

The Transformation of Agricultural Producer Cooperatives – The Case of Vietnam

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Abstract

During the mid-1980s Vietnam experienced widespread hunger and malnutrition. The economic reforms starting in 1986 opened the way for a rapid agricultural development. The collective farms had become obsolete. Vietnamese farmers had to meet two challenges. They had to manage their private farms as entrepreneurs, again. In addition, they had to create new supporting organisations. Vietnam embarked on a specific way of decollectivisation. Contrary to e.g. China where collective farms had been abolished or many countries in Central and Eastern Europe (CEEC) where they could be transformed in agricultural producer cooperatives based on voluntary membership or other types of business entities focusing on agricultural production, collective farms in Vietnam had to be either transformed into service cooperatives based on share capital and voluntary membership or to be liquidated. In addition, new cooperatives could be established. During the last decade many farmers had been very successful in transforming or establishing agricultural cooperatives to their support. Three phases of institutional development can be distinguished. The major influencing factors will be analysed.

Key words: private farming, agricultural cooperatives, transformation, Vietnam

JEL classification: O13, P32

1 Introduction

Up to the late 1980s, Vietnam used to be a developing country which followed the Soviet model of central-planning. Both trade with capitalist economies and the integration with other socialist countries, although a member of the Council for Mutual Economic Assistance (CMEA) since 1978, had been limited. In the second half of the 1980s, Vietnam embarked on a transition from the socialist central-planning system to a market economy, and the opening up to the world markets was much quicker than in most other countries in Southeast Asia previously. Farmers had to adjust to the challenges of international competition and globalisation in a much shorter period than most of their colleagues elsewhere.

Vietnam can be seen as an example of a successful transition if criteria of economic growth, poverty reduction and political stability are to be used (Fforde 2002: 204). The country witnessed a rapid pace of agricultural development which required a profound change of the institutional setting. Organisations compatible to the market economy had to be developed. This development is of particular interest keeping in mind that Vietnam did not embark on a political transformation ('conservative transition'). In this respect, Vietnam not only

experienced a more rapid development compared to most other developing countries, but also a rapid transformation from the central planning system to a market economy.

It is the objective of this paper to contribute to the understanding of the agricultural transformation process from a centrally planned to a market economic system keeping in mind that Vietnam is also a developing country. The paper is structured as follows: In the next chapter the situation during the collective period, the major elements of the transformation policy affecting agricultural production and their major achievements since then are described. This is followed by an analysis of the development of new organisations for mutual economic support with an emphasis on agricultural cooperatives. A short concluding chapter follows.

2 Agricultural Production under Central Planning and since the Adoption of the Renovation Policy ("*doi moi*") in 1986

With the independence of the North in 1954 and following reunification with the South in 1976 the country embarked on a socialist central-planning economy based on the Soviet model (see for a more detailed discussion focusing on the agricultural sector: Fforde and de Vylder 1996: Ch. 4-7; Tran Thi Que 1998: 12-97). With respect to agriculture this meant that private farming had been abolished and agricultural production had been organised into agricultural production cooperatives (APC) focusing on annual crops and into state farms focusing in general on perennial crops. The upstream and downstream sectors had been reorganised as state-owned enterprises (SOE). However, collectivisation of agricultural production had not been very successful in the South and by the late 1970s production also stagnated in the North. The major disadvantage seemed to be that an incentive structure for the individuals to work diligently had been missing. The general situation could be characterised by a low level of income and a high degree of poverty which had been spread relatively evenly (i.e. socially and spatially) all over the country. Like China Vietnam embarked on a transformation process much earlier than the former socialist countries in CEEC or the former Soviet Union (CIS). After a first trial with a more liberal land policy in 1981, the economic situation of the country deteriorated even further by the mid-1980s. Hunger and malnutrition had been wide-spread. The government realised that they had to change the economic policy. Market-economic elements had to be adopted if the country should develop at all.

A complete change of the economic policy had been started with the adoption of the renovation policy ("*doi moi*") in late 1986. Farmers were given the incentives to invest their labour and capital to increase agricultural production. Up to that time, about five percent of the farm land was cultivated as private plots which provided about half of the farmers' income. The major changes of the institutional framework with respect to agricultural production resulting in a strengthening of individual property rights can be summarised as follows:

- All farm land of the APCs was re-distributed relatively equally among the farm families (Resolution No. 10, 1988). Contrary to most CEECs, restitution was not a political objective. From now on, the farm households and no more the APC were considered the basic unit of agricultural production, i.e. they were recognised as autonomous and independent economic entities.

- While individual land ownership rights were not allowed, farmers were assured long-lasting land-use rights (Land Law 1993, revised in 1998). For annual crops they were set at 20 years, for perennial crops at up to 50 years. In this way, the Land Law sanctioned the emergence of a land market and the use of land as collateral for credit.
- The collective farms (APCs) had lost their *raison d'être*. Many of them collapsed already after 1988. With the adoption of the Cooperative Law in 1997 (revised in 2003) they could be transformed into membership-oriented service cooperatives promoting the income of their members. Otherwise, they had to be dissolved. In addition, the Cooperative Law provided the option to the farmers to establish new agricultural service cooperatives from scratch.

In conclusion, private farming became the dominant mode of agricultural production, again. By 2000, there had been about 12 mill. farm households in the country. All these family farms have in common that they are relatively small. The average farm size comes up to 0.5 - 1.0 ha (Nguyen Phuong Vy 2001: 1-2). The total area under cultivation increased rapidly during the 1980s and 1990s, e.g. from about 5.30 mill. ha in 1986 to about 7.67 mill. ha in 2000, or by about 44.8 percent. Since then a gradual decline has been observed to about 7.44 mill. ha in 2003 (Nguyen Thi Hien 2003: 146). Hence, the land frontier is almost closed and agricultural development has to focus on the intensification of production.

Transformation at the local level

Since the late 1980s farmers were given the opportunity to show that they were able to produce competitively. They had to meet two almost overlapping developments: (1) With the re-emergence of private farming as the main decision-making unit in agricultural production they became entrepreneurs. (2) With the relatively quick integration in a global commodity market they had to prove their competitiveness not only at the national, but also at the international level. Quite generally, globalisation means overcoming the barriers of space. With respect to the agricultural sector, it is understood as a "process of standardisation of farm policies, increased permeability of national borders, uniform measures of environmental protection, increased competitiveness of food production and marketing and a growing control by transnationals over the whole process" (Levi, 2001: 106). In this respect, the general question comes up how these small-scale farmers who are characterised by a lack of capital and limited access to markets can improve their economic situation. It became evident that Vietnamese farmers were in urgent need of appropriate institutions and self-help organisations¹ to their economic support in order to participate actively at this development, and not to be sidelined as passive performers. The institutional set-up of the command economy had become obsolete. A new set of organisational infrastructure in support of the family farms in line with market-economic principles had to be established. These organisations which had to be member-oriented to be of a long-term success could be set-up either from scratch or "traditional-ones" had to be transformed accordingly.

¹ According to North (1990), institutions can be defined as 'the rules of the games'. They define and limit the set of choices of individuals based on values and goals in a given society. Organisations are developing in consequence of the framework set by the institutions. They can be looked upon as concrete instruments for keeping the social system going on the basis of institutional patterns. Therefore, the rules have to be distinguished from the players. The purpose of the rules is to define the way the societal game is played. But the objective of a group of individuals within that set of rules is to accomplish certain tasks, i.e. 'to win the game' (North, 1990: 3-5).

All farmers were in urgent need of reliable services, e.g. input supply, agricultural extension, credit and marketing in order to make best use of their limited resources. One option to provide these needed services efficiently has been the establishment of agricultural service cooperatives. In Vietnam, the government assigned an important role to them in smoothing this transition and development process. With the adoption of the Cooperative Law, effective 1 January 1997, it encouraged the transformation of the former collectives and the set-up of new cooperatives. Whether these cooperatives are still ‘just Party dominated and guided groups’ (Cohen 2001: 28) or ‘vehicles for Party sponsored rural development’ (Fforde and Nguyen 2001: 4) might be partly true at the beginning. However, particularly since the adoption of a new decree about cooperatives (Decree 151/2007/ND-CP) dated 10 October 2007 rules and political supervision seemed to be much more relaxed. Before analysing this organisational development it is briefly looked at the general performance of the agricultural sector during the last two decades.

Agricultural development at national level since transformation

Seen from the macro-economic perspective, the newly established private farmers quickly made use of this widening economic liberty. Agricultural production increased rapidly. Already during the early 1990s Vietnam became a rice-exporting country. While the industrial and service sectors expanded even more rapidly, agricultural growth has been impressive compared to the experience of most other countries in the world and had been sustained during the last decade. It averaged 4.9 percent annually over the 1990s (Beard and Agrarwal 2002: 17). Although growth rates declined a bit during the last years it is still at about four percent annually (Figure 1). Similarly, agricultural growth rates have been relatively stable compared to the other sectors which felt the repercussions of the Asian Crisis in 1997 more severely.

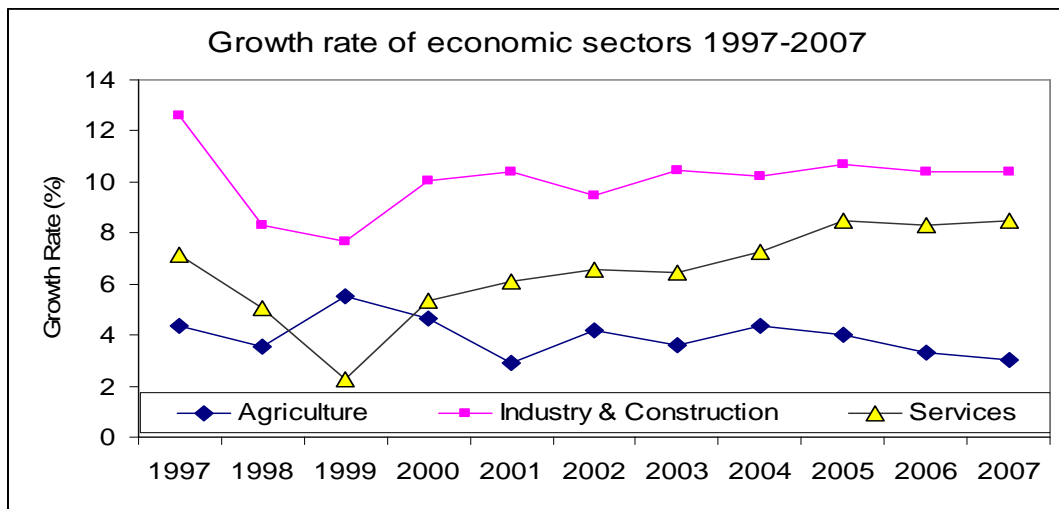


Figure 1. Growth rates of economic sectors, 1997-2007

Source: General Statistical Office: Statistical Yearbook, various issues

Due to the more rapid growth of the other sectors the role of agriculture in the economy is gradually declining. Hence, the share of agriculture to total GDP decreased during the last years to about one fifth (Table 1). Nevertheless, Vietnam can be still called an agricultural country, as this sector is very important with respect to employment. About three quarters of the total population live in the rural areas. About 55 percent of the total labour force, or about

24 mill. persons, are mainly engaged in agricultural activities. Like in most other countries, the share of agriculture to total investment is relatively small and gradually declining during the last years. This might have negative effects in the future. However, for the time being as the agricultural growth rates have been quite high, it can be assumed that most of the necessary investments are still being done informally and are not covered by the statistics. Similarly, the agricultural sector has undergone significant structural transformation. Due to favourable conditions, production could be increased and diversified. The country has become a major exporter of many agricultural commodities including rice, coffee, pepper, cashew and rubber. About 30 percent of total exports in 2006 are covered by agricultural commodities. But the challenge is to meet the high standard requirements of wholesale markets, supermarkets and exporters (World Bank 2008: 25).

Table 1. Significance of the Agricultural Sector, 1996 – 2007 (Percentage)

Indicator	1996	1997	1998	1999	2000	2001
Share of total GDP	25.1	24.2	23.7	23.8	23.3	22.4
Share of labour force	69.0	65.8	66.1	64.1	62.6	62.8
Share of total investment	13.0	13.1	12.8	14.1	14.4	14.7
	2002	2003	2004	2005	2006	2007
Share of total GDP	23.0	22.5	21.8	21.0	20.4	20.3
Share of labour force	61.9	60.3	58.8	57.1	55.4	53.9
Share of total investment	8.8	8.5	7.9	7.5	7.4	6.5

Source: General Statistical Office: Statistical Yearbook, various issues

The major reasons for this successful development can be attributed to a great extent to the successful transformation policy. In addition, the following factors have to be mentioned (Fforde 2002: 212-213, ADB 2002: 15):

- macro-economic stability,
- emergence of a domestic market since the mid-1990s, and
- liberalisation of trade of agricultural input and commodity markets leading to more efficiency.

One crucial point in keeping this impressive agricultural growth is organising farmers in groups and strengthening their horizontal cooperation. This allows for, amongst other things, reaching economies of scale that are a prerequisite for entering value chains, implementing quality improvements in a cost-effective manner, introducing quality management practices, adding processing steps through small investments in technology, obtaining certification of products through group certification schemes and marketing the products (World Bank 2008: 27).

3 Transformation and Development of Agricultural Cooperatives

With the collapse of the socialist regime in CEE and the Soviet Union as well as the implementation of the market economic system in Vietnam and China, the guidance of the economy through central planning had to give way to a decentralised management through markets. Collective property had to be privatised. It is evident that those organisations which had been characteristic for the former system were no more compatible with the market

economy. New types of organisations had been established in all of these countries (Csaki and Nash 1998). With respect to agricultural production, this transformation process referred to a conversion and restructuring of the collective farms. This required, in part, a legal conversion and, in part, an organisational restructuring of the 'socialist' entities into viable business units. Basically, there were two broad options with respect to restructuring (decollectivisation):

- 1 There had been a complete dissolution of all former APCs. All land and other assets had been distributed totally among the former members and newly established small-scale private farmers. Hence, new organisational structures to their support had to be established over time starting from scratch again. For example, Albania, Romania, the Kyrgyz Republic or Mongolia as well as China have adopted this development path, although with respect to the latter farmers just received limited land use rights (Unger 2002: 201).
- 2 Alternatively, the transformation of former collective entities into a legal structure which was compatible with the market-economic system had been envisaged. It had been planned to preserve the cooperative entity under an adapted legal form so that a certain share of the assets could be kept for joint use in the future. It was the objective to avoid the complete individualisation of all assets. Again, two main options could be followed:
 - (a) A complete privatisation of all assets, i.e. agricultural land, animals, machines and buildings had been legally required. The former members as well as the heirs of those farmers who had contributed the land and other assets during collectivisation had become the legal owners. The former collective farms had to be transformed into a legal entity which is compatible with the market economic system within a certain time frame, i.e. joint-stock companies, limited liability companies, or APCs based on share capital and voluntary membership. The newly established private owners of all agricultural assets were free to use them as private farmers or leave them with the successor organisation of the former collective, i.e. either they became member of it and contributed their assets as share capital or they did not join, but just rented their assets to it. In most cases, the former management continued in running the common enterprise in keeping almost all assets. Not that many individual (family) farms had been established. Former East Germany, Czechia and Slovakia can be cited for this development path.
 - (b) Already before starting the transformation process almost all agricultural land of the collective farms had been distributed among the members. Family farming had been re-established. While the collective farms continued to exist and kept most of the machines and buildings, they had lost their major traditional tasks with respect to agricultural production. Nevertheless, it had been the objective of the government to transform as many of them as possible into efficient service cooperatives based on voluntary membership. Vietnam followed this path of development.

In Vietnam, it was soon realised that legalised cooperation had only a chance of survival if they were transformed into viable service cooperatives meeting successfully the emerging competition of private entrepreneurs. This required that they had to aim at initiating economic benefits to their members. Otherwise, members will lose interest and they had to be dissolved. On the other side, millions of small-scale farmers were in urgent need of new institutions and organisations, e.g. the provision of efficient support services, in order to improve agricultural production. Transformed and newly-established agricultural service cooperatives have been

regarded as the main tool to achieve this objective. Hence, since the transformation of APCs three major phases can be identified which will be discussed below.

3.1 Continued Use of the Collective Organisation and Informal Cooperation

Almost all APCs started to adjust to the new situation, but not so many had been successful. During the early 1990s more and more cooperatives were either disbanded or stopped operating due to their own decision (Kerkvliet 1995: 82-85). Others already split up during this period. Nevertheless, their total number declined. While their number stood at about 17,000 in 1987, it decreased slightly to 16,243 in late 1994. In addition, another 2,548 mutual assistance groups were registered, based on the members of former production teams. Most of the agricultural cooperatives were located in the North and most of the mutual assistance groups were located in South where collectivisation had not been very successful. In areas, where the APCs no longer existed, peasants were urged to set up informal self-help organisations to assist in labour exchange, irrigation and other tasks. Particularly, in the Northern villages many self-help groups were emerging and taking over some service functions either spontaneously or on behalf of the people's committees of the communes as the cooperatives had been dissolved (Thayer 1995: 43). Therefore, parallel to the decline in their number a rapid increase in the number of informal farmers' organisations could be observed. Already by December 1992 the number of these self-help groups, associations and/or pre-cooperatives was estimated to stand at 30,000. By the end of 1996 their number stood at about 50,000 (Nguyen Tien Manh 1997).

Nevertheless, at this phase, most newly established family farmers depended mostly on their own. While they worked more diligently and intensively compared to the situation as cooperative workers before, this fact can only partly explain this rapid increase of production. The links to the upstream and downstream sectors had to be re-organised. In case APCs were still operational, input supply could be organised through them. However, marketing channels of the products had to be newly established while there had been no option for small-scale farmers to get access to financial services from the newly-established commercial banks. Nevertheless, a rapid expansion of production could be observed during the late 1980s and early 1990s. This had only been possible because a deep informal capital market could be tapped (Fforde 2002: 215), i.e. they could rely on informal networks of mutual support. Only starting from late 1992 onwards, the agricultural bank started to offer first credits to private farmers.

3.2 Transformation and Establishment of New Farmers' Organisations

A new path of development became available once the Cooperative Law had become effective in 1997 which provided the legal basis for the farmers to organise themselves and can be seen as the start of the second phase. Actually, three development options were provided:

- transformation of APCs into viable service cooperatives which had to be newly registered ("from old-style to new-style cooperatives"),
- dissolution of APCs and, if necessary, transfer of the most important assets and services to informal groups under the supervision of the respective commune, and
- formation and registration of completely new agricultural cooperatives.

Since then, immense efforts have been undertaken to transform, dissolve and establish new agricultural cooperatives in the country. With the revision of the Law in 2003, it was aimed at easing their formation and registration as well as at strengthening their economic position. A rough picture of their development is given in Table 2.

Table 2. Number and Status of Agricultural Cooperatives in Vietnam

Date	Total	Of which		
		transformed	still under transformation	newly established
1 January 1997	13,782	-	-	-
31 March 1998	10,280	1,133	9,048	99
31 December 1999	9,691	4,449	4,149	1,093
31 December 2000	8,764	5,764	1,585	1,415
31 December 2003	9,255	6,268	848	2,139
31 March 2005	8,595	6,115	284	2,196

Source: MARD, Department for Cooperatives and Rural Development: Annual Reports

As discussed above, the Cooperative Law just provided two options for the farmers: They either had to transform their former collective farms into member-oriented service cooperatives and become competitive over time, or the cooperative had to be liquidated. As shown in Table 2 farmers followed both ways. By the end of March 2005, the number of transformed agricultural cooperatives at the national level stood at 6,155, or about 45 percent of the number at the eve of the transformation process. 7,343 former collectives, or about 53 percent, had been dissolved and another 284 cooperatives, or about 2 percent, were still in the transformation process at that time. In this respect, it can be stated that the transformation process is still on-going, but almost completed. It reflects the pragmatic approach adopted by Vietnamese authorities. While at the beginning, the transformation process should be finalised within one year, i.e. April 1998, that deadline had been waived in order to settle all outstanding issues, particularly the question of former debts.

It can be concluded that a bit less than half of those cooperatives registered at the eve of the Cooperative Law had been transformed. However, as shown in Table 2, not all transformed cooperatives stayed in business. Due to low competitiveness, a number of them had to be closed down. It can be assumed that more of the transformed cooperatives might be liquidated over time. In addition, a large number of farmers opted to go on without any cooperative organisation which might reflect among other issues their limited ability of cooperation. But, in many areas, the former collectives had to face a negative image so that many farmers were happy to get rid of this type of organisation as soon as possible. On the other side, however, there had been a strong growth of newly established cooperatives. By the end of the end of March 2005, their number stood at 2,196 already. This reflects the need for this type of service provision.

While the transformation process is almost completed and the number of newly established cooperatives is increasing, a more detailed look prevails that these two types of agricultural cooperatives seem to represent quite different models. Their basic features (Wolz 2002: 22-38; Nguyen Van Nghiem 2007: 1-7) look as follows (Table 3). With respect to membership the transformed cooperatives had been open to all agricultural households within their area of operation, i.e. the respective village, a couple of villages or the whole commune. Depending on the bylaws, either all members in working age or just one per household, i.e. in general the household head were invited to join. Actually, almost all entitled households did so. On the

one side, they had been in urgent need of the offered services, particularly of the provision of irrigation and drainage; on the other side, they were not required to mobilise own resources, additionally, in form of cash. They just had to sign their willingness to join the transformed entity. Depending on the number of villages covered and the respective membership criteria, the number of members is highly different. In general, it comes up about 300 – 500 members, but sometimes their number can go up to even 2,000.

In comparison to the transformed cooperatives the newly established ones starting from scratch look quite different. One of the main characteristics is the small number of members. Often they just comprise 10 - 20 persons. A careful membership selection has to proceed any steps to establish and register the co-operative. Once operational, membership is restricted to those who are following the, in general, highly focussed objectives. On the one side, the perspective members know each other for a long time. So, they know the personal and familial background from each other very well and trust each other. On the other side, they must meet technical criteria, e.g. a minimum farm size or a certain level of technical knowledge in a specific activity.

Table 3: Main Characteristics of Agricultural Cooperatives

	Transformed cooperatives	Newly established cooperatives starting from scratch
Membership	open to all agricultural households	restricted to those who follow the highly focussed objective
Number of members	300 - 500	10 - 20
Subscription of shares in cash	(in general) no	yes
Value of total assets - available as current assets - available as 'cash-in-hand'	300 - 800 million VND* - about 20 per cent - less than 10 per cent	15 - 100 million VND* - almost 100 per cent - almost 100 per cent
Activities	5 - 10 emphasis on: • irrigation • electricity supply • plant protection • input supply • extension (new crops, varieties, production techniques, etc.) multi-purpose	1 - 3 emphasis on: • input supply • extension (quality management) • joint marketing single-purpose
Number of decision-making persons	5 - 10	1 - 3
Stakeholders involved	multi-stakeholder	single-stakeholder
Character	defensive	offensive

* €1 = ~21,000 VND (2008).

Source: adapted from Wolz 2002: 232; Nguyen Van Nghiem 2007: 3-4

In general, the transformed cooperatives did not ask their members to subscribe additional shares or to contribute additional cash in order to increase the volume of share capital. In most cases, the value of assets divided by the number of members had been declared as the value of individual shares. The transformed cooperatives took over the productive assets of the former

collective entities. On paper, they show a high value of assets of which the major part, however, or about 80 per cent, is fixed in form of buildings, irrigation and electricity systems, etc. The other part are forming the current assets, of which again about one half is made by debts of members (receivables). Hence, the actual volume of funds available for financing on-going services (i.e. liquidity, working capital) is rather modest, i.e. about 10 per cent of all assets or about 30 – 80 million VND per cooperative.

On the other side, the newly established cooperatives had to build up their funds in form of share capital from scratch, i.e. the subscription of individual shares by the members. At the start the members had to prove their commitment in monetary terms. The combined value of the share capital is their only asset. In general, the value of an individual share is set at 100,000 - 300,000 VND. Members are free to subscribe more than one share. But different to the transformed cooperatives almost the total volume of share capital is available for financing on-going services. Right from the start about 20 – 100 million VND are available for financing business activities. Hence, they have the same economic potential like the transformed ones. Once operational, they will earn income through commission fees in buying inputs or when selling the products. Most of the share capital is used as operating funds to buy inputs. Some cooperatives even did not bother to open a bank account, so far, as the available share capital is spent in buying inputs. Any surplus cash is kept by the cashier at home.

With respect to the range of activities or services offered the transformed cooperatives are offering a higher number, in general about five to six different ones. The management of the transformed entities concentrates on the provision of those services which promote agricultural production among their members, like the management of irrigation systems, organisation of plant protection, technology transfers and extension services, as well as machinery services and land preparation. This might include the negotiations of summary contracts on behalf of the members with private entrepreneurs (contractors). The organisation of input supply services is very important which often includes financial services in form of the provision of credit-in-kind. In addition, many of them manage the electricity supply services in their respective community. Marketing services are, in general, lacking. These entities can be characterised as multi-purpose cooperatives. The main focus is still on the promotion of paddy production. Only, during the last few years they actively support the diversification into other farm activities.

Those newly established cooperatives are more focussed with respect to the services offered. In general, they are concentrating on the promotion of one production activity at the farm level only, e.g. fish production or rice seed multiplication. In general these services comprise the regular supply of high quality inputs, the regular supervision and quality control and, finally, the common marketing of the respective products. These cooperatives can be characterised as single-purpose oriented. Members have to follow the strict rules otherwise they have to cancel their membership.

The number of decision-making persons in the self-governing bodies has been significantly reduced during the transformation process. In general, 5 - 10 persons are running the day-to-day management, of which about three to seven persons comprise the management board. The supervisory board in general is made up by three persons. In general, all board members are devoting their time to the cooperative on a part-time basis and are entitled to a small compensation. Only the large cooperatives employ some staff or even a general manager. With respect to the newly established cooperatives their number is even smaller. The number of persons in the self-governing bodies is kept at a minimum. In general, the management

board just comprises three persons, i.e. the chairman, the accountant and the cashier. In some cases, just the chairman will be elected and he is responsible for the day-to-day management. In addition, one person is elected as supervisor. All tasks are done on a part-time basis, as all of them have to manage their own farms. In general, the elected board members get a small monthly compensation.

As other groups besides the members have a vital interest in the management of the transformed cooperatives, e.g. the administration. In this respect, they can be labelled as multi-stakeholding systems. In comparison, those newly established ones follow very closely the three basic cooperative principles, i.e. self-help, self-responsibility and self-administration. The members themselves are the driving force in setting up and running their organisation. Close links to the local administration are of advantage, but not necessary in managing the day-to-day activities. They can be described as single-stakeholding systems. Referring to Cook's dyadic characteristics in forming cooperatives (Cook 1995: 1155-1158), the transformed ones can be viewed as defensive in nature, while the newly established ones are more offensive.

3.3 New Paths in Cooperative Development

During the last two years a new wave in the development of agricultural cooperatives could be witnessed. In short, this is reflected by the fact that

- the number of registered agricultural cooperatives as well as of informal mutual self-help groups (pre-cooperatives) increased rapidly, and
- cooperatives at the primary level form cooperative unions at secondary level to improve their economic position.

During the last two years a rapid increase in the number of agricultural cooperatives could be witnessed. By the end of June 2007, already 17,599 agricultural cooperatives had been registered. In addition, the number of informal cooperative groups increased rapidly. While their number stood at about 50,000 by the end of 1996, they came up to about 90,000 by mid 2007. Hence, at present cooperative groups is the most common form of farmer organisation. It is expected that their number will increase even further in the years to come. With the issuance of Decree 151 in October 2007 (Decree 151/2007/ND-CP), farmers have more leeway to join cooperative groups on a voluntary basis at their own choice. The Decree simplified the registration procedure and opened more options for cooperative activities, including production, import and export activities (World Bank 2008: 115).

In addition, farmers have now the option of not only forming agricultural cooperatives at primary level, but also secondary ones at district or regional levels. By mid-2007, already 39 cooperative unions had been registered (World Bank 2008: 115). They are spread all over the country. For example, in the economically not that advanced province of Quang Tri (Central Vietnam) two of these agricultural cooperative unions had been established relatively early in 2002. They comprised seven and eight primary cooperatives as members, respectively. Their share capital had been set at 250 mill. and 800 mill. VND, respectively and it is increasing over time. These secondary cooperatives are concentrating on joint purchase of inputs. Compared to primary cooperatives, they have a stronger bargaining position and can look for suppliers all over the country. Once, they have developed more capacities they will take up other activities as well.

4 Conclusion

During the last 15 years Vietnamese farmers had to adjust not only to the decline of collective and the re-emergence of private farming but also to a rapid integration in the global commodity markets. Once farmers were given the incentives, they proved to be very successful and competitive. Impressive agricultural growth rates could be observed. The organisational setting from the collective period, like e.g. APCs, state farms, the close integration in SOEs of the upstream and downstream sectors had become obsolete and farmers had to build up self-help organisations on their own in order to meet these challenges. After a slow start an impressive growth of agricultural cooperatives based on share capital and voluntary membership could be witnessed. Farmers organise in form of informal pre-cooperatives, formal cooperatives and, since a few years, in secondary agricultural cooperatives. These forms are competitive with the emerging private companies. While it can be assumed that their number will increase over time, their development is still hampered by two major facts: They have not been very successful, so far, in building up efficient marketing systems. Similarly, cooperatives are still economically not strong enough to buy up shares in the upstream and downstream sectors and become an active player in agricultural marketing.

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