in regulations, reduces income taxes to minimum levels for *farms* with stable production and business, or for high value of goods in order to promote the development of the *farm* economy. Also provided are commercial tax exemptions for agricultural products; no water resource taxes for irrigation works, or for using surface water and underground water within farm boundaries (Decision No.3/CP, 2000) and no tax on exploitation of natural resources for some industrial crops, such as crops used in the paper industry, wood, and some other special crops (Resolution No.9/CP, 2000).

3.2 Land policy for farm development

According to the Vietnamese constitution and laws, all land is under people's ownership for which the State is the representative. Land is managed by the State which provides organizations and individuals with rights for long-term use via lease, and recognized land-use rights for people who use it stably. For the *farm* economy, the State allocates land to households and individuals to invest their capital in *farm* development or they lease land and receive land-use rights. At the same time the State encourages investment in the exploitation and use of bare hillside, fallow land, ponds, swamp, alluvial land along rivers and coastline for development of agricultural, forestry and aquaculture *farms* (Decision No.3/CP, 2000). Land policy for *farm* development has been institutionalized in Land Law 2003 with concrete regulations (see Box 2). *Farm* owners as well as households are not land owners. However they have favorable conditions and opportunities to access land, expand land scale and have rights to use land for *farm* development.

Moreover, Land Law 2003 also permits overseas economic organizations and overseas Vietnamese, foreign organizations and foreigners to hire land for investment in agricultural, forestry aquaculture, and salt productions. The State collects fees for land rent annually or once per period of land use (Article 35). Overseas Vietnamese, foreign organizations and foreigners are permitted to pay land use fees once, and they have the right to transfer, to lease, to mortgage leased land and their assets located on the leased

⁷ Circular No.82/2000/TT-BTC promulgated by Ministry of Finance dated 14 August 2000.

⁸ Resolution No.9/2000/CP issued by the Government dated 15 June 2000.

land to credit institutions which are permitted to operate in Vietnam during their land lease period (Article 119). This creates favorable conditions for overseas economic organizations, overseas Vietnamese, foreign organizations and foreigners to invest their capital in the development of agricultural, forestry and aquaculture *farms*.

Box 2: Some regulations on land for *farm* economy (in Land Law 2003)

- Land use for *farm* economy includes land allocated to households and individuals by the State for agriculture, forestry, fishery and salt production (they do not have to pay land use fees when within quota); land leased by the State, leased land, transferred land, inherited land, land offered as a gift; land contributed by households, and individuals.
- As for land for annual crops, land for aquaculture production, and land for salt production, the limit for each household or individual should not exceed 3 ha for each type of land, and this right is granted for 20 years. For perennial crops, the limit for each household or individual in the delta should not exceed 10 ha; in the midlands and mountainous areas, it should not exceed 30 ha. This having been granted for 50 years. The limit for protective forestry land or productive forestry for each household or individual should not exceed 30 ha and it is granted for 50 years. For bare hillside, fallow land, alluvial ground along rivers or the coast that is considered unused land, the limit and duration of land use for each household or individual should not exceed the limit and duration of land use for annual crops, perennial crops or forestry production. Moreover, any households or individuals who have already received a land quota and have a desire to expand above land limits or households or individuals who were not subject to receive land, but have a demand to use land for agricultural, forestry and fishery production purpose can lease some land with the same duration for each type of land. Limits for leased land depend on the land fund of each local area as set up by the provincial and city authorities (Article 67,70).
- Households or individuals who use land for *farm* economy have the right to exchange, inherit, transfer, mortgage or contribute as capital by land use rights; they have the right to be active in changing land use purpose for doing business approved by rural and urban district. If the duration of land use is over, but households or individuals want to continue using land, the State will allocate land to them (Article 82).

3.3 Policy support on investment and credit

The State supports investment in infrastructure development (such as transportation, irrigation, electricity, safe and clean water, information, and processing units) so as to encourage households and individuals to develop agricultural, forestry and aquaculture production in the very difficult socio-economic condition areas (Decision No.3/CP, 2000). *Farm* owners can mobilize capital by borrowing money from banks, and from other organizations and individuals for their business. They can borrow money from the state commercial bank and deposit assets generated from borrowed money as collateral for borrowing money from banks and credit institutions (Decision No.3 /CP, 2000). They can borrow money with preferential interest rates from development credit programs of the state following regulations set up by a specific program (Circular No.82/BTC, 2000). *Farms* specializing in producing export goods, afforestation, planting perennial crops and fruit crops, aquaculture production and milk cow raising, those producing fertilizers, pesticides, building processing units for agricultural, forestry and aquaculture processing or building irrigated system within farms can borrow money from the Development and Investment Support Fund of Government or get support in terms of interest rates and guarantees for investment credit (Circular No.82/BTC, 2000). For areas with difficult socio-economic conditions, Farm owners are given priority to borrow money from projects, and from programs on Employment Creation and the Program on Hunger Eradication and Poverty Reduction (Decision No.3/CP, 2000) for production development. The Government will establish a 'Fund on Credit Guarantee to create favorable conditions for *farm* households and *farm* owners, to borrow money for business in the case of those not ensured conditions for collateral' (Resolution No.9/CP, 2000).

3.4. Labor policy

The States encourages and creates favorable conditions supporting *farm* owners in expanding their production scale, creating employment opportunities for rural laborers, recruiting laborers from *farm* households and employing the underemployed, female laborers, the poor who have no land or who lack land for production. *Farm* owners have the right to hire an unlimited quantity of labor and do not need to take into account living areas for the laborers; duration, amount of work, wages and form of payment are discussed and agreed between laborers and *farm* owners following the regulations set by the legal framework on labor. Besides wages, *farm* owners have to pay laborers an additional fee (equivalent to 15 % of the agreed wages for social insurance and 2% for

health insurance); they have to equip laborers with safety clothing and take responsibility for laborers should they face risk, accident or sickness for the duration of the contract (Circular No.23/LD-TBXH, 2000⁹). The State has a plan to support the training of laborers working in farms in different forms.

3.5 Policy on technological and technical support for farm development

MARD, in collaboration with provinces and cities, has planned to provide investment in nursery gardens for agricultural and forestry plants, production units for supplying breeding animals (husbandry and aquaculture) or support some *farms* with competent conditions for supplying the best seeds and breeds to the *farms* and households in the region. Encouraging *farm* owners to cooperate and associate with scientific and training centers for technology transfer and applying techniques to *farms* and providing a technical service to farmers living in the area are also planned (Decision No.3/CP, 2000).

3.6 Policy on market support

According to the regulations set by the Government, Ministries and related agencies (for example Ministry of Trade, MARD, etc.) and provinces, cities have the responsibility to provide market information for *farms* in order to orient their production in conformity with domestic and international market demand. The State provides development investment support for markets selling agricultural products and markets in rural areas that create favorable conditions for *farms* and households in the area to make commercial transactions and consume agricultural, forestry and aquaculture products (Resolution No.9/CP, 2000). The State also provides development investment support for processing industrial units and consuming commercial agricultural products of *farms* and farmers; developing centers for agricultural commercial translations and agricultural materials; creating conditions for *farm* owners to access and participate in programs, cooperation projects and domestic and international trade fairs. The State also creates conditions and encourages *farm* owners to directly export their products and the products of other *farms* and farmers and import of material inputs (Decision No.3/CP, 2000).

⁹ Circular No.23/2000/TT-BLDTBXH issued by MOLISA dated 28 September 2000.

3.7 Policy on *farm's* investment asset protection

Farms' assets and legally invested capital are not being nationalized, or being confiscated by administrative measures. In the case of national benefit, when the State has to use land that has already been allocated or leased to farmers *farm* owners can receive compensation and the land price is set at market price at the time they receive the decision for land acquisition (Decision No.3/CP, 2000). Therefore at the macro level, the legal framework and policy on *farm* development has already been set up and is consistent and open. All organizations and households are encouraged and given favorable conditions by the State for the establishment and development of different forms of *farm* business in the agricultural, forestry and aquaculture sectors. However, the development of these *farms* mentioned above is still dependant to a certain extent on policy and specific conditions in each local area as well as coordination between ministries and related agencies in each region (for example, concrete regulation on quota in land allocation and hired land to *farms* will depend on the existing land fund of each local area and be decided by the provinces).

4. FARM DEVELOPMENT STATUS IN AGRICULTURE

4.1 The number of *farms*

According to the Agricultural Census conducted by GSO in 2001 (GSO [2003]), the number of *farms* in agriculture in general in the whole country that were established in the period of 1995-2001 has increased 3.5 times compared to the *farms* established before 1995. Of these, cultivation *farms* increased 3.5 times; husbandry *farms* increased 3.4 times; forestry *farms* increased 2.8 times and aquaculture *farms* increased 5 times. In 2001, annual crop *farms* accounted for 35.6 percent of total *farms*, perennial crop *farms* accounted for 27.2 percent, aquaculture *farms* accounted for 27.9 percent, livestock *farms* 2.9 percent, forestry *farms* 2.7 percent, and mixed activity *farms* accounted for 3.7 percent (see Table 1).

Table 1: Number of Farms in Vietnam

	Total	Annual crops <i>farm</i>	Perennial crops <i>farm</i>	Livestock <i>farm</i>	Forestry <i>farm</i>	Aquaculture <i>farm</i>	Mixed activities <i>farm</i>
1995	17,254	8,526	3,696	513	580	3,372	567
1999	45,803	18,726	13,717	1,347	1,428	8,921	1,664
2001	61,017	21,754	16,578	1,761	1,668	17,016	2,240

Source: GSO, 2003, p.283.

However, *farm* development status has been quite different across regions and economic zones. More than 50 percent of *farms* are concentrated in the Mekong River Delta with a density of 11 *farms* per 1,000 rural households. The Southeastern region and Central Highlands had fewer *farms* in comparison with the Mekong River Delta, however *farm* density in these two regions was almost the same, 10.2 and 9.4 respectively. The number of *farms* was almost the same in the Northeastern region, North Central Coast and South Central Coast region, however *farm* density per 1,000 rural households in these regions was less compared to the Mekong River Delta, Southeastern region and Central Highlands. The number of *farms* per 1,000 rural households in the Northeastern region, North Central Coast and South Central Coast region were 2.1 and 2.7. Meanwhile the Red River Delta has the highest rural population density (with 3.4 rural households, accounting for one fourth of total rural households in the whole country), yet the number of *farms* in this region accounted for only 3 percent of total *farms* in the whole country. The number of *farms* per 1,000 rural households in the Red River Delta accounted for only 0.54, a little higher than the Northwestern region (0.36 Farms), but 20 times lower than the Mekong River Delta.

Farm allocations and structures by type of business were also considerably different. Most *farms* in the Mekong River Delta were annual crop *farms* and aquaculture *farms*. The annual crop *farms* in this region accounted for 81.7 percent of the total annual crop *farms* in the whole country, accounting for 57 percent of the total *farms* in this region. There were some provinces where annual crop *farms* developed strongly such as An Giang (4,887 *farms*), Dong Thap (3,284 *farms*), Kien Giang (3,050 *farms*), Long An (2,393 *farms*) and Bac Lieu (1,900 *farms*) for example. In Long An, Dong Thap and Can Tho provinces, annual crop *farms* accounted for 93-95 percent of the total *farms* in these provinces. Annual crop *farms* also developed rather strongly in some provinces in the

South East and South Central Coast such as Tay Ninh (1,149 Farms), Phu Yen, and Binh Thuan. However, in the provinces located in the Red River Delta, midland and mountainous areas, the development of annual crop *farms* still faced constraints, mainly due to small farm size. *Farms* were also more dispersed. More than 99.4 percent of the rural households in the Red river Delta had a farm size of less than 1 hectare.

Table 2: Number of *Farms* in all Regions

	Total	Annual crops <i>farm</i>	Perennial crops <i>farm</i>	Live- stock <i>farm</i>	Forestry <i>farm</i>	Aqua- culture <i>farm</i>	Mixed activitie s <i>farm</i>
Whole Country	61,017	21,754	16,578	1,761	1,668	17,016	2,240
Red River Delta	1,834	182	284	156	40	1,026	146
North East	3,201	38	952	29	660	593	929
North West	135	16	44	40	29	4	2
North central Coast	3,013	728	919	34	483	712	137
South central Coast	2,904	842	410	117	121	1,298	116
Central Highland	6,035	416	5,293	84	114	43	85
South East	12,705	1,750	7,991	1,123	113	1,210	518
Mekong River Delta	31,190	17,782	685	178	108	12,130	307

Source: GSO, 2003, pp.432-433.

Perennial crop *farms* have mainly developed in the midlands, mountainous areas, and highlands. These regions have favorable conditions in terms of land and climate for the cultivation of perennial crops (for example tea, coffee, rubber, pepper and ground-nuts) and fruit trees for domestic and international markets. More than 80 percent of perennial crop *farms* in the whole country (in 2001) were located in the South East and Central Highlands. Perennial crop *farms* in these two regions accounted for a high portion of the total *farms* in these regions, respectively 62.9 percent in the South East) and 87.7 percent (in the Central Highlands). Some provinces strongly developed perennial crop *farms* such as in Binh Phuoc (4,382 *farms*), Binh Duong (1,554 *farms*), Dak Lak (3,561 *farms*), Gia Lai (1,344 *farms*), Dong Nai (714 *farms*) and Binh Thuan (533 *farms*). On the North Central Coast and South Central Coast, perennial crop *farms* accounted for about 8 percent of the total perennial crop *farms* in the whole country, but were mainly located in Thanh Hoa province (221 *farms*), Quang Tri (480 *farms*) and Binh Dinh (170 *farms*).

Perennial crop *farms* and fruit *farms* in the midlands and North mountainous region are still underdeveloped and are not symmetrical with development conditions in these regions. In 2001, the number of perennial crop *farms* in the North East and North West accounted for about 6 percent of total perennial crop *farms* in the whole country and for one fifth of the total perennial crop *farms* in the Central Highlands. The main constraint on perennial crop *farm* development in the North midlands and mountainous areas were difficulties in terms of transport and access to infrastructure, lack of industrial processing units and unstable markets for output (such as tea, coffee, fruits, etc.). Therefore instead of the development of specialized perennial crop *farms* or fruit *farms*, many owners of those *farms* moved into mixed activity *farms* as a means of diversification and reduction of risk for those processing and selling products.

Aquaculture *farms* have developed mainly along the coast, lowlands, and even in reservoirs, dams for hydroelectric plants and big dams for irrigation. The Central government and local authorities permitted rural households to transfer partly paddy production land in the low-lying land to aquaculture production. This has had a significant impact on the growth rate of aquaculture *farms*, especially in the Mekong River Delta and in some provinces in the Red River Delta. As of 2001, the number of aquaculture *farms* in the Mekong River Delta accounted for more than 71 percent of the total number of aquaculture *farms* in the whole country, and accounted for 38.9 percent of total *farms* in general in the region. They were mainly concentrated in Bac Lieu province (6,604 *farms*), Ca Mau (2,358 *farms*), An Giang (1,132 *farms*), Ben Tre (626 *farms*) and Soc Trang (566 *farms*). Aquaculture *farms* in the Ben Tre province accounted for 98.2 percent of total *farms* in the province. This figure was 94.5 percent in Ca Mau province and 77.2 percent in Bac Lieu province. Development status and number of aquaculture *farms* in the provinces located along the coast in the South East and South Central Coast regions were similar. Most of the provinces in these two regions had between 150 to 200 aquaculture *farms*; especially in Khanh Hoa and Ninh Thuan provinces where the number of *farms* in each province was more than 540. However, the number of aquaculture *farms* in the South East and South Central Coast accounted for only 14.7 percent of aquaculture *farms* in the whole country and accounted for one fifth of total aquaculture *farms* in the Mekong River Delta.

The number of aquaculture *farms* in the provinces located along the coast in the Red River Delta and North Central Coast was less than the number of aquaculture *farms* in the Mekong River Delta, South East and South Central Coast regions, but the scale and size of aquaculture production of the *farms* in the Red River Delta and in the North Central Coast regions were significantly large compared to those in the South Vietnam.

The main reason for this was that aquaculture production in the Red River Delta and in the North Central Coastal regions required high investment for building ponds, purchasing breeding stock, fish food and means of production. Aquaculture *farms* along the coast in the Red River Delta and North Central Coast frequently faced risk and damage due to natural calamity, floods and storms. This coastal area has from 5 to 7 storms annually, causing significant damage and hardship for households and aquaculture *farm* production.

The benefit rate on average for development investment in aquaculture production in some provinces in the Red River Delta and North Central Coast was lower compared to cultivation *farms* in the same region and much lower compared to production of the aquaculture *farms* in the South Central Coast and Mekong River Delta in 2001. The benefit rate for development investment on average (in 2001) in aquaculture *farms* production in Thai Binh province accounted for only 15.6 percent, in Ninh Binh province this was 22.1 percent, in Nghe An 20.7 percent, in Thua Thien-Hue 21.3 percent and in Quang Tri province 8.1 percent (the figure was higher in the South, 43.6 percent in Kien Giang, 64.9 percent Soc Trang, 66.4 percent in Bac Lieu province). High investment costs, low benefit rate for development investment and high risk mean many households and *farm* owners in the Red River Delta and North Central Coast do not have enough capital to invest in aquaculture production or have difficulty making an investment decision for the development of aquaculture *farms*.

In comparison with agricultural *farms* and aquaculture *farms*, the number of livestock *farms* and aquaculture *farms* were fewer and increased at a slower rate. In 2001, the number of livestock *farms* in the whole country accounted for only one tenth of annual crop *farms* or aquaculture *farms*. There was the same portion in comparison with forestry and annual crop *farms* or aquaculture *farms*. The number of livestock *farms* that were established during the period of 2000-2001 was 414, accounting for half the livestock *farms* established during the period of 1996-1999 (834 *farms*). The number of forestry *farms* that were established during the period of 2000-2001 was only one third of those established during the period 1996-1999 (240 *farms* and 848 *farms* respectively) (GSO [2003: 283]).

There have been some constraints on the development of livestock *farms*. First of all, foodstuff processing and the processing of livestock products were underdeveloped. There were unstable markets for inputs (for example, breeding, food and foodstuff for livestock production) and outputs. Secondly, lack of service provision (such as veterinary service, epidemic disease control for cattle and poultry) are key factors. Households engaged in livestock production as well as livestock *farms* in general faced high risk.

Moreover, livestock *farms* have to invest more capital, yet the benefits on average were lower compared to other *farm* patterns. This was one of the disadvantages for households or *farm* owners deciding to invest in livestock production. Meanwhile the main reasons for the slow growth rate of forestry *farms* is that these *farms* could only be developed in the midlands and mountainous areas, where there are favorable conditions in terms of forestry land yet where infrastructure was underdeveloped. Besides, difficulties in terms of investment capital, long production cycle and high regular management costs mean that the households and *farm* owners usually face difficulties due to lack of knowledge and lack of experience in forestry management and production.

Box 3: Investment and risk in an aquaculture *farm* in one province located on the coast in the Red River Delta

Nam Dinh is one of the provinces located on the coast in the Red River Delta region. In 2005, Nam Dinh had about 400 aquaculture *farms* and more than 2,400 households and *farms* engaged in aquaculture production along the coast. Aquaculture *farms* here mainly raised shrimps and arca. Investment capital on average for an aquaculture *farm* was 1-1.5 billion VND, 3 times higher than the average investment cost for aquaculture production done by the households. Hoang Thanh Dat's aquaculture *farm* located in Hai Loc commune (Hai Hau district) has 20 ha, with 2 billion VND total investment. But unfortunately a storm came during September 2005 and it caused serious damage for most of the aquaculture *farms*; more than 50 percent of aquaculture land was lost entirely with total damage of about 143.6 billion VND. Many households engaged in aquaculture and aquaculture *farm* owners lost their investment capital, assets and aquaculture products.

Source: VIE, 2005

4.2 Farm scale and business efficiency

Data in Table 3 below illustrates the scale of each *farm* pattern in terms of land used per *farm*, number of laborers, investment capital, and revenues and values of goods sold per *farm*. There was no significant difference in terms of laborers used in the *farms* and about 94 percent of *farms* use no more than 10 laborers. However, land used per *farm*, investment capital as well as production scale and revenues were all significantly different.

Table 3: Farm Scale on Average for Different Types of Production in 2001

	Used land per <i>farm</i> ¹⁾ (ha)	Average labor per <i>farm</i> (%)	Investment capital per <i>farm</i> (mill. VND)	Gross output per <i>farm</i> (mill. VND)	Income per <i>farm</i> (mill. VND)	Goods and services sold per <i>farm</i> (Mill. VND)
Annual crops <i>farm</i>	6.21	6.65	69.70	71.82	27.26	62.91
Perennial crops <i>farm</i>	5.93	6.14	207.13	71.52	29.10	60.27
Livestock <i>farm</i>	1.10	4.11	236.03	266.14	45.64	257.15
Forestry <i>farm</i>	21.71	6.10	82.74	47.67	25.58	40.93
Aquaculture <i>farm</i>	4.09	5.15	140.09	120.12	39.99	115.35
Mix activities <i>farm</i>	14.39	7.62	159.98	95.79	40.21	82.89

Note: 1) Including agricultural land, forestry land and water area for aquaculture

Source: GSO, 2003, pp. 391-393.

Land used per *farm* on average was 4.89 ha, 7.4 times higher compared to the average farm size per rural household (0.66 ha /household). The average agricultural land per plant growing *farm* was 4.37 ha, 7.8 times higher than the average agricultural land per household (0.56 ha). Forestry *farms* and mixed activity *farms* usually have a larger farm size compared to plant growing, livestock and aquaculture *farms*. According to the results of the Agricultural Census in 2001, around 6.6 percent of forestry *farms* ranged in size from 50 ha to more than 100 ha (GSO [2003: 457]). Another research conducted in Lai Chau province in 2003 showed that among 10 forestry *farms*, there were two *farms* with farm size from 60 ha to above 90 ha (VIE [2003]). Plant growing *farms* and aquaculture *farms* have smaller farm size, usually between 3 to 10 ha. Only 6.5 percent of annual crop *farms* (1,420 *farms*), 10 percent of perennial crop *farms* (about 1,700 *farms*) and 3.8 percent of aquaculture *farms* (648 *farms*) have a farm size above 10 ha. However, productivity and efficiency in land use in forestry *farms* and mixed activity *farms* were considerably lower compared to the plant growing *farms* and aquaculture *farms*. According to our calculation of the Agricultural Census data, gross output per 1 ha for forestry *farms* was on average only 2.2 million VND and for mixed activity *farms* it was 6.6 million VND. Meanwhile gross output per 1 ha on average for annual crop *farms*, perennial crop *farms* and aquaculture *farms* reached 11.5 million VND, 12 million VND,

and 9.8 million VND respectively. Similar results can be obtained when comparing incomes per hectare on average for the above mentioned *farms* (GSO [2003: 392-393]).

The total investment capital of *farms* in general in the whole country was 135.1 million VND in 2001; of which capital of the *farm* owner accounted for 84.2 percent, borrowed capital and other mobilized capital accounted for only 15.8 percent (GSO [2003: 393]). Livestock and perennial *farms* usually require high investment capital compared to other *farms*. However, investment efficiency in livestock and perennial crop *farms* were significant lower compared to other *farms*. The benefit rate on average (proportion of net benefit in total investment capital) for the perennial crop *farms* reached about 14.0 percent, whereas for the livestock *farms* it was 19.3 percent. Mixed activity *farms* and aquaculture *farms* require lower investment capital, but the benefit rate was on average higher. The figure was 25.13 percent, 28.5 percent respectively. Annual crop *farms* needed the lowest investment capital, but produced the highest investment efficiency, with a benefit rate on average of 39.1 percent, 2.78 times higher than perennial crop *farms* and twice as high as livestock *farms*. The differences in investment scale, and investment efficiency were one of the factors that created income differences between different *farm* patterns.

4.3 Farm business organizations and management

Most *farms* in Vietnam were family *farms*, and the *farm* owners were also the head of the family and were usually male. According to the Agricultural Census, *farm* owners who were male accounted for 91.2 percent, and *farm* owners who were female accounted for only 8.8 percent. In forestry *farms*, *farm* owners who were female accounted for only 6.5 percent, but in livestock *farms* this figure was 13.52 percent. Among the *farm* owners, 91.3 percent of them were farmers, 5 percent were officials and employees, about 3 percent were others (GSO [2003: 283]). Most of the *farm* owners were also planners. At the same time they were the organizers, managers and operators of their business as well as working on their *farms*. However, there were other family' members who usually took part in the planning process as well as the management of their *farms*. They were also laborers working on their *farms*. For example, among three *farms* in Son La province and two Farms in Dak Lak where the author conducted a survey in September 2005, there were 4 *farm* owners who said that planning and managing *farm* business had been done by both husband and wife; both of them discussed and decided what to do. There were 3 *farm* owners of a total of 5 *farm* owners mentioned above who said that they were both manager and worker on their *farm*; only one *farm* owner was a *farm* manager, and did not

work on his *farm*; one *farm* owner was an official and partly involved in *farm* management and partly worked on his *farm* during his free time and during the weekend.

Compared to the family economy, *farm* owners usually have better ability and experience in organizing their business. They are more dynamic, knowledgeable and decisive compared to most of the heads of the other farmer households. However, the ability of the *farm* owners to do business and manage is still limited. According to the Agriculture Census, more than 78.6 percent of *farm* owners have not received any training on management and techniques, 13.5 percent had primary education or were technical workers, and only 7.8 percent had secondary school or college degree or above (GSO [2003: 283]). Many *farm* owners are still lacking knowledge and experience in management, and doing business in the market economy. Therefore, they tend to face difficulties in terms of access to credit, technology (animal breeding, crop plants, farming techniques, etc.) and market access, and especially in dealing with natural calamities and epidemic diseases. 68.8 percent of *farm* owners had investment capital shortage, 42.5 percent lacked scientific-technical knowledge and 57.4 percent of them faced difficulties accessing markets for their outputs. The number of forestry and aquaculture *farm* owners who faced difficulties due to lack of scientific-technical knowledge accounted for a rather high ratio, 54.9 percent and 51.6 percent respectively. It was higher compared to livestock *farms* (22.2 percent), annual crop *farms* (35.6 percent) and mixed activity *farms* (48.2 percent). *Farm* owners who faced difficulties accessing markets for their outputs made up a higher ratio in annual crop *farms* (71.1 percent) and perennial crop *farms* (62.4 percent), meanwhile this figure in the forestry and aquaculture *farms* was 38.0 percent and 37.8 percent respectively (GSO [2003: 365]). Constraints on ability, organization and management skill of the *farm* owners is one of the reasons that makes many *farm* owners confused about investment planning and long-term business strategy. It is also one of the factors that hinders the expansion of *farms* and the development of relationships between *farms* and other organizations, economic units and society inside and outside the agricultural, forestry and aquaculture sectors.

5. RELATIONSHIP OF FARMS WITH OTHER ORGANIZATIONS INSIDE AND OUTSIDE AGRICULTURAL AREAS

Most *farms* have certain economic relationships with other organizations inside and outside agricultural, forestry and aquaculture sectors. Of which, they mainly have relationships with organizations that provide services for inputs and outputs such as

extension services, veterinary services provided by the local authorities, state-owned enterprises in agriculture-forestry and aquaculture sectors. They also have relationships with state-owned enterprises, cooperatives or private enterprises conducting business in agricultural services (such as providing materials, fertilizers, seeds, animal breeding, or purchasing, processing and selling agricultural, forestry and aquaculture products). *Farms* also have relationships with other *farms* or households who are specialized in producing seeds, seedlings, animal breeding and aquaculture breeding, or with *farms* specialized in agricultural, forestry and aquaculture processing. Moreover, in some provinces, forestry, livestock and aquaculture *farms* also have relationships with projects, organizations funded by the government, NGOs and other socio-economic organizations.

The range and level of relationship in each *farm* with other organizations inside and outside the agricultural sector was quite different. They mainly have relationships with organizations or enterprises located in the local areas and in the surrounding areas. *Farms* have relationships with local extension services, cooperatives or state-owned agricultural enterprises located in the local areas in order to receive advisory support, knowledge on farm production and management, support in technical-technological application, disease control or buying seeds, seedlings and animal breeding for higher quality. The relationship between *farms* and other economic organizations, state-owned enterprises, private enterprises or private business households was mainly in terms of supplying materials, fertilizers, foodstuff for livestock or purchasing, processing and selling agro-forestry and fishery products. The survey on 30 Farms in Lai Chau province (VIE [2003]) shows that 100 percent of *farms* had relationships with agents and private commercial units in the local areas; 80 percent of *farms* had relationships with local extension services (at provincial and district level); 70 percent of *farms* had relationships with state-owned enterprises located in the local areas in terms of buying seeds, animal breeding, materials and fertilizers or receiving contracting land from enterprises. 50 percent of the *farms* had relationships with processing enterprises and 40 percent of the *farms* had relationships with social organizations (women's union, farmer's association and veterans' association), other organizations and development projects. However, about 30 percent of the *farms* had relationships with 4 or 5 other organizations at the same time; 70 percent of the remaining *farms* had relationships with only 2 or 3 organizations.

The relationships between *farms* and other economic organizations are quite different, depending on market and social relations of the *farm* owners. In many cases, organizations or enterprises are purchasing, processing and selling farm products and they also provide inputs for *farms*. They could provide some capital in advance to *farms* or supply material, fertilizers, and animals' foodstuff to *farms* and purchase *farm's* produce

Farm Organizations

after harvest. They deduct some money for services provided in advance to *farm* owners. However, the relationship between *farms* and agents for supplying agricultural inputs and purchasing outputs is neither commonly established nor officially implemented by the signing of contracts. Sometimes it is merely a trading partner relationship and all transactions are based on a verbal agreement between two trading partners with little economic or legal tie. *Farms* could buy materials, fertilizers, seeds, and seedlings from an agent supplying agricultural inputs and sell it to other purchasing agents and traders who could sell these products to the local market.

Relationships between *farms* and investment organizations or credit institutions and banks are still underdeveloped. We have yet to obtain data on the number of *farms* that have relationships with investment organizations or credit institutions and banks. There has been no data on the savings or investments of *farms* through credit institutions and banks. However, the Agricultural Census in 2001 shows that loans, on average, per *farm* were not high, about 21.3 million VND and accounted for only 15.8 percent of total investment capital of *farms*. The loan rate for annual crop *farms* was 18.2 percent; for perennial crop *farms* 12.4 percent; for livestock and forestry *farms* 13 percent; for aquaculture *farms* 19.5 percent. Meanwhile, 68.8 percent of agricultural *farms* in the whole country still faced a difficulty in terms of capital shortage, and 67.6 percent of *farms* needed to borrow money from the State (GSO [2003: 365-366, 393]). It shows that the relationships between *farms* and credit institutions and banks are still limited despite there being a big transaction demand from *farms* with credit institutions and banks. Out of the 5 *farms* that the author surveyed in Son La province, only 2 *farms* had borrowed money from banks, and the loan rate accounted for 20 percent of total invested capital in *farms*. The main constraint that hinders the relationship between *farms* and credit institutions and banks is the underdeveloped service network of credit institutions and banks, especially in mountainous and remote areas. Moreover, the procedures for borrowing money from the credit institutions and banks are not advantageous to *farms*. Limitations on long-term loan amount and collateral requirement for the amount of 10 million VND set up by the banks is also one of the constraints that hinders the relationship between farms and the institutions mentioned above.

Box 4: Farm manners and relationship level

- The *farm* of Mr. Nguyen Van Khoi in Nong Phu hamlet, Chieng Mung commune (Mai Son district, Son La province) has 5 ha for coffee and fruit production. The *farm* owner signed a contract with Son La Tea-Coffee Company (a provincial state-owned company) to purchasing materials, fertilizers, and seedlings for his *farm* and to sell the *farm's* produce to the company after harvest. The price of inputs and outputs was set up by agreement between the two partners in the contract. About 60 percent of fertilizers were used and more than 50 percent of coffee was sold to the company through a contract annually. However, the *farm* also sold its products to Thai Ha Private Company (in the Son La town), bought materials from other agents and sold its products to other traders in the market at market price.
- The *farm* of Ms. Nguyen Thi Ly in Cu-E Bur commune (Buon Ma Thuot city, Dak Lak province) has 3.5 ha for coffee, fruit, and grass planting, and cow, goat and pig husbandry. The *farm* has often dealt with Bell Feed Company when purchasing animal breeding and foodstuff, but has no signed contract. The *farm* has also maintained relationships with other agents in order to sell coffee, but not on a regular basis. The amount of products sold to purchasing agents was not stable. Livestock products were processed by the *farm*, and sold to consumers and retailers at the market.

Source: Author's field survey in Son La and Dak Lak provinces, 2005.

Since most *farms* are established based on farmer's family economy, there are relationships up to certain level among *farms* and between *farms* and farmer's households, local authorities and other socio-economic organizations in rural areas. Among *farms* and between *farms* and farmer's households in the local areas there are relationships in terms of exchange, support on invested capital, seedlings, animal breeding, production experience and application of technology; or coordination and support of building rural infrastructure, risk prevention from natural disaster and epidemic diseases, safety protection in doing business and security within the community. These relationships are shown clearly in the regions where natural disaster often take place, and in the specialized regions for industrial crops, fruits or aquaculture production. However, relationships among *farms* or between *farms* and farmer's households are not well-established. They are

established to a lesser extent in terms of cooperation, coordination, and association for production environment protection or for access to market and market expansion as well as purchasing, processing and selling outputs to the market. There have been problems of polluted water source that has harmed *farms*' business. They still exist in some local areas in all the regions. Agricultural *farms* in Vietnam are not well-established or established to a lesser extent with regard to direct relationships with foreign investment organizations, big domestic and international agricultural produce import-export companies or with big agents for the purchase and distribution of agricultural products to cities, urban areas and large industrial zones; research and development institutions and training centers on management and technical knowledge for farm production.

6. ROLES OF FARMS IN AGRICULTURAL AND RURAL DEVELOPMENT, AND IN POVERTY REDUCTION

Compared to the farmer's household economy, agricultural *farms* accounted for only 0.5 percent of total households, 1.26 percent of laborers and more than 4.3 percent of agricultural and forestry land (including water surface for aquaculture production) (GSO [2003: 122-123, 134, 136, 184, 301]). However, agricultural *farm* development has more advantages than the farmer's household economy and *farms* have become active players in taking roles for agricultural and economic rural development in Vietnam nowadays. Agricultural *farms* have contributed to better land exploitation and land use, attracting investment capital for agriculture and creating a larger volume of goods in the agro-forestry and fishery sectors than farmer's household economy. *Farms* have also created additional employment and significantly improved incomes for rural laborers. *Farm* development has also created a new motivation for the development of the agricultural labor force, and rural areas, and it is 'a second breakthrough' in agriculture since *Doi moi* (Nguyen Duc Thinh [2001]). By 2001, *farm* economy had already invested more than 8,245.83 billion VND, exploited and used more than 235,825.4 ha of agricultural land, 70,091.9 ha of forestry land, 67,316.4 ha of water surface for fishery production in general; of which, there were thousands of hectares of fallow land, bare hillside, swamp and water surface of river and coast which the State and farmer's households did not have the capacity to exploit. The total value of goods and services created by the *farm* economy reached 5,037.56 billion VND in 2001, accounting for more than 90 percent of the total value of farm products in general (GSO [2003: 301, 393]).

Farms are playing an active role in improving access to new technology and scientific technical application in the agricultural, forestry and fishery sectors. In 2001, the numbers of different types of tractors, pumps, animal foodstuff processing machine, transport boat and vessels, fishing boats and other main production means purchased by *farms* per 100 *farms* was higher than the number of the same machines and production means per 100 rural households on average (GSO [2003: 274, 276, 278, 476, 478, 480]). Commercial production development and the application of new technical farming and technology in production in many farms has become 'a new model'. *Farm* development has a positive impact on production and application of new technical farming and technology by other farmers in the local areas, especially in the mountainous and remote areas where level and conditions for commercial production remain underdeveloped.

As of 2001, agricultural *farms* had created employment and incomes for more than 368.65 thousands laborers in agriculture and rural areas. Of these, more than 200 thousand laborers had permanent employment and hundreds of thousands of laborers had seasonal work (GSO [2003: 284]). The number of laborers who had seasonal work on *farms* in the peak season reached above 717.4 thousand more than one third of the hired laborers in agriculture in general, and more than one fourth the number of permanent employees in rural areas. The wages of the hired laborers on the *farms* depended on agreement between *farm* owners and laborers, but it was usually about 400,000-600,000 VND per month. It was significantly higher than the minimum wage set up by the current law¹⁰. The data above looks very impressive, but underemployment and low incomes still commonly exist in many rural areas. More than 444,000 households and 2.7 million laborers (accounting for 3.4 percent of total households and about 9.3 percent of total rural laborers) in the rural areas in the whole country were working as hired laborers to earn money. Of which, more than 417.7 thousand farmer's households have no land for cultivation and there were more than 2 million laborers working as hired laborers in agriculture (GSO [2003: 134, 163, 178]). The rate for using laborers in agriculture and rural areas reached about 73-75 percent of full employment. Meanwhile, labor migration from the agricultural sector and rural areas into industry, service and other non-agriculture activities has occurred slowly and been constrained many difficulties. In this context, the strong development of *farms* has had an implication on improving the opportunity of full employment and improving the incomes of laborers in the agricultural sector and rural areas.

¹⁰ The minimum wage, according to the current regulation in Vietnam, was 350,000 VND per person per month in 2005.

Farm Organizations

The development in agricultural *farms* brings benefits not only for *farm* owners and agricultural development in general, but also for many poor people living in the rural areas; especially for the poor who are lacking land or have no land for cultivation, are underemployed, lack production means, or who have to work as hired laborers and their livelihood relies mainly on working as hired laborers in agriculture. Our case studies in some *farms* in Son La and Dak Lak province illustrates this situation. Most hired laborers working on the *farms* were from poor households who lived in the local area or came from other rural areas. Incomes from working as hired laborers in the *farms* accounted for a significant part of total their annual source of income.

The *farm* of Mr. Pham Van Khoi (60 years old) in Noong Phu hamlet, Chieng Mung commune (Mai Son district, Son La province) usually hired 10 laborers (of which 4 laborers were male and 6 were female) to work on the *farm*, with an average wage of 400,000-450,000 VND per person per month. Out of 10 laborers working as permanent staff, there were 7 who were considered poor. The other 3 persons were non-poor, but they were underemployed. Besides this, during the peak season of coffee and fruits harvest (from October- November every year), an additional 30-40 laborers were hired with a labor wage of about 20,000-30,000 VND per laborer per day. One of the hired laborers who usually worked for this *farm* was a poor 40 year old man, of minority ethnicity. His family had 2 ha of hill land and there were 5 people in his family. Of which, 3 were laborers. Due to capital shortage as well as lack of production experience, his family only cultivated cassava and maize and produced very low yields. His earnings from working as a hired laborer on the *farm* were 400,000 VND per month. This was a stable source of income and accounted for 60 percent of his family's annual income. The other hired laborer on the *farm* was a 30 year old woman who was also poor in the commune. She worked as a seasonal worker, with a wage of 2,000 VND per hour. This income was unstable, but it could help her to considerably improve her income. According to her, it contributed about 25-30 percent of her family's annual income. Similar situations can be observed on the *farm* of Mr. Nguyen Khac Khanh (49 years old) in Hat Lot town (Mai Son district, Son La province). Besides using 3 family laborers, he hired additional 9-10 seasonal laborers for 2-3 months per year. These laborers were mainly from the local town and neighboring communes. The number of hired laborers was not stable. According to the *farm* owners, half of these laborers came from poor households. They worked on a daily basis with an average wage of 30,000 VND per person.

Benefits gained from creating employment and incomes by *farms* for the poor are manifested clearly in the *farms* that hire laborers from the poor migrant households.

The situations of hired laborers working on the Farm of Ms. Nguyen Thi Ly in Cu-E Bur commune, Dak Lak province are good examples. Among 9 hired laborers (4 men, 5 women) who worked as permanent workers on *farm*, were 2 laborers from poor households living in other areas. One person was a 46 year old man who had faced economic difficulties and had migrated from M'Drak district to Buon Ma Thuot city. He did not have land for cultivation and was unemployed. He worked all year round on the *farm* with a wage of 600,000 VND per month and received additional money for lunch every day from the *farm* owners. Moreover, in his family there were 2 other laborers working as hired laborers (permanent laborers) on other *farms* located in the area. Wages from hired work on the farms were rather stable and usually accounted for 95 percent of the total annual income of his family. Another laborer was an 18 year old man who was poor and had migrated from Nghi An commune (Nghi Loc district, Nghe An province) to Dak Lak province in 2002. He worked all year round on the *farm* for a wage of 500,000 VND per month and the *farm* owners paid for his food and his accommodation on the *farm*. He sent most of his wage home to support his family income and expenditure. Moreover, the *farm* of Ms. Nguyen Thi Ly also hired about 20 seasonal laborers (in April, June and September). Of whom, many were from poor households living in other local areas. Their wages being based on the quantity of work were usually higher than the wages of permanent hired workers on the *farm*.

Moreover, benefits for the poor created by the *farms* are not only seen from the aspect of improving their incomes. Our in depth survey into some cases of poor laborers working as hired workers on the *farms* in Son La and Dak Lak provinces also shows that benefits for the poor (as well as for the hired laborers) created by the *farms* were in terms of training, transfer (directly or indirectly) of knowledge and experience in doing business. Thanks to working as hired workers on the *farms*, the poor and hired laborers in general could access knowledge and gain experience about the way to organize business from the *farm* owners. This is a real benefit for the poor and hired laborers in general. The knowledge and production experience that they acquire from work could help them to improve their production capacity and help them to escape from poverty.

However, due to the limited number of *farms* and small scale of labor used on each *farm*, the impact of *farms* on the poor in rural areas is not on a large scale in general. Not all the poor have opportunities to find jobs or earn money from hired work on agricultural *farms*, especially in the areas with very few numbers of *farms*. Moreover, the poor and hired laborers working on *farms* are often passive and feel themselves in a weak position in relation to *farm* owners. They easily compromise with *farm* owners or agree with the offers of the *farm* owners on quantity of work, labor time, and wages paid, and

do not claim for necessary working conditions, insurance or compensation for hazardous situations or effects that could arise before or after working on the *farms*. In many cases, *farm* owners use laborers and pay salary according to the agreement discussed directly between *farm* owners and laborers, not by signing a contract. Therefore, on the one hand, the Government permits *farm* owners to use unlimited numbers of hired workers, encouraging *farm* owners to be involved in the program on hunger eradication and poverty reduction. But on the other hand, the Government also recommends the *farm* owners register labor use with the office in charge of labor management in the local area (rural district and urban district) and sign contracts with laborers working on the *farms* (Circular No.23/LD- TBXH, 2000).

7. CONCLUSION

'*Farm*' is a new economic organization model in agriculture in Vietnam, and the State has encouraged, supported and created conditions for its development. The establishment and diversification of *farm* development in agriculture has had a positive impact on development of production. *Farms* also partly contribute to better exploitation and use of land, capital and labor potential in agriculture and rural areas. They also promote commercial production and create employment and incomes for households in rural areas, where there are many poor people and poor households. However the establishment and development of *farms* in Vietnam is still unprompted, unstable, and lacking any long-term business strategy. Production scale and level of business management in the *farms* are still limited. Risks in investment and in doing business are major for many *farm* owners.

The main constraints and difficulties for *farm* development in agriculture in Vietnam nowadays are as follows:

- (i) Many *farm* owners (and farmer's households) have a severe capital shortage, especially fixed capital and long-term invested capital,
- (ii) Capacity and level of ability in terms of organizing production as well as management of the *farm* owners are still low, especially capacity on orientation to long term development, access to source of capital, market access, expanding partnership, cooperation in doing business and selling outputs; and,
- (iii) Ability to deal with natural disaster, market risk is still low. *Farms* (and farmers' households) are vulnerable to natural disaster, epidemic diseases and negative impacts of the market.

The legal framework and policies on *farm* development in agriculture in Vietnam are clear, open and creating favorable conditions for *farm* development. However, the implementation of policy on support of *farms* in terms of training management skill, training labor, application and transfer techniques and technology have yet to reach expected results. The State should formulate concrete policies to encourage *farms* to use rural labor, especially labor from poor households, households that suffer from land shortage, and minority households, by creating opportunities for them to work to earn money. At the same time the Government should help *farm* owners acquire knowledge and experience in agricultural production in order to help them escape from poverty. The State and local authorities (at provincial and district level) should take more interest in infrastructure development, processing industry and supported services on development of commercial production of *farms* as well as households in general in the rural areas.

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