



Contribute to Better Rice Production and Nutrition in South East Asia

Better Rice Initiative Asia - Monthly Update



Volume: 26 - April 2017

Editor's Note

BRIA contributes to strengthening AC/FG and LSRF development in Viet Nam

BRIA in Viet Nam focuses on the implementation of PPP (Public-Private Partnership) models in Dong Thap, Hau Giang and Kien Giang. The models have been piloted in the Large Scale Rice Fields (LSRF), and planned and approved by the Departments of Agriculture and Rural Development (DARDs). The objectives are to improve rice quality and farmers' income, promote market linkages and enhance the capacity of Farmer Cooperatives in the LSRF areas. BRIA plans to strengthen cooperatives and producer groups through competency-based training as well as policy-supported recommendations. To gain insight into the current situation, BRIA has carried out a study of rice farmer cooperatives in the Mekong River Delta (MRD). The April issue of the BRIA newsletter presents the study results.

The LSRF model creates concentrated production areas to facilitate the application of advanced farming technology, produce a large amount of rice in a stable manner, and foster the connectivity between production and consumption. Under the LSRF criteria applied, farmers cultivated the same rice variety, applied the same farming techniques and crop calendar, and harvested at the same time. They might have similar regulations on using plant protection products and pesticides.

The benefits to agricultural cooperatives (AC) and farmer groups (FG) include higher income, ability to extend activities of AC/FG, enhanced roles of AC/FG to its members, and strengthened capacity of AC/FG. Participating farmers have stable rice consumption, can sell rice at higher prices with high profit and are supported with fertilizer, seed, and plant protection products. They receive funds in advance from buyers to buy inputs at reasonable prices, but more importantly, they are provided with training.

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Overview of Viet Nam's Rice Sector



The rice sector has an important role in economic growth, political stability, social development and the environment in Viet Nam. After nearly 30 years of transformation, Viet Nam's rice sector has greatly contributed to ensuring food security, and creating jobs and income for 9.3 million households in rural areas. The rice sector is also a key factor in reducing poverty and malnutrition, as well as contributing to economic development and socio-political stability. The achievements in improving productivity and sustainable growth in output have made Viet Nam one of the top three rice exporters in the world. Currently, Viet Nam accounts for over 20% of the total rice export volume on the world market. Rice export has not only contributed to economic growth, but also the increase in Viet Nam's political position in the international market.

Despite these achievements, Viet Nam's rice sector still faces many constraints. The efficiency and competitiveness of the rice sector is low. In recent years, the growth rate of rice production has slowed with the overuse of inputs. The quality of rice has not been improved; and deep processing is limited. The income of rice farmers is low, accounting for a small proportion compared with other actors in the rice value chain and therefore farmers have no incentive to invest in improving quality and productivity. Rice production has caused many negative impacts on the environment due to resource abuse and the overuse of fertilizers and pesticides in intensive farming. Export prices and competitiveness have been low, failing to meet the high demand of domestic and international markets. Low production efficiency has not been proportional with Viet Nam's potential and advantages.



Inefficient Value Chain

The production scale of farmers is mostly small while organizational forms of linking farmers (such as farmer groups and cooperatives) have not been created. According to the Rural, Agricultural and Fishery Census 2011, nearly 85% of rice households cultivate on less than 0.5 ha of land in the Mekong River Delta (MRD), which is the main rice region of Viet Nam. The proportion of households cultivating on less than 2 ha of land in the MRD accounts for 86.6%. This shows that smallholders have dominated rice production in Viet Nam. Additionally, rice quality has not been managed in many stages of production, particularly in collection and transport. Rice is collected through many middlemen and channels rather than direct links between farmers and enterprises.

Stakeholders in the rice value chain including farmers, collectors, traders, millers, and export enterprises have not effectively linked to support each other. According to a survey by IPSARD (Institute of Policy and Strategy for Agriculture and Rural Development), farmers sell their rice through two main channels, including traders and millers. These transactions are carried out mainly informally and verbally without contract or commitment. Export enterprises mostly collect rice from traders instead of farmers. They explain that it is difficult to work with many farmers due to their small scale, and farmers easily break contracts if they receive a slightly higher price from traders. Besides that, a significant portion of farmers in the MRD buy input material on credit from input stores, and pay back the credit with rice during the harvest. Therefore, farmers appear to have no power in determining market prices.

The loose and weak linkages among stakeholders in the rice value chain not only cause many constraints for farmers to negotiate prices, but also make them face many difficulties in accessing credit, and transferring and applying science and technology in farming. Farmers' profit is reduced by purchasing agricultural inputs for high prices and selling their products at low prices. Even when there are high prices on the domestic and international markets, farmers receive the lowest profit due to the many middlemen and intermediate stages in the supply chain. Consequentially, there is instability in the agricultural sector, with economic growth and the ability to restructure the economy in rural areas hindered.

The majority of exporters buy rice from traders instead of directly from farmers to establish large scale fields and material region. This is the main reason for the low quality of export rice. According to IPSARD (2014), in rice production – consumption channels, direct linkages between farmers and enterprises generate the highest economic efficiency, traceability, and quality control. However, this linkage only accounts for 2%, which is the lowest proportion in the rice value chain due to the low incentive and lack of performance from both actors. Although the government has policies to encourage contract farming between farmers and rice enterprises, about 95% of rice farmers still sell paddy to traders. Moreover, about 60% of product purchase agreements between farmers and enterprises in the MRD were not successful at harvest time (IPSARD, 2014).

Farmer Cooperatives

Rice producers are mostly small farmers, and the role of cooperatives and farmer's organizations have been limited. Currently, most cooperatives in the rice and agricultural sectors only provide some services for farmers such as irrigation, spraying and seed, but they fail to provide mechanical services, support quality management and negotiate with input providers and output firms. According to MARD, in 2014 there were 10,339 agricultural cooperatives, of which ~92% were agricultural service cooperatives, and only ~9% were cooperatives providing output services. Although many cooperatives were newly established, only about 10% were effective. This has been the main weakness of cooperative services, which has influenced the performance and role of cooperatives in the rice value chain. In general, a cooperative has no role in linking farmers to farmers, and farmers to enterprises or in representing farmers. In addition, weak cooperative management and institutions make them less attractive to farmers.



Strengthening Farmer Cooperatives' Capacity and LSRF



To promote large scale rice farming (LSRF) in improving rice production and linkages within the rice value chain in Viet Nam, BRIA conducted an analysis study of the current agricultural cooperatives in the Mekong River Delta (MRD) in the four provinces of Ca Mau, Bac Lieu, Soc Trang, An Giang. The study covered 80 agricultural cooperatives (AC) and 102 farmer groups (FG). The study results and recommendations on how to strengthen cooperatives in the MRD were presented to the Ministry of Agriculture and Rural Development (MARD).

The study sought to shed light on the following subjects:

- Current situation on linkages and LSRF
- Existing capacity of farmer groups and agricultural cooperatives
- Shortcomings and challenges
- Recommendations
- Cases on linkages in rice production

Current Situation of LSRF and Farmer Linkages

Areas of LSRF: Low

Year	Ca Mau	Bac Lieu	Soc Trang	An Giang
2011			1,525	13,150
2012		834	4,862	22,950
2013		726	11,591	34,000
2014		12,168	17,996	32,781
2015	8,567	6,164	23,723	40,615
% area of rice (in 2015)	6.6	3.4	16.0	6.5

Current Situation of LSRF and Farmer Linkages

Difficulties in developing LSRF

Difficulties	% AC	% FG
Weak infrastructure (canals, roads)	44.1	8.7
No planning for LSRF by commune authorities	8.8	10.9
Complicated rice production process	11.8	8.7
Difficult to change farming habits of farmers	14.7	4.3
Can't find companies to buy the product	29.4	2.2
Receive no support	8.8	0.0
Others	23.5	5.7

Reasons not to conduct LSRF

Reasons	% AC	% FG
Members are not willing because it is complicated and not able to get agreement	31.1	21.4
Paddy fields of members are not adjacent to each other	55.6	17.9
Don't know how to develop LSRF	15.6	53.6
Don't have a company to buy the product of the whole AC or FG	37.8	46.4
Don't receive support from the government	20.0	30.4
Don't understand benefits of LSRF	11.1	37.5
Others	15.6	14.3

Current Situation of LSRF and Farmer Linkages

Support needed to develop LSRF

Support	AC	FG
Find companies to buy products of AC or FG	62.5	64.2
Train members in farming process	58.3	64.2
Strengthen management capacity for AC/FG management board	43.8	69.8
Access to credit and loans	43.8	50.9
Support contract negotiation with companies	41.7	60.4
Support good quality seeds	37.5	41.5
Advance good quality seeds	35.4	47.2
Provide support to monitor and follow up on farming process	31.3	32.1
Provide support to control a disease when it happened	29.2	32.1
Support production equipment	29.2	39.6
Support on irrigation	29.2	1.9
Advance fertilizers and materials	25.0	43.4
Support AC to apply sustainable farming practices	22.9	30.2
Support fertilizers and materials	20.8	24.5
LSRF planning	18.8	35.8
Support on transportation	10.4	5.7

Difficulties when conducting linkages

Difficulties	Total	Ca Mau	Bac Lieu	Soc Trang	An Giang
Complicated farming process	9.7	0.0	5.3	11.8	10.7
Farmers do not follow contract terms	18.8	18.2	15.8	14.7	25.0
Companies buy products at the market price	29.9	18.2	26.3	27.9	35.7
Receive no support	16.2	36.4	26.3	10.3	16.1
Others	7.1	9.1	10.5	5.9	7.1

Current Situation of LSRF and Farmer Linkages

Reasons not to conduct linkages

Reasons	% AC	% FG
Can't find company to cooperate	77.4	79.6
LSRF area is small and companies do not want to contract	12.9	14.3
Companies do not buy at higher prices than the market	25.8	14.3
Product quality does not meet companies' requirements	12.9	6.1
Have no transport	9.7	16.3
Company requests are too complicated and difficult	16.1	22.4
Others	12.9	10.2

Support needed for farmer linkages

Support	Total	Ca Mau	Bac Lieu	Soc Trang	An Giang
Find companies to buy products	85.3	88.0	95.2	100.0	53.8
Support LSRF production	58.8	56.0	76.2	55.6	38.5
Strengthen capacity of AC, FG	63.2	48.0	90.5	66.7	46.2
Others	5.9	4.0	4.8	0.0	15.4

Capacity of AC/FG

Activities of AC

Activities	General	Ca Mau	Bac Lieu	Soc Trang	An Giang
Irrigation	51.9	10.0	80.0	17.2	90.0
Sign contracts with companies	46.8	50.0	30.0	58.6	40.0
Provide seeds or plants	40.5	60.0	30.0	44.8	33.3
Provide fertilizers	40.5	60.0	40.0	34.5	40.0
Provide chemical plant protection products	29.1	40.0	30.0	24.1	30.0
Soil preparation service	22.8	20.0	10.0	20.7	30.0
Internal credit service	20.3	0.0	0.0	20.7	33.3
Harvesting service	19.0	10.0	0.0	34.5	13.3
Plant protection service	10.1	0.0	20.0	13.8	6.7
Monitor farming process	8.9	10.0	20.0	13.8	0.0
Sowing	7.6	0.0	10.0	6.9	10.0
Transport of agri-products	7.6	20.0	0.0	6.9	6.7
Buy products directly from its members	7.6	20.0	20.0	3.4	3.3
Dry products	3.8	0.0	0.0	10.3	0.0
Preservation and storage	3.8	10.0	0.0	3.4	3.3
Lifting service	2.5	0.0	0.0	6.9	0.0

Difficulties of AC

Weaknesses/difficulties	% AC
Lack of capital	92.9
Weak capacity of AC staff	74.3
Difficulty in accessing loans	70.0
Difficulty to evocate capital	60.0
Lack of knowledge about government policies	54.3
Less service to meet members' and outsiders' demands	52.9
Don't receive good government support	34.3
No clear production plan	25.7
Members do not participate in managing and developing AC production plan	25.7

Support needed by AC

Support	% AC
Access to loan	83.5
Train AC staff	68.4
Production consumption	67.1
Support AC in linkage and developing LSRF	57.0
Guidance on government regulations and policies	48.1
Support AC to re-register as per AC Law in 2012	19.0
Support farming process and certification	10.1
Support on branding	10.1
Support on rental of land for production	5.1
Others	8.9

Recommendations to Promote Linkages and AC/FC Development



Farmers form groups or agricultural cooperatives to benefit from potential economies of scale by pooling their small individual resources and gaining stronger bargaining positions. Regarding the capacity of ACs/FCs per the study, 83% of ACs have less than 120 members while 93% of FGs have less than 70 members. The combined farming area for the AC members is 160 ha while for the FG members it is 63 ha. Most management staff members have secondary or high school education. Eighty-four percent of the AC chairmen have high school or lower education, and 89% of the accountants have secondary or high school education. Fifty-four percent of FG leaders are from elementary or secondary school with 42% from high school. They are old and work based on their own experience. They have received training, but it has focused less on administration skills, financial administration and branding.

Promoting linkages in LSRF

- Initiate favorable policy for LSRF with policy on linkages
- Planning on high quality rice production to focus on support for LSRF and linkages
- Support LSRF: with high quality rice varieties, special rice, applying same and sustainable farming process; support through AC and FG
- Have project on promoting linkage in large scale: PPP
- National policy to motivate enterprises with respect to land, tax, credit, export conditions
- Support and develop AC, FG

FG Development

- Strengthen FG managers' capacity, especially group leaders on following skills: production planning, project development, regulation of management, financial management
- Support and promote FGs to become ACs. Assign staff to support FG from beginning to ensure they are well operated and have appropriate strategy when transitioning to AC
- Support FG to conduct same sustainable farming process, branding

AC Development

- Awareness raising for local authorities, AC managers and members
- Train government officials about AC (provincial, district and commune)
- Promote public service in the fields of audit, tax check, and regulation on responsibilities of commune staff in ACs
- Support ACs to have clear development strategy; commit transparent administration
- Train AC managers on AC administration, financial administration; develop action plan, production plan, marketing, branding
- Assign staff to support AC administration and management in short time
- Support ACs to apply sustainable farming process and branding

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Published by:



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