

The United Graduate School of agricultural  
sciences, Kagoshima University, Japan

**DEVELOPMENT STRATEGY OF  
THE AGRICULTURAL  
COOPERATIVES IN THE MEKONG  
DELTA, VIETNAM:  
SIGNIFICATION OF DIVERSIFICATION INTO  
BUSINESS AND ACTIVITIES**

ベトナム・メコンデルタにおける農業協同組合の開発戦略

**TRAN MINH HAI**

2014

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The dissertation entitled “DEVELOPMENT STRATEGY OF THE AGRICULTURAL COOPERATIVES IN THE MEKONG DELTA, VIETNAM: SIGNIFICATION OF DIVERSIFICATION INTO BUSINESS AND ACTIVITIES” prepared and submitted by TRAN MINH HAI in fulfillment of the requirements for the degree of DOCTOR of PHILOSOPHY is hereby accepted

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## **ABSTRACT**

Vietnam's Agricultural cooperative (AC), in general, and the Mekong Delta's (MD) Agricultural Cooperative, in particular has developed since 1954 with many stages of rises and falls. During 1954-1975, ACs developed only in northern Vietnam, and none existed in southern Vietnam. Then, the government expanded the AC from North to South Vietnam during 1975-1995. During 1954-1995, ACs were formed with collection land, capital assets and property of individual farmers and equally distribution, which Vietnamese called the old AC model. The period 1986-1995, most of ACs in Vietnam largely collapsed after Vietnam change into renovation "DOI MOi" on economy policy in 1986.

In 1996, the government introduced again ACs follow the International Cooperative Alliance model and enacted the first Cooperative Law, which Vietnamese called the new AC model. In addition, the government has promulgated many resolutions, decrees and circulars to promote the new AC. The first Cooperative Law in 1996 and many polies related on cooperatives, Vietnamese government expects well development of ACs in Vietnam. However, ACs have uncounted opportunities as well as challenges on development and it seems that ACs have faced more challenges than opportunities.

However, we can observe some ACs in the Mekong Delta (MD) region, south of Vietnam to measure level of success and provided many lessons for development the ACs. Therefore, this paper aims to discover "development strategy of the agricultural cooperatives in the Mekong Delta, Vietnam-significant of diversification into business and activities".

The paper consists of six chapters including introduction, overall status of ACs in Vietnam, current status of ACs in MD, agricultural cooperatives' contributions to farming practices, success of ACs in MD and development strategy of ACs in MD, Vietnam.

The research results shows that 1) Vietnam's ACs, in general, and the MD AC, in particular, have both opportunities and challenges after the First Cooperative Law in 1996. 2) The current status development of ACs in MD, South of Vietnam is similar to ACs in Vietnam, ACs in MD have faced some challenges as simple business and activities, low educational degree of management staff, low ratio of farmers enrolment into ACs. But, some ACs in MD have been successful business and activities. 3) ACs have contributed to the improvement of farming practices for both members and non-members. Members use a greater variety of services from ACs than do non-members. Hence, contributions of ACs to farming practices have more significant effects on members than on non-members. In addition, the contribution of ACs to farming practices widely differs between P0, when the AC did not give services, and PT, when it provided services. 4) Case studies of successful ACs show that these ACs have succeeded because their business and activities are diversified, beneficial, convenient and based on the needs of members and non-members. Also, AC's services reduce production cost and increase revenue and profit and the AC has developed its internal resources for sustainable development. 5) Development strategy of ACs in the Mekong Delta includes 2 periods, 3 implementation suggestions, 4 strategies and 5 stages development business and activities.

## ABSTRACT in JAPANESE

本論文ではベトナムの農業の中心地の一つであるメコンデルタにおける農協の発展戦略について検討することを目的としている。

そこで第一に、1996年の協同組合法制定後のベトナム農協が直面している課題と困難について、マクロ環境、ミクロ環境、内部環境の三つの局面について検討した。考察の結果は以下のようにまとめられる。

第一に、新協同組合法後、マクロ環境、ミクロ環境、内部環境それぞれにおいて、農協は活動を多角化し、多くの利益を組合員、非組合員にもたらした。また農協の収益も改善し、小規模農協は合併し組合員を拡大し、経営管理も改善された。

第二に、一方でベトナム農協は協同組合法のもとで多くの困難に直面している。法律がICA原則と一致していない面がある。また旧農協は多額の負債を抱え、旧農協への不信感も農協発展の阻害要因となっている。農協の役員の管理能力が低いことが問題である。教育水準が低いため、能力や知識に欠けている。

次に、メコンデルタの農協の現状について明らかにした。メコンデルタの農協は農協数は増加しているものの、一農協当たりの組合員数が減少している。またメコンデルタ全体では21.9%の加入率しかなく、様々な困難に直面している。

メコンデルタの中心部アンジャン省を対象に62戸と農協組合員と61戸の非組合員を抽出し、農協が農業生産に与えている効果について検討を行った。その結果、農協は組合員にも非組合員にも利益をもたらしているが、組合員の方が灌漑や収穫機械利用などにおいて大きな利益を得ており、農家の収益も高くなっていることが明らかになった。農協が農家経済に果たしている役割が大きいことが調査結果から検証できた。

メコンデルタでは多くの農協が未発達の水準にあるが、いくつか農協自体の成功事例が見られる。そこで次に農協の成功要因を明らかにした。ここでは成功指標を、組合員や非組合員に対して利益やコスト低減において有利なサービスを提供していること、組合加入率が向上していること、出資金、運転資金、資産、利益などを向上させていることにおいた。

その上で、メコンデルタの7つの成功農協を調査し、そこからプータンと3Aの二つの農協を選んで考察対象とした。第1に、両農協とも、管轄地域における乾期の灌漑、雨期の排水という用排水サービスを提供しているが、組合員には非組合員より料金を割り引いているため、組合員の用排水コストは低く抑えられている。第2に、民間業者の半額程度でコンバインサービスを提供している。第3に、良質品種の種子を供給している。第4に、組合員への低利資金の供与である。第5に、プータン農協は、無料の救急車サービスを行っている。第6に、3A農協は、多くの非営利活動、例えば栽培暦の配布、運送サービス、普及情報提供、健康診断などを行っている。

**以上の結果、ベトナムメコンデルタの農協においても活動の多角化や農業生産のみならず、農村生活に係る活動の活発化が農協発展要因となっていることが明らかとなった。**

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## **ACRONYMS AND ABBREVIATIONS**

AC	Agricultural Cooperative
ACs	Agricultural Cooperatives
GDP	Gross Domestic Product
GA	Members
GB	Non-Member
GSO	General Statistic Office
ICA	International Cooperative Alliance
JA	Japan Agricultural Cooperative
MARD	Ministry of Agriculture and Rural Development
MD	The Mekong Delta
MPI	Ministry of Planning and Investment
P0	The period before GA & GB Began Receive AC's Service
PT	The period After GA & GB Began Receive AC's Service
VCA	Vietnam Cooperative Alliance

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## **CHAPTER I: INTRODUCTION**

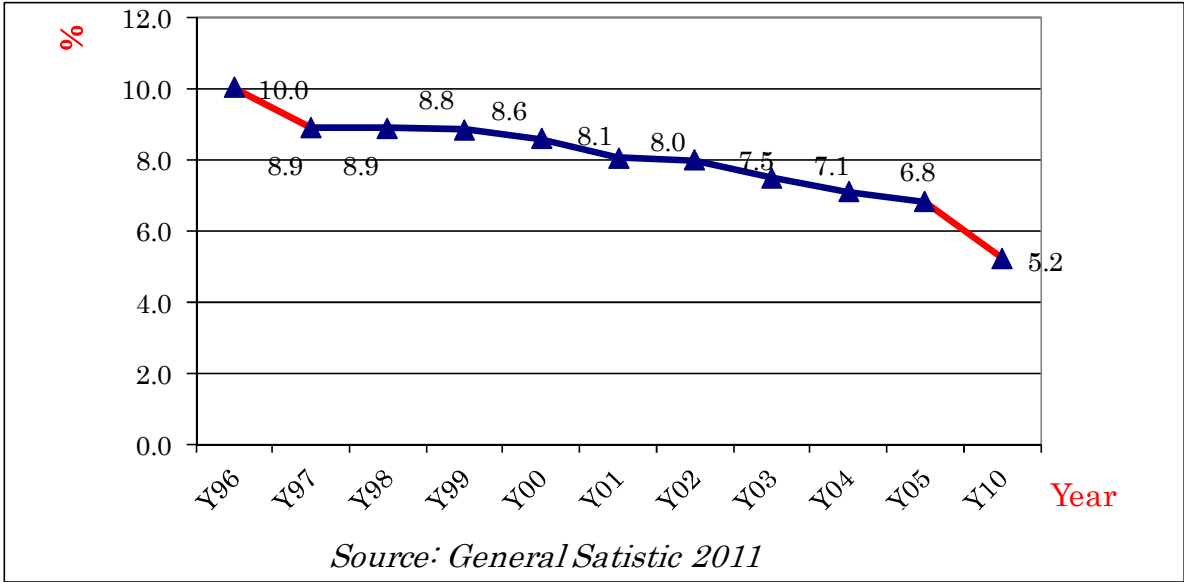
### **1.1 Introduction**

Vietnam's Agricultural cooperative (AC), in general, and the Mekong Delta's (MD) Agricultural Cooperative, in particular, have been developing since 1954 with many historical ups and downs. During 1954-1975, ACs developed only in northern Vietnam, and none existed in southern Vietnam because of wars. The government expanded the AC from North to South Vietnam during 1975-1995. However, during period 1975-1995, ACs in Vietnam largely collapsed and could not conduct activities after Vietnam became a market-oriented economy in 1986.

In 1996, the government introduced the new AC model following the International Cooperative Alliance (ICA) model and enacted the First Cooperative Law. In addition, the government promulgated many resolutions, decrees and circulars to promote the new AC. AC entered another development period, improving business activities, members, capital and property. However, cooperatives and ACs in Vietnam still have encountered many opportunities and challenges after the cooperative Law has affected and other policies related on AC have enacted.

As the result, Vietnam's Cooperative, in general, and Agricultural cooperatives (AC), in particular, have not been contributing significantly to the national economy and themselves. According to Vietnamese government, the collective economy as the core cooperative (including cooperative, ACs and cooperative groups) plays an important role in the national economy. It is one of

the Country's five economic sectors<sup>1</sup>, it has created jobs for rural areas and it has contributed to reduction of poverty in Vietnam. However, the contribution of the collective economy to gross domestic product (GDP) has decreased continuously since 1996. For example, Figure 1 shows that in 1996 the contribution of collective economy to GDP was 10.0%, 8.6% in 2000, 7.5% in 2003, 6.8% in 2005 and only 5.2% in 2010<sup>2</sup>. In 2010, the contribution to GDP from the State Owner Economic sector was 33.7%, 30.8% from the Individual Economic sector, 18.7% from the Foreign Direct Investment (FDI) economic sector and 11.5% from the Private Economic sector.<sup>3</sup>



**Figure 1: Percent Contributed GDP of Collective Economy**

On the other hand, the growth ratio of the collective economy is low and tends to decrease. It was 4.0% in 2005, compared with 3.0% in 2008 and only 3.2%

<sup>1</sup> Five economic sectors in Vietnam: The state-owned, collective economy (including cooperative and cooperative groups), individual economic (no state share holder), private economic (household business) and FDI.

<sup>2</sup> General Statistic Office of Vietnam 2011

<sup>3</sup> General Statistic Office of Vietnam 2011 & Ministry of Planning & Investment (MPI), May 2012, pp 6

in 2010<sup>4</sup>. Conversely, the national economy grew on average 7.5% during 1995 - 2005<sup>5</sup>.

However, I can observe some agricultural cooperatives in the Mekong Delta region to measure level of success because of many reasons such as: improving of macro policies, increasing operational capacity of ACs, providing significant in diversification services to farmers of ACs and other reasons. Many ACs in the Mekong Delta has been success since 2005 such as Phu Thanh, Vinh Trach, Long Binh ACs (An Giang province), Tan Hiep A, 3A Canal ACs (Kien Giang Province), Tan Cuong (Dong Thap province), Binh Tay AC (Tien Giang Province), Tam Vu AC (Long An province)...These ACs have been succeed because they provide more services to both members and non-members, increase rapidly in volume, be balance between economic and social activities, develop themselves, receive prizes from state government and other reasons.

Therefore, this research aims to find out successful keys of ACs and to discovery development strategy of the agricultural cooperatives in the Mekong Delta, Vietnam.

## **1.2 Background**

### **1.2.1 Definitions Cooperative (hợp tác xã) and ACs (hợp tác xã nông nghiệp)**

According to the definition of the International Cooperative Alliance (ICA), a co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

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<sup>4</sup> MPI, summary report of implementation cooperative law in 2003, May 2012, pp6-7

<sup>5</sup> VCA, report 2011, pp2-4

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity.

ICA also classifies principle of cooperative that the cooperative principles are guidelines by which cooperatives put their values into practice. These principles are:

i) Voluntary and Open Membership – Cooperatives are voluntary organizations, open to all people able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

ii) Democratic Member Control – Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership.

iii) Members' Economic Participation – Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited, if any, compensation on capital subscribed as a condition of membership.

iv) Autonomy and Independence – Cooperatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

v) Education, Training and Information – Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of cooperation.

vi) Cooperation among Cooperatives – Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

vii) Concern for Community – Cooperatives work for the sustainable development of their communities through policies approved by their members.

According to the Cooperative Law of Vietnam in 2003, “the cooperative is a collective economic organization established under the provisions of this Law by individuals, households or legal persons (hereinafter referred collectively to as cooperative member) who share common demands and interests, and volunteer to contribute capital and labor in order to bring into play the collective strength of each cooperative member, to help one another efficiently conduct production/business activities and improve the material and spiritual life, thus contributing to the national socio-economic development”<sup>6</sup>. However, this definition is hard to understand for foreigner people and it also is hard to understand original version in Vietnamese language. Because definition is long but it is lack of meaning.

The definition from the Cooperative Law revised version in 2012 is a little

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<sup>6</sup> The Cooperative Law 2003, Chapter I, Article 1.

improved, “cooperative is a collective economic organization with co-ownership and legal entity status, established voluntarily by at least 07 members who cooperate with and assist one another in production, business or job creation activities to meet the basis of autonomy self-responsibility, equality and democracy in management of the cooperative”<sup>7</sup>

## **1.2.2 Other Definitions of Agricultural Cooperative and Concepts**

### **1.2.2.1 Agricultural Cooperatives**

There are several definitions on agricultural cooperative follow:

Agricultural Cooperative is a type of cooperative that unites agricultural producers for production or other activities needed by the members such as processing, marketing of output, or supply of the means of production<sup>8</sup>

An agricultural Co-operative, also known as a farmers’ co-operative, is a co-operative where farmers pool their resources in certain areas of activity<sup>9</sup>

However, I define an AC as an organization of farmers similar to Japan Agricultural Cooperative (JA)<sup>10</sup> but simpler in business & activities and smaller in capital.

### **1.2.2.2 Members and Non-members of AC**

A member of ACs is farmer who buys at least one share in the AC and receives dividends (share profits) from the cooperative at the end of year.

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<sup>7</sup> The Cooperative Law, revised version in 2012, chapter I, article 3.

<sup>8</sup> <http://encyclopedia2.thefreedictionary.com/Agricultural+Cooperative>

<sup>9</sup> <http://encyclopedia.thefreedictionary.com/Agricultural+Cooperative>

<sup>10</sup> Daman Prakash, 2000, JA deliveries multipurpose services & operates as multi-function economic institution directly to need of the members. They serve the members at the same time being under the control of members, p4.



A non-member of ACs is a farmer who buys no share from an AC and receives no dividend but uses its services and pays service fees as a customer.

### **1.2.2.3 Transformed cooperative and newly establish cooperative**

Vietnam government identifies two categories of cooperatives: transformed cooperative and newly established cooperative.

A transformed cooperative is one established before 1996 on the model of the Soviet Cooperative Union (old cooperative). It was transformed to the new cooperative model under the guidance of the 1996 Cooperative Law.

A newly established cooperative is one established after the 1996 Cooperative Law took effect. Among the transformed and new cooperatives, there were some re-organized cooperatives that have merged, divided their services or restructured their operations.

### **1.2.2.4 Old cooperative and new cooperative (Hợp tác xã cũ và hợp tác xã mới)**

Old cooperative is phrases that Vietnamese people called cooperatives and AC during 1954-1995. Old cooperative was original of transformed cooperative and most of old cooperative and transformed cooperatives are in North of Vietnam. Characteristic of old cooperative or old AC included collection land, capital assets and property of individual farmers. The government required all farmers to join ACs, assigned duties to farmers in ACs and equally distributed profits to each farmer. The government also appointed AC staff, and no law regulated cooperatives.

New cooperative is the phrases that Vietnamese people called cooperatives and AC establishment after the first cooperative Law in 1996.

### **1.2.2.5 Agricultural cooperative's service**

It is business and activities that an agricultural cooperative provides to members and non-members in exchange for a service fee or non-service fee. ACs in Vietnam have been provided services as: irrigation, harvest, input supplies, production, technology, credit, collection, marketing...The irrigation service is the most popular business service of AC in Vietnam.

### **1.2.2.6 Categories of types namely**

At present, the cooperatives in Vietnam are officially categorized into ten types namely cooperatives including agricultural cooperative, trade and service, transportation, aquaculture, construction, small scale industry, credit, electric and water, environment and others category for new type of cooperative such as: fruit cooperative, hospital cooperative, school cooperative...

According to officially reports in Vietnam, a word “cooperative” describes all types of cooperative in Vietnam and “agricultural cooperative” shows only agricultural cooperative.

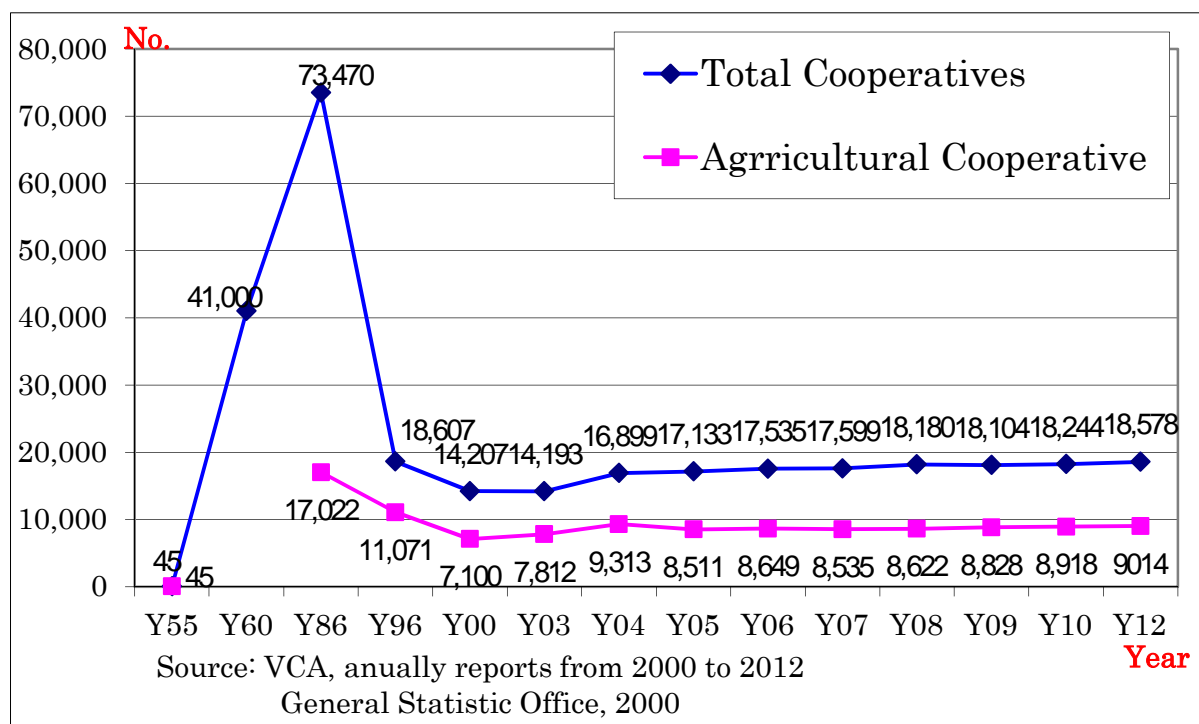
## **1.2.3 Development of cooperative and AC in Vietnam.**

### **1.2.3.1 Periods 1954-1986**

The activities of agricultural cooperatives followed guidelines of the state authorities. This period is considered the boom period of the Cooperatives. Figure 2 shows that number of cooperatives was 45 in 1955, increased to 41,000 in 1960 and reached 73,470 in 1986. Many cooperatives have developed belong to each village and commune.

Average cooperative increased 2,369 in annually. Especially, number of cooperative jumped up during 1975-1986 because the war was end and government expended cooperative model from North to South of Vietnam.

Cooperatives during 1955-1986 were characteristic of old cooperative. ACs formed with collection land, capital assets and property of individual farmers. The old ACs played an importance role in food security and agricultural production until the end of the war in Vietnam in 1975.



**Figure 2: No. Cooperatives and ACs in Vietnam**

However, cooperatives were low efficiency from 1975-1986. Cooperatives in the North were in the trend “the large-scale size of agricultural cooperatives, the lower the efficiency”. Thousands of the cooperatives in the South were established but cooperative’s production was ineffective because farmers did not respond to cooperative.<sup>11</sup>

<sup>11</sup> Nguyen Quang Ngoc (2006), history of Vietnam, Educational publisher, pp 365-379

### **1.2.3.2 Period 1987-1995**

Vietnam made an economic renovation “DOI MOI” and changed into market-oriented economy in 1986. Vietnam gradually move from economic mechanisms centrally planned economy to market mechanisms oriented socialist, encouraging respect and facilitate the economic development of households, business individual sector, the private sector, the household economy is considered autonomous economic entity. The transformation of the economy has reduced the role and advantages of the cooperative as well as revealing the weakness of the.

Farm land is reimbursed to individual farmer-household to use for production. Farmer households have become independent units and were to sell products in market. Role management of agricultural cooperatives in agriculture have reduces and agricultural cooperatives have become providers of services as demanded by the members for a service fee. Collective system was replaced by independent farm household economy system. The collective economy was considering the country second economic sector, but it was face the most difficult period in the development of cooperatives in Vietnam. The number of cooperatives was significantly reduced from 73,490 in 1987 to 18,607 cooperative in 1996. The number of ACs decreased from 17,022 in 1986 and was about 11,071 in 1996.

The period 1987-1995 was the worst period development of ACs in Vietnam. The number of ACs plunged, the AC operation was low, AC's property did not use and maintained and most of ACs could not active.

The reasons of result because the cooperative system is not established, organized and operated in accordance with the fundamental principles of promoting cooperatives so no motivation to join the cooperative's members. The cooperative model of organization though but not adjusted in accordance with the market mechanism has made the old cooperative system is paralyzed, spontaneous disintegration or transformation to adapt to the new environment. The system proved less cooperative adapts transition mechanism by increasing the autonomy of cooperatives and reduced incentives in terms of capital and credit for cooperatives.

#### **1.2.3.4 Period 1996-2003**

The first ever enactment of the Cooperative Law in 1996 based on basic principles introduced by the International Cooperative Alliance, the legal framework for ACs was completed. The transformation process of AC as stipulated by the Cooperative Law since 1996 resulted in good achievements. Some cooperatives transformed successfully, while 2,196 new cooperatives were established<sup>12</sup>.along with the economic state economy is the core group that cooperatives are considered the foundation of the national economy in many economic sectors. This period witnessed the shift and narrowing of the cooperative.

The Figure 2 shows the number of cooperatives has decreased fast from 18,607 in 1986 to 14,207 in 2000 and tended light increased to 14,193 in 2003. The number of ACs was parallel with the national cooperative. Number of ACs was

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<sup>12</sup> Nguyen Van Nghiem, 2007, agricultural cooperatives in Vietnam: innovations and opportunities, Ministry of Agriculture and Rural Development of Vietnam, 2007, pp 1

17,022 in 1987, decreased to 7,100 in 2000 and light increased to 7,810 in 2003.

The decrease in the number of cooperatives period 1997-2003 reflects the process of market selection for cooperative systems and many old ACs dissolved because these ACs could not transform to new cooperative under guidance of the cooperative law. According to law, cooperative does not work properly the principles of voluntariness, autonomy, democracy, fairness and transparency will be difficult in the conditions of market economy

Characteristics of cooperative development in the period 1997-2003 confirms the cooperative is not established on the basis of voluntary members, not all are able to find it harder to survive in conditions of market economy<sup>13</sup>. In addition, the introduction of a series of new cooperatives and the development of cooperative widely in rural and disadvantaged areas in this period reflect a form of cooperative economic organizations should be developing special priority in rural areas and areas where people were difficult or unfavorable.

#### **1.2.3.5 The period 2004 -2012**

The recovery and growth of cooperatives and ACs after reform cooperative law in 2004 was significantly development of cooperative and ACs in Vietnam. The number of cooperatives and agricultural has increased from 2004 to 2012. The increase in number Cooperative at this stage as a result of the transformed cooperative founded before 1996 and many newly establish cooperatives. The implementation of Cooperative Law revised version in 2004 and many policies

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<sup>13</sup> Nguyen Van Nghiem, 2007, agricultural cooperatives in Vietnam: innovations and opportunities, Ministry of Agriculture and Rural Development of Vietnam, 2007, pp 3.

related on cooperative and agricultural cooperatives has been modified, Vietnamese farmers has changed their mind about the ACs, some successful ACs has introduced and ACs has shown role of a special economic organization.

#### **1.2.4 Principle of ACs in Vietnam after 1996<sup>14</sup>**

- i) Individuals, households and legal entities establish, join or leave cooperatives voluntarily. Cooperatives shall be established, joined and leave unions of cooperatives voluntarily.
- ii) Cooperatives and unions of cooperatives shall widely admit members and affiliated cooperatives.
- iii) Members and affiliated cooperatives have equality and equal vote regardless of contributed capital in determining the organization, management and operation of cooperatives and unions of cooperatives; are provided information completely, promptly and accurately on production activities, sales, finance, income distribution and other contents as prescribed by the charter.
- iv) Cooperatives and unions of cooperatives shall control and take responsibility for their activities before the law by themselves.
- v) Members and affiliated cooperatives and cooperatives and unions of cooperatives have responsibilities to carry out their commitment under service contract as prescribed by the charter. The income of cooperatives and unions of cooperatives shall be distributed by the level of use of products or services of the members and affiliated cooperatives or by members' contributed labor for job creation cooperatives.

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<sup>14</sup> Cooperative Law 1996 and revised version 2012, chapter 1, article 7

vi) Cooperatives and unions of cooperatives shall pay their interest in education, training and retraining for their members and affiliated cooperatives, managers, employees of cooperatives and unions of cooperatives and give information about the nature and benefits of cooperatives and unions of cooperatives.

vii) Cooperatives, unions of cooperatives shall care for the sustainable development for member community, member cooperatives and work together to develop the cooperative movement on the local, regional, national and international scale.

### **1.2.5 Organization related agriculture in Vietnam**

#### **1.2.5.1 Farmer Union (Hội nông dân)**

In general, farmer union is a special organization of farmer in Vietnam. It is an association but it is management and sponsors by government. Farmer union is organized from central government level to hamlet government level. Farmers are free to enrollment membership. The principles of farmer union are including transferring farm-technology and improving agriculture production.

Vietnam Farmers' Union (VNFU) is a social – political organization of the Vietnamese peasantry under the leadership of the Communist Party of Vietnam. It was established on 14 October, 1930. Over the various periods of Vietnam revolution, VNFU has been playing a key role in gathering and uniting farmers in the struggle for national independence, national defense and construction.<sup>15</sup>

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<sup>15</sup> Vietnam farmer's Union website, introduction



Tasks of farmer's Union include educate, members, farmers on the policies, laws, farm technology and develop production.

Farmer's Union(FU)is organized at 4 levels from central level down to grassroots one with 63 provincial and city FU Executive Committees; 655 district and town FU Executive Committees; 10.474 grassroots FU Executive Committees; 92.500 FU branches in hamlet<sup>16</sup>.

#### **1.2.5.2 Cooperative groups (t h p tác)<sup>17</sup>**

The cooperative groups which are formed on the basis of cooperation contracts authenticated by Peoples Committees of communes, wards and townships (below collectively referred to as commune-level Peoples Committees) by three individuals or more who jointly contribute assets and labor to carrying out certain works for mutual benefit and responsibility.

Cooperative groups are organized and operate on the following principles: i) Voluntariness, equality, democracy and mutual benefit; ii) Majority voting; iii) Financial autonomy, self-financing and self-responsibility with assets of the groups and their members.

According to MARD, cooperative groups had been developed very fast since Decree No.151 on the organization and operation of cooperative groups enacted in 2007. There is 93,907 cooperative groups in 2002, increases to 136,097 in 2011. The Mekong Delta has the largest number of cooperative groups<sup>18</sup>

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<sup>16</sup> Farmer's Union report, 2013.

<sup>17</sup> Decree 151/2007 NĐ-CP on the organization and operation of cooperative groups, chapter I, article 1 & 2.

<sup>18</sup> MARD, changing and improving cooperative groups in agriculture, pp3-4

Most of cooperative groups in the Mekong Delta provide service related on agriculture in their communities and scale size of service is limited of size. In addition, cooperative groups cannot register for business permission and stamp and it cannot sign contract for doing business. However, cooperative groups have some advantages such as: simple management, easy open and free business tax on agricultural services.

### **1.3 Research Questions**

As I stated, Vietnam's Agricultural cooperative (AC), in general, and the Mekong Delta's (MD) Agricultural Cooperative, in particular, have been significant development as well as other business sector in Vietnam. The national statistic show that development index of ACs the Mekong Delta is lowest compared with other eight national economics regions. However, the Mekong Delta region has appeared some broken successful ACs.

Therefore, my concern question in this paper is follow:

What is the most successful key of ACs in Mekong Delta?

How is related between diversification in business and activities and sustainable development of agricultural cooperatives? And,

How is development strategy of agricultural cooperatives in the Mekong Delta, Vietnam?

### **1.4 Objectives**

Objective of this research are including:

- To describe current status of cooperatives and agricultural cooperatives in

Vietnam.

- To analyze current status of agricultural cooperatives in the Mekong Delta, Vietnam.
- To introduce contributions of agricultural cooperatives in the Mekong Delta to farming practices.
- To find successful business and activities and factors affect the success of ACs in the Mekong Delta, and
- To discovery strategy development of agricultural cooperative in the Mekong Delta, Vietnam.

## **1.5 Hypothesis**

The significant in diversification services is sustainable development strategy for agricultural cooperatives in the Mekong Delta, Vietnam

## **1.6 Literature Review**

### **1.6.1 The World History of Cooperatives**

The earliest cooperatives originated in Europe around the late 18<sup>th</sup> and early 19<sup>th</sup> century. One of the most common cooperatives which resulted in the genesis of the modern cooperatives movement was the formation in 1844 of the Rochdale Equitable Pioneers Society. This was a consumer cooperative established in Rochdale, in northern England, by a group of twenty eight workers in a weaving factory in the form of a shop.

However, the Rochdale Pioneers were not the first group to try

forming a cooperative, but they were the first to make their cooperative succeed and endure by avoiding the mistakes made by earlier cooperative societies and to help others, they developed a list of operating principles governing their organisation (Zimbelman, 2007). Another important development regarding cooperatives serving as credit or banking institutions was the establishment of the first savings and credit cooperative in 1864 by Friedrich Wilhelm Raiffeisen in Germany. The objective of the Raiffeisen Bank was to provide savings and credit services in urban and rural areas based on the idea of “self-help” (Ingalsbe and Groves, 1989, as cited by Ortmann and King, 2007)<sup>19</sup>.

The development of cooperatives over time has been shaped by many factors and influences. Ingalsbe and Groves (1989) group these into three main types (all interrelated): (1) economic conditions (caused by war, depression, technology, government economic policy, etc.); (2) farmer organizations (including quality of their leadership, their motivation and enthusiasm to promote cooperatives, power to influence public policy, etc.); and (3) public policy (as determined by government interest, legislative initiative, and judicial interpretation). Since about 1988 two phenomena have been occurring in the organization of agricultural cooperatives in the US: (1) the restructuring and consolidation of conventional cooperatives and (2) the emergence of new generation cooperatives (NGCs) (Cook, 1995). NGCs retain many of the characteristics of conventional cooperatives, but they focus on value-added activities. Member capital contributions are linked to product

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<sup>19</sup> Thomas & Hangula, 2011, reviewing theory, practices and dynamics of AC, *Journal of Development and Agricultural Economics* Vol. 3(16), Dec 2011, pp 696-697

delivery (marketing) rights which attain value and can be transferred, and membership is closed or restricted. These developments suggest that cooperative strategies are becoming more offensive in nature. Cropp (2002) contends that cooperatives in the US have matured to become a significant force in agriculture, and play an increasing role in influencing national agricultural policies.

In developing countries attempts to organize farmers into cooperatives have often failed, although cooperatives have the potential to supply farm inputs and market farm products that are both important for agricultural development (Hoyt, 1989). The DTI (2003) provides a brief overview of cooperative development in African countries. Akwabi-Ameyaw (1997) suggests that in Africa farmer cooperatives have often failed because of problems in holding management accountable to the members (i.e., moral hazard), leading to inappropriate political activities or financial irregularities in management. Van Niekerk (1988) reports that cooperative failures in the former (less-developed) homelands of South Africa were due mainly to lack of management experience and knowledge, lack of capital resources, and disloyalty of members due to ignorance. Some successes include food-processing cooperatives in Argentina and Brazil, and cooperatives processing and marketing milk, sugar, and oil seeds in India (Hoyt, 1989). ACIDI/VOCA (2005) lists a number of successful cooperative ventures that they helped to establish in developing countries. Government policies regarding cooperatives are critical because they can constrain or enhance independent cooperative

development (Hoyt, 1989).<sup>20</sup>

Other historians have found evidence of cooperation between many groups of people in Europe, Middle East, America and Africa. According to Zimbelman (2007) early agriculture would have been impossible without reciprocal aid among farmers. She also stated that farmers relied on one another to defend land, harvest crops, build barns and storage buildings, and share equipment. These examples of informal cooperation of working together were the pioneers to the cooperative form of business. According to Fairbairn (2004), cooperatives were typically formed by those experiencing difficulty in dealing with aspects of economic change.

### **1.6.2 Theory of Cooperatives**

Helmberger and Hoos (1962) can be regarded as having developed the first complete mathematical model of behavior of an agricultural cooperative. Sexton (1995: 92), who provides a brief overview of developments in the economic theory of cooperatives in the US prior to Helmberger and Hoos' paper (LeVay, 1983; Sexton, 1984), as "a landmark in the economic theory of cooperatives." (Helmberger and Hoos *Agrekon*, Vol 46, No 1, March 2007). (Ortmann & King (1962) use the neo-classical theory of the firm to develop short-run and long run models of a cooperative (including behavioral relations and positions of equilibrium for a cooperative and its members under different sets of assumptions) using traditional marginal analysis. In their model, the cooperative's optimization objective is to maximize benefits to members by

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<sup>20</sup> GF Ortmann & RP King (2007), Agricultural Cooperatives I: History, Theory and Problems, *Agrekon*, Vol 46, No 1 (March 2007), pp.40-51

maximizing “the per unit value or average price by distributing all earnings back to members in proportion to their patronage volume or use” (Torgerson *et al.*, 1998: 5). Sexton (1995) regards this “landmark” paper so highly because (1) the (correct) analysis of cooperative and member behaviour is based on a clear set of assumptions; (2) the model clearly distinguishes between short and long-run behavior in a cooperative; and (3) based on these characteristics, the model set the stage for further advances in cooperative theory in the 1970s and 1980s. Torgerson *et al.* (1998) contend that Emelianoff (1942) made a major contribution to understanding the internal economics of cooperatives with his conception of the cooperative as a form of vertical integration, and his focus on the structural and functional relationships of members (the principals) to their cooperative marketing organization (the agent). His model was later refined by Robotka (1947), Phillips (1953) and Aresvik (1955).

There have been various debates on whether a cooperative enterprise should be treated as a firm (a decision-making entity), as Helmberger and Hoos (1962) did, or as an organization (aggregation) of economic units (members), as treated by Emelianoff (1942), Robotka (1947), and Phillips (1953), for example. Rhodes (1995) presents an overview of the debate on the Helmberger-Hoos and Phillips models, with the former initially having the greatest support among economists, although their contribution has also been criticized (e.g., LeVay, 1983; Lopez and Spreen, 1985; Sexton, 1986). Sexton (1995: 94) views this debate as “primarily one of semantics,” and considers the issue not important to understanding cooperatives. He sees the development of alternative models as application of advances in economic theory of cooperatives reflecting “the richness of the

environments in which cooperatives operate and the need to have alternative models that apply in different settings” (p. 97). Staatz (1994), Royer (1994) and Torgerson *et al.*(1998) also contribute to this debate.

In addition, (Helmberger and Hoos, 1962). The cooperative model of enterprise can be applied to any business activity. For example, types of cooperatives include producer, consumer, workers and service cooperatives. Ortmann and King (2007) maintain that in general, agricultural cooperatives can be classified into three broad categories according to their main activity namely:

- i) Marketing cooperatives, which may bargain for better prices, handle, process or manufacture and sell farm products,
- ii) Farm supply cooperatives, which may purchase in volume, manufacture, process or formulate, and distribute farm supplies and inputs such as seed, fertilizer, feed, chemicals, petroleum products, farm equipment, hardware, and building supplies, and
- iii) Service cooperatives, which provide services such as trucking, storage, ginning, grinding, drying, artificial insemination, irrigation, credit, utilities, and insurance.

Further, the same authors point out that most of the agricultural cooperatives are relatively small businesses. Empirical evidence suggests that profit margins are generally lower in markets with a substantial cooperative presence (Rogers and Petraglia, 1994; Haller, 1993 cited by Torgerson et al., 1998: 11).



### 1.6.2 Natural of Agricultural Cooperative

Agricultural cooperatives may have increasingly important roles to play in providing agricultural producers access to markets and providing vehicles for capturing value added (Torgerson et al., 1998). Using the dynamic model, Royer and Smith (2007) argued that contrary to conventional thinking, cooperatives can successfully distribute surplus earnings to producers as patronage refunds, while using prices as instruments for achieving and maintaining optimal output levels. However, the existence of patronage refunds limits the ability of cooperatives to restrict producer output to optimal levels and that, as a result, cooperatives are unable to pursue objectives or exercise market power in the same manner as other firms.

Louw WD Walt, the cooperative will be successful if it promotes the wealth of its members and provide competitive products and services.

On the other hand, the co-operative movement in general agricultural co-operatives are guided by three major principles, i.e. self-help, self-administration and self-responsibility. Self-help means that people join forces, raise the necessary financial means for the joint co-operative undertaking themselves and are prepared to give mutual help. Self-administration means that the members organise the internal conditions of their co-operative society themselves ("internal democracy"). Hence, the co-operative is not subject to third party's orders. While the broad rules and regulations of all types of co-operatives are outlined in the national co-operative laws, they have to be specified in the bylaws of each individual co-operative (Thomas and Hangula, 2011).

Classically, decision-making was based on the rule of equal rights of all members regardless on the value of shares subscribed (“one member – one vote”). Depending on their number members are either directly or indirectly represented at the general assembly, the highest decision-making body of a co-operative. It is electing the management and supervisory boards. Self-responsibility means that members themselves are responsible for the foundation and upkeep of the co-operative enterprise with respect to business partners in order to establish confidence in economic life (“joint liability”). While formerly members were liable with all their property, they are now liable with their shares only. Members of the management and supervisory boards might be liable with their private property if found guilty of mis-management (IRU, 1991: 9; ZERCHE et al.: 9-14).

Two aspects that are of particular importance of any existing or future self-help organisation refer to internal autonomy and external autonomy. Internal autonomy relates to the organisational structure, the management system and the participatory organisation or the internal democracy. External or economic autonomy requires a certain economic efficiency as well as supportive or federate structures which are applying the principles of subsidiarity. Both aspects have to be fulfilled if the self-help organisation is supposed to have a certain economic viability and a social acceptance of its members.

Thus, co-operatives basically comprise individuals who voluntarily join a social group (“co-operative society”). At the same time the co-operative represents a business unit which has to be registered to participate in economic life (“co-operative enterprise”). Hence, co-operatives are characterised by their dual

nature (DRAHEIM, 1955: 16).

### **1.6.3 Agricultural cooperatives in the World**

#### **1.6.3.1 Agricultural cooperatives in Japan<sup>21</sup>**

Japan consists of four major islands Hokkaido, Honshu, Shikoku and Kyushu and a number of island chains. The archipelago, lying off the eastern coast of the Asian Continent, stretches in an area 3,800 kilometers long and covering an area of 378 thousand square kilometers. The climate is generally mild and the four seasons are clearly distinct. The country is mountainous and arable land is very limited; only 12.7 % of Japan is cultivated, and paddy fields occupy 54.4% of this area. Total cultivated land in 2007 was 4,650 thousand hectares, making the average Japanese farm only 1.9 hectares in size.

Agriculture in Japan is supported by some 2.52 million farming households, representing 5.1 % of total Japanese households which number 49,53 million. The number of population of farming households is approximately 7.64 million, 6.0% of the total population (January, 2006). The number of farming households, as well as that of the farming population, has been steadily decreasing.

The origins of Cooperatives in Japan can be traced back to credit unions such as “Hohtoku-sha” established in 1843 by farmers-activists, including Sontoku Ninomiya. These credit unions embodied a spirit of mutual aid at a time when there were no formal cooperative organizations.

In 1868 Japan underwent a great transformation. After 300 years of

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<sup>21</sup> JA-Zenchu, 2008, the Agricultural Cooperative in Japan, pp 2-7

isolationist policy, Japan opened its doors to join the worldwide family of nations. At the same time it embarked on a course of modernization and industrialization. This necessarily led to a situation where traditional small producers were forced to compete with newer, much larger capitalist enterprises, creating an urgent demand for cooperative organizations that would bring economies of scale to small operators.

Japan's first modern cooperatives were the sales unions established to facilitate community trade. Between the late 1870s and the late 1890s, silk and tea producers established cooperatives in Gunma and Shizuoka Prefectures, the main producing areas of silk and tea, respectively. The government, for its part, strongly felt the need to promote the creation of cooperatives for the sake of the development of industry and the nurturing of small-scale producers. After many twists and turns, through efforts of Yajiro Shinagawa, Tosuke Hirata, and many others the Cooperative Society Law was enacted in 1900, leading to the establishment of cooperatives (Sangyo Kumiai) nationwide. The law authorized five types of cooperative: credit, marketing, purchasing, utilization (manufacturing) and usage.

After World War I ended, the Japanese economy entered a severe depression. Farmers were hit by a drastic fall in agricultural commodity prices. The concurrent financial crisis also affected cooperatives to a great extent. Then, in 1925, cooperative leaders initiated a campaign to revitalize the movement, altering the former strategy centering upon landowners, and calling on all farming households to become members. By that time, cooperative members had seen the necessity for a new business federation and consequently established the

National Supply Federation of Co-operatives and the Central Bank for Co-operatives in 1923. Various other national federations, organized according to product, were established during this period.

After the war, the democratization of Japan's politics and economy was carried forward with the help of the Occupation Force, and the biggest part of this endeavor was agricultural land reform. This completely abolished the tenant farmer system and gave almost all farmers status as independent farm owners. The Agricultural Cooperative Society Law, enacted in 1947, established agricultural cooperatives (Nokyo) as economic organizations to replace Nog yokai and guaranteed farmers' independence. Consequently, from 1948 to 1949, an increasing number of agricultural cooperatives were established throughout Japan. During this same period, a number of related federations, organized according to activity carried out by agricultural cooperatives, were founded. Among these were federations relating to mutual insurance activities newly approved by the Agricultural Cooperatives Society Law.

After the World War II, agricultural cooperatives soon encountered serious financial difficulties because of ongoing changes in the postwar economy and the government's deflation policy.

In 1954, the Agricultural Cooperative Society Law was revised and an apex organization, the Central Union of Agricultural Co-operatives (JA-ZENCHU) was established to guide and coordinate Japan's agricultural cooperative movement at the national level. Similarly, the Prefectural Central Union of Agricultural Cooperatives was established to carry out the same tasks at the prefectural level.

From about 1960, Japanese industries, especially the heavy chemical industry, entered a period of explosive growth, bolstered by the government's high economic growth policies.

In 1961, the Agricultural Co-operatives Amalgamation Assistance Law was enacted, and by 1965 the number of primary multipurpose agricultural cooperatives decreased from 11,586 to 7,320. Increases in size as a result of this reduction in the number made it possible to solidify the business and management base, improve facilities, and enter into new fields of activity. Moreover, with an increase in the associate membership (non-farmers), agricultural cooperative activities became even more widespread.

In April 1992, JA ZENCHU and its member organizations of agricultural cooperatives in the country confirmed that “JA”, which stands for “Japan Agricultural Cooperatives,” should be adopted as their new, simplified and common abbreviation so as to represent a new and popular image of agricultural cooperatives in the country. JA's activities include the following (i) Residential Development and Asset Management; (ii) Comprehensive Life and Home Centers; (iii) Public Relations; (iv) Welfare for the Elderly ; (v) Organic Agriculture and Consumer Relations.

Membership of JA is approximately 9,320 thousand (as of the end of 2006), and includes almost all farmers in Japan. A typical cooperative (10,951 members, on average) consists of farmers as regular members and non-farmers as associate members. Membership requisites are stipulated in the articles of association for respective cooperatives, but they generally require farmers to own and operate

farmland of 10 areas or larger, or be engaged in farming 90 days or more a year. Agri-related associations that manage farming operations can also obtain cooperative membership.

Citizens residing in the vicinity of a JA can become an associate member of that JA. Associate members benefit from JA services, but cannot vote at general meetings or elect board members. Use of any JA services by non-members is limited to not more than one fifth that of the members. Regular members account for 70% to 80% of total membership in farming regions, but there are cooperatives in urban areas where the ratio of regular members is less than 50%.

Investment in multipurpose cooperatives averages ¥167,000 per member.

Average investment per cooperative is ¥1.8 billion, and total investment is ¥1,557.5 billion.

Types of Agricultural Cooperatives: JA encompasses both multipurpose and single-purpose cooperatives, the difference determined by member farmhouses and the type of service provided.

Farmers organize an agricultural cooperative and use its services as well as operate the cooperative. In terms of total membership, multi-purpose agricultural cooperatives predominate in Japan.

Multi-purpose cooperatives offer guidance on farming and lifestyle matters, market agricultural products, supply production materials and daily necessities, loan and saving service, provide insurance against emergencies, and establish facilities for joint use.

Multipurpose agricultural cooperatives, covering all farmers within the region,

comprehensively perform activities including guidance on members' farming and lifestyle matters, marketing, purchasing, credit, and insurance, and handle all of main agricultural products within the region. Multipurpose agricultural cooperatives cover all the cities, towns and villages throughout Japan.

At present, there are 764 (as of September 1, 2008), but reorganization is expected to reduce this number to less than 500 agricultural cooperatives.

Single-purpose agricultural cooperatives are organized by farmers, who are active in specific areas of production such as dairy farming, raising livestock, horticulture and other specialized farming. They focus on marketing member farmers' products and supplying production materials and guidance. There are 2,298 single-purpose agricultural cooperatives throughout Japan (as of the end of March 2008).

Major activities conducted by JA are outlined as follows: farm guidance, better living guidance, marketing product processing, purchasing, credit, mutual insurance, utilization, welfare, real estate, tourism, education, public relations, and lobbying,

#### **1.6.3.2 Agricultural cooperatives in Thailand<sup>22</sup>**

The history of agricultural cooperatives in Thailand can be traced back to 1914, when the Thai economy opened to international trade during the reign of King Rama V. Rice production was becoming commercialized, but farmers could not benefit from the situation. Moreover, the national disasters such as

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<sup>22</sup> Suwanna Thuvachote, Kasetsart University, 2006, *Agricultural Cooperatives in Thailand*, pp3-9



drought and flood caused them into chronic and severe indebtedness due to being unable to repay their loans. Consequently, they were losing their farmlands, turned to hired-laborers and thus left their debts unpaid. Based on the recommendation of Sir Bernard Hunter, the head of the Madras Bank of India, the concept of cooperatives was introduced to Thailand through a special assistance program. It was believed that this would help the farmers to pay their debts and improve their livelihood.

In 1916, the Thai government created the first cooperative society, as a trial, among the small paddy farmers named “Wat Chan Cooperative” in Phitsanulok Province. It was known as a “village credit cooperative” with unlimited liability, following the Raiffesen credit cooperative type with a single purpose of providing farm credit to help the severely indebted farmers. Sixteen most indebted farmers in the province were chosen as the founding members. Although with a start up capital of only 3,000 baht, the cooperatives operated very successfully. Within the first 13 months, its members were able to repay 50 percent of their debts. The success of this cooperative led to the increase of small village credit cooperatives all over the country. The small credit cooperatives had prevailed in the country until 1983, after that, other types of cooperatives were established in responding to the people’s need.

With a view to facilitate financing support to cooperatives and their members, the government set up the “Bank for Cooperative” in 1947. Credit cooperatives were urged to hold share capital in the bank with the hope that they would, in future, be owners of the bank which would be their own financing

centre. In 1952 and 1953, two provincial cooperative banks were established in Chiangmai and Uttaradit provinces respectively. Unfortunately, the enactment of a new “Commercial Bank Law” in 1962 limited the services on deposit on current accounts to be provided only by commercial banks. The two existing provincial cooperative banks had reorganized as credit cooperative federations and a program to set up new cooperative banks was dropped. In 1966, the “Bank for Agricultural and Agricultural Cooperative (BAAC)”, a state enterprise, was established to be a financial centre for agricultural cooperatives as well as individual farmers.

In 1968, the government enacted the “Cooperative Act, B.E.2511” to facilitate the expansion and improvement of the cooperatives. This legislation embodied two important features, the amalgamation of credit cooperatives at village level to district level and the establishment of the Cooperative League of Thailand (CLT) to function as the apex organization of the cooperative movement. The amalgamation was the most important one, as it enhanced the economies of scale of the business operation. The credit cooperatives were officially categorized as “agricultural cooperatives”. In 1969, the government changed the status of agricultural cooperatives from unlimited societies to limited ones. This year, the Agricultural Cooperative Federation of Thailand was also established as the apex agricultural cooperative of the country.

Membership (Jan, 2006) the Cooperative Movement of Thailand was composed of 6,712 primary cooperatives with an individual

membership of 9,684,508 or about 14% of the total population of the country. The cooperatives in agriculture sector occupied the largest. It had a total of 4,137 primary cooperatives with 5,950,809 individual members. These represented more than 60% of the total primary societies as well as the total individual membership of the cooperatives of the country.

Business activities and scopes of agricultural cooperatives including credit business, saving and deposit business, marketing business and purchasing business.

At present, the cooperatives in Thailand are officially categorized into seven types namely agricultural cooperative, land settlement cooperative, fisheries cooperative, consumer cooperative, thrift and credit cooperative, service cooperative and credit union cooperative.

Thai government has many special policies and support to ACs. For example, the cooperative movement in Thailand had its first master plan – “Cooperative Development Plan 2003-2006” in 2003. This plan was regarded as a “road map” for development of cooperative movement. It was the outcome of joint efforts of those in the cooperative movement and the general public. As a result of the six strategies clearly outlined in the master plan, significant progress has already been noted. Because of this master plan, the Cooperative Act has been amended to allow for greater flexibility. The Act is now being reviewed by the parliament.

There is very strong support from the government to ACs. For example, Thai government by Cooperative Promotion Department (CPD), has

continuously invested a large amount of resources, through various programs, for agricultural cooperative development. The important development schemes, among others, are the establishment of central markets for agricultural products in 870 villages and 20 bigger product distribution centers throughout the country. Moreover, CPD have launched a Mini MBA program for management staff of the cooperatives throughout the country.

#### **1.6.3.3 Agricultural cooperatives in Malaysia<sup>23</sup>**

The British introduced the cooperative movement in Malaysia in 1922 as a means of tackling widespread indebtedness of rural farmers and government servants. Since then, the movement has been regarded as a benevolent institution to alleviate the social and economic status of the less privileged section of the Malaysian society. Initially all cooperatives, regardless of rural, urban, agro or fisheries' based were under the supervision of the Cooperatives Development Department. However, in the 1970's, with the rapid growth of the cooperative movement and its manifestation in the general economic development of the nation, has made it necessary for the Government to introduce measures for the continued health of the movement.

Agricultural-based cooperative organizations in Malaysia are of two categories namely those registered under the Cooperative Act 1993 which replaced the Cooperative Ordinance 1948 and the Farmers Organization Act 1973 / Fishermen's Association Act 1973. The agricultural cooperatives that were registered under the Cooperative Act 1993 consisted of

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<sup>23</sup> Dato' Abd. Rahim bin Haji Ahmad, 2006, Agricultural Cooperative in Malaysia, pp5-9

those cooperatives that falls under the jurisdiction of the Farmers' Organization Authority (FOA) and Fisheries Development Authority (FDA). The FOA was set up in 1973 to look after the agro-based cooperatives while the FDA took control of fishermen's cooperatives in 1974. There were other agriculture cooperatives that was under the Cooperative Department and these were in the land schemes managed by the Federal Land Development Authority (FELDA) and the Federal Land Rehabilitation And Reconsolidation Authority (FELCRA).

At present, the FOA has 422 Agriculture Cooperatives under its wing, most of which are multi-purpose cooperatives undertaking thrift and credit, trading, marketing and some are engaged in agriculture production. Also categorized as agriculture cooperatives, are the Farmers' Organizations (FOs) under the jurisdiction of FOA and the Fishermen Associations (FAs) under FDA. The FOs are more actively supported by the Government through FOA in the form of managerial personnel support and development funding for financing agriculture production., marketing, processing and other business activities that benefits its members. The FAs also enjoy similar support from the Government through the FDA.

Membership of ACs are approximately about 699,500 registered farmers as members of Area Farmers Organizations (AFOs) with share capital amounting to USD 20.41 million. All AFOs are members of State Farmers Organizations (SFOs) and all SFOs are members of the National Farmers Association (NAFAS). Individual farmers of at least 30 people could establish a group at the village level and this group is known as the

Farmers' Unit to the Farmers Organizations. A registered agric-based cooperatives becomes a member of an Area Farmers Organizations (AFOs) and is known as a Members Unit.

ACs in Malaysia provides these services follow: Commercial and technology transfer program such as the flagship projects, nucleus estates, incubator projects and land lord in trust schemes; Institutional support services such as for mechanization, information communication technology, product distribution centre and training; Transformation of technology program which includes communication, media and TOT campaigns; Human resource development such as providing courses/ training, visits/TOT, seminars and convention and human building or motivation; Supporting services and delivery system - marketing, processing/SME, post-harvest, transportation and mechanization & automation; And farmers development program - Commodity based human development and Farmers Unit development.

#### **1.6.3.4 Agricultural cooperative in the Philippines<sup>24</sup>.**

The history of Agricultural Cooperatives in the Philippines may be subdivided into four waves namely: (1) First Wave: During the American Regime; (2) Second Wave: The immediate post-war period; (3) Third Wave: Martial Law Regime; (4) Fourth Wave: Under the Restored Democracy.

During the First Wave, the Rural Cooperative Bill was introduced in

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<sup>24</sup> Dennis B. Araullo, 2006, Agricultural Cooperatives in the Philippines, 2006

1907. In 1915, the Rural Credit Act was enacted. It was the first cooperative law in the country and was patterned after German cooperatives based on Raiffeisen experience.

In 1927, The Cooperative Marketing Law was passed, giving the Bureau of Commerce and Industry the responsibility of organizing farmers into marketing cooperatives.

From 1942-1945 the cooperatives ceased to function because of the World War II.

During the Second Wave, Republic Act 583 Created the Small Farmers Cooperative Loan Fund. Two years after, Republic Act 821 created the Agricultural Credit Financing Administration (ACCFA). Through ACCFA, the government organized and financed Farmers' Cooperative Marketing Associations (FACOMAs) by providing collateral free loans funded by the US Agency for International Development (USAID). These state initiated FACOMAs failed due to corruption and incompetent management.

In 1953, the Federation of Free Farmers (FFF) was established. In 1960, the Agricultural Credit Cooperative Institute (ACCI) was then established. Three years later, the Agrarian Reform Code was enacted. The Land Bank of the Philippines was also established during the same year. In 1969, the Agrarian Reform Code was passed, mandating that coops be utilized as primary conduits for

credit, supply and marketing services to agrarian reform beneficiaries.

During the Martial Law, the Agrarian Reform Decree declared the entire country as an agrarian reform area. Under the Land Reform Program, the tenant-farmers were obliged to compulsorily join a pre-cooperative organization called Samahang Nayan. Benefits would include the right to borrow funds from government banks and the assurance of being supplied with farm inputs.

During the fourth wave, 1990, the Cooperative Code of the Philippines was enacted as well as the creation of the Cooperative Development Authority. In 1993, the National Cooperative Movement (NCM) was organized and then the organization of the Philippine Cooperative Center (PCC) the following year. In 1998, the Coop National Confederation of Cooperatives (NATCCO) Network Party formed by members of NATTCO landed a seat in the House of Representatives after garnering over 2% of the votes of party elections.

Membership: The Philippines adheres to the basic principle of cooperativism on membership which means that cooperatives are voluntary organizations, open to all persons able to use the coops' goods and services and willing to accept the responsibilities of membership.

Cooperatives are categorized according to membership and territorial consideration. In terms of membership, cooperatives are categorized as follows: Primary members of which are natural persons of



legal age. Secondary members of which are primaries. Tertiary members of which are secondary upward to one or more organizations

Business and service from an agribusiness standpoint, the business activities and scope of the agricultural cooperatives in the Philippines cover the functions including input supply, production, post-harvest, processing and marketing. Credit and financing are also engaged in by the agricultural cooperatives inasmuch as most of the production cooperatives undertake re-lending to its members. This is the reason why most cooperative are registered as multi-purpose. Most of the agricultural cooperatives however are engaged into production. Input supply is likewise being undertaken by the multi-purpose cooperatives by providing the input requirements of its members. Very few cooperatives however engage in bulk purchase of input supply. Needless to say, most of the agricultural cooperatives in the Philippines are either too small or have not yet fully matured to take on agro-industrial activities such as processing.

Some of the more common activities being handled by the typical agricultural cooperative are as follows:

Cash Trading: This is business done on a cash and carry basis. The customer enjoys at least the use of the goods and services for cash payments he/she gives. Cash trading promotes equality since anybody with cash can enjoy the service patronage. This practice can train members to observe the habit of balanced spending. Furthermore,

the cooperative would be able to avoid bad debts and stabilize business operations. Finally, it is a way of increasing growth.

**Selling at Market Price:** Cooperatives offer goods and services at prevailing market prices. This promotes stability. It can cope with operational expenses and cover up the negative effects of shrinkage, depreciation and losses. It helps maintain the prices of goods.

**Quality standardized goods:** Cooperatives are intended to develop communities through the production of high quality goods and provision of better services. Cooperatives could help by patronizing only standardized products and services of high quality. Hence, different types of cooperatives will strive to improve their goods and services to stand competition with business establishments. This, in turn, will be instrumental in improving life in the country.

**Cooperative wholesale business or interlending (cooperative bank):** Cooperatives can be organized with enough people and capital. They respond to the needs of the community. The expansion of membership may result in wholesale business. In fact, to be effective, wholesale business, interlending (cooperative bank), could be done by primary societies. Defects from retail business could be avoided. The benefits from the wholesale are considerable. Members can market and acquire the goods and services at the right price and quality. They can even lower and raise savings. They can also influence the production of badly needed goods and services;

Minimize expenditures: A significant factor favoring the growth of cooperative is its being a community project. Its officers do not receive remuneration. If they get compensation, it is only in the form of allowances, per diems, or honoraria. When audit shows that the cooperative is not capable can afford the minimum wage, only employees get paid regularly. The government can give exemption. Furthermore, laws may allow exemption from income and sales taxes. Minimizing expenses should not be taken as a remedy to cover-up the weaknesses of the system. It is not to be conceived as a form of dole-outs, but rather, it should be considered as motivation to make the movement stand on its own and soon attain its objectives. Once its objectives are achieved, the movement can take its rightful place in the development of the country.

#### **1.6.4 Agricultural cooperatives theory in Vietnam**

Up to 1986, 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. In 1986, 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 globalization in a much shorter period than most of their colleagues elsewhere. (Axel Wolz and Pham Bao Duong, 2008.)

## 1.7 Research Methodology

### 1.7.1 Research Design

Vietnam classifies into ten types of cooperatives including agricultural cooperative and agricultural cooperative usually consist of half of national cooperative. Therefore, I select to research on agricultural cooperative.

According to the secondary data and report from the General Statistic Office of Vietnam, I find out problem statements of agricultural cooperatives in the Mekong Delta, south of Vietnam that agricultural cooperative is lowest development index compared with 8 economic regions in Vietnam but some agricultural cooperatives are very success broken through business and activities and management. In addition, I observed differences between North and South Vietnam in the situations and characteristics of AC. For example, ratio of farmers in South enrolment in ACs is lower than that of in North, but Farmers in South contribute money to buy share from AC and get dividend annually, on the contrast, many farmers belong to transformed ACs in North do not buy share and get no dividend from ACs. Otherwise, 79.5% of newly established ACs are in South of Vietnam<sup>25</sup>, Mekong Delta consists of 30.7% number of national ACs compared with eight economic regions<sup>26</sup> in Vietnam<sup>27</sup>. The development index of ACs in Mekong Delta is lowest compared with that of other eight economic regions in country but Mekong Delta is been famous with some special successful ACs<sup>28</sup>.

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<sup>25</sup> VCA, report 2011, p6

<sup>26</sup> The eight economic regions include: Northeast, Northwest, Red River Delta, North Central Coast, South Central Coast, Central Highlands, Southeast and Mekong Delta

<sup>27</sup> MARD report 2005

<sup>28</sup> VCA, report 2011, pp3-4

Therefore, this study selects the Mekong Delta for conducting field survey.

### **1.7.2 Sampling Design**

Situation of Mekong Delta's, in particular, is different between from other regions in Vietnam. Therefore, this study designs to collect general information of agricultural cooperatives in Vietnam to readers who are not familiar with agricultural cooperatives in Vietnam. Then, the study presents detail situation of ACs in the Mekong Delta, South of Vietnam and other data, field surveys also in the Mekong Delta.

Secondary data were collected through reports of VCA, MPI, MARD and General Statistic Office of Vietnam.

The primary data was collected by many methods includes

Data is related presents current situation of agricultural cooperatives in the Mekong Delta.

The case studies of agricultural cooperatives in the Mekong Delta explore reasons that agricultural cooperatives are lowest development index but it appears some successful agricultural cooperatives.

The field surveys in An Giang province and did field visits to seven successful ACs in the Mekong Delta.

Field visits all seventh ACs in the list of the national 100 best ACs

Finally, the research present a strategy development of agricultural cooperatives in the Mekong Delta, Vietnam and the paper focuses to discover solutions for diversification services in agricultural cooperatives as the sustainable development key.

More detail of sample design will be present in chapters later.

### **1.7.3 Data Collection Procedure**

The research uses both qualitative and quantitative methods to collect data primary and secondary data related on agricultural cooperatives in Vietnam and the Mekong Delta. Secondary data were collected through reports of Vietnam Cooperative Alliance (VCA) and VCA's office in 13 provinces and a city in the Mekong Delta from 2000 to 2010. Moreover, other secondary were collected through reports of Ministry of Planning and Investment of Vietnam (MPI), Ministry of Agricultural and Rural Development (MARD), General Statistic Office of Vietnam (GSO).

In addition, I would like to find out difference between farmers, who are members of agricultural cooperatives, and farmers, who are non-members of agricultural cooperatives. I called Group A (GA) for members of ACs and called Group B (GB) for non-members of ACs.

The sampling was selected by random sampling method and surveyed using a questionnaire based on farming households in agricultural cooperative area. All interviewees are living in the same hamlet and cultivate their farmland in agricultural cooperative area. Some of them are members and other are non-members of agricultural cooperative. Non-members had farmland in the same area as members and used some of the same AC services used by members. As result, I interviewed 123 rice farmers for both GA and BG. Sixty-two of those interviewed were members of ACs(GA) and the other 61 were non-members of ACs (GB).

On the other hand, I would like to find contributions of ACs services to farming practices between P0 denotes the period before GA and GB began receiving AC services and PT indicates the period after GA and GB began receiving AC services. I measured the AC's contributions to farming practices by comparing PT and P0 services. However, the limited data did not contain P0 values for several indicators. Therefore, I measured those cooperative contribution indicators by comparing the difference between GA and GB. This method cannot exactly measure the contributions of only the AC to farming practices; however, a relatively accurate contribution amount and trend can be measured because ACs provide many priority services to members and discount their service fees for members.

Finally, I use case studies of successful ACs because I would like to discover successful services and activities of ACs. Among the national best 100 ACs in 2011, recognized by the state government, seven are in the MD region including the Phu Thanh and 3A Canal ACs. Therefore, I visited all seven ACs in the MD to obtain general information on their activities and management. Next, I analysed the information of the seven ACs and selected the Phu Thanh AC (hereinafter, Phu Thanh) in An Giang province and the 3A Canal AC (hereinafter, 3A Canal) in Kien Giang province for our case study, because both provinces are agriculture-dominated provinces<sup>29</sup>. Then, I returned to Phu Thanh and 3A Canal ACs. Next, I hosted a discussion group including all staff management, hamlet governors and four farmers, including two members and two non-members.

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<sup>29</sup> In 2011, the economic proportions of agriculture, industry and services were, respectively, 51.6%, 13.2% and 35.3% in An Giang province and 48.8%, 28.4% and 22.8% in Kien Giang.

Finally, I held a short discussion with the commune governor on AC activities in the commune.

#### **1.7.4 Method of Data Analysis**

The data analysis in this thesis consists of many components.

I used the Business Environment Analysis (BEA) tool analyzes macro, micro internal environment policies. The SWOT analysis tool builds strategy development of agricultural cooperatives.

The secondary data from variously case studies, research papers, summary of conferences, government reports, and statistical reports both in English and Vietnamese languages have been used. The primary data was found through conducting field surveys that were inputted into computer and analyzed both through simple and complex statistical procedures by software Microsoft Excel 2010 and the Statistical Package for Social Sciences (SPSS) 13.0.

The details of the different analytical procedures in this thesis will be presented in the chapters later.

#### **1.7.5 Limitation of data**

The challenges were to collect secondary data from state government reports. Several statistical reports are difference between figures and numbers from different to offices. Three state government offices issue data relate on agricultural cooperative including the MARD), VCA and MPI, However, facts and figures are different between those offices because of different statistic methods and report's time. Ex: MPI collects data until June of each year, collects



data less than 61 provinces and cities in the country and issues statistical data of all kinds of cooperatives including agricultural cooperatives. On the contract, MARD collects data only on agricultural cooperative and collects data until December in the year. The only VCA collects data with advance statistical method, data was collected annually at the end of national financial year and collected data of all provinces and cities in the countries. The challenge is that VCA issues with simple statistical analysis data and misses data from 2001 to 2004. However, this thesis uses most of figure and number from report of VCA during period 2000 to 2010.

### **1.8 Summary**

The main purpose of this study is identify successful services and activities of ACs in the Mekong Delta. Then the study wants to measure contribution of ACs to GA&BG and P0&PT, Also, this research finds out correlation between business and activities and successful ACs in the Mekong Delta. Finally, the study discoveries development strategy of ACs in the Mekong Delta during period 2014-2020.

### **1.9 Structure of the Thesis**

The thesis consists of six chapters follow:

Chapter one provides introduction, background information, definitions related this study and presents other information an academic research paper such as: objective, hypothesis, research methodology and literature review.

Chapter two presents current status development of cooperatives and

agricultural cooperatives in Vietnam. The chapter shows effects of macro, micro and internal environments to development of cooperatives and agricultural cooperatives.

Chapter three describes and analyzes current status of ACs in the Mekong Delta, South of Vietnam. This chapter draws a picture of ACs in the Mekong Delta consist of achievements as well as challenges during period 2000-2010. Also, The case study of ACs in An Giang province gives readers evidences contributions of ACs to economics and society in An Gian province, it is an example of success and contributions of ACs in the Mekong Delta region.

Chapter fourth presents difference contributions of ACs between members(GA) and non-members(GB) of ACs. Significantly contributions of ACs to members group are higher than that of non-members because members use more agricultural cooperative's services than that of non-members.

Chapter five give more detail and discussion on successful services of ACs and finds out factors affect success of ACs in the Mekong Delta through case study of agricultural cooperatives in An Giang and Kien Giang provinces. The chapter also identifies correlation between diversification services and success of ACs in the Mekong Delta.

Chapter six analyzes and presents strategy development of ACs in the Mekong Delta during period 2014-2020 in term of viewpoint of an academic science research.

## **CHAPTER II: OVERALL STATUS OF AGRICULTURAL COOPERATIVES IN VIETNAM**

### **2.1 Introduction**

The agricultural cooperative (AC) in Vietnam has developed since 1954 with many historical ups and downs. During 1954-1975, ACs developed only in northern Vietnam, and none existed in southern Vietnam because of wars. The government expanded the AC from North to South Vietnam during 1975-1995. During 1954-1995, which I call the old AC period, ACs collected land, capital assets and property of individual farmers. The government required all farmers to join ACs, appointed AC staff, assigned duties to farmers in ACs and equally distributed profits to each farmer. There was no law regulated cooperatives because Vietnam was in the war until 1975 and central government and military managed all activities in the country. However, during period 1975-1995, ACs in Vietnam largely collapsed and could not conduct activities after Vietnam became a market-oriented economy in 1986.

In 1996, the government introduced the new AC model following the International Cooperative Alliance (ICA) model and enacted the First Cooperative Law. In addition, the government promulgated many resolutions, decrees and circulars to promote the new AC. AC entered another development period, improving business activities, members, capital and property.

However, ACs have encountered many opportunities and challenges after the cooperative Law 1996 has effected and other policies related on AC have enacted.

## 2.2 Objectives

Our major interest is the opportunities and challenges of AC development in Vietnam since the first Cooperative Law in 1996. Therefore, this study attempts to

- Describe the current situation of the AC in Vietnam.
- Analyse opportunities in AC development.
- Analyse challenges in AC development.

## 2.3 Research Methodology

I used the business environmental analysis (BEA) model for analysing opportunities and challenges of AC development. The BEA consists of three environments as shown in Table 1. The BEA is a tool for analysing the effects of external and internal environments on business organizations including ACs.

**Table 1: Business Environment Analysis Model**

Environments	Consists of Factors
Macro	Political, law, economic, cultural, technological, natural, demographic and international environments.
Micro	Staff, employees, customers, supplier, competitors.
Internal	Human and financial resources, policies, technologies and operations.

*Source: Roger N. Reeve, 2002*

The BEA identifies the opportunities and challenges in a business environment in terms of an organization's strengths and weaknesses. An organization relies on strengths to capture opportunities from business environment and recognise weaknesses to avoid becoming a victim of environmental threats. An organization performs an environmental analysis to

gain an understanding of these strengths, weaknesses, opportunities and threats. The environmental analysis then influences corporate planning and policy decisions.

The AC is a particular business organization of farmers in Vietnam. It is a simple operation of small size in a rural area. Therefore, I focused on analysing certain environmental factors related to ACs. The macro environment includes policies and laws; economic, sociological and historical factors; and structure management. The micro environment focuses on members, suppliers, customers and competitors. The internal environment includes capital, capital assets, staff, finance and operations. However, I focused on analysing in detail the macro environment factors as our hypothesis states that the macro environment has the impact on AC development.

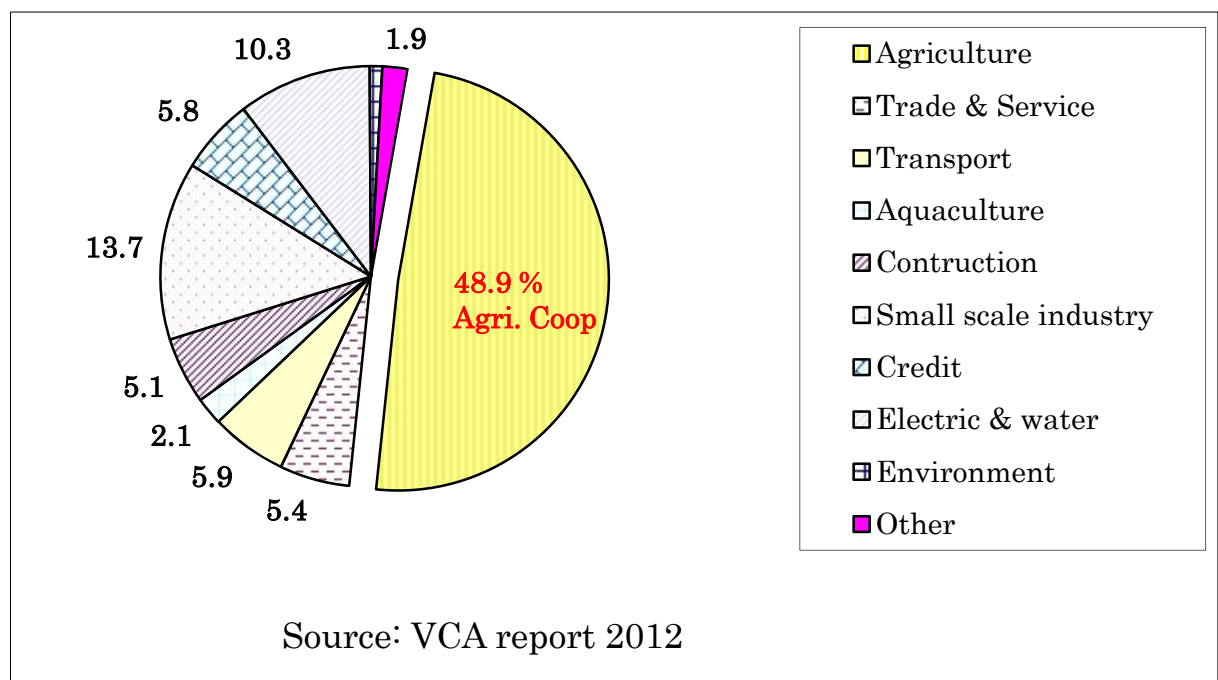
You might ask me that why SWOT (alternatively SWOT Matrix) analysis did not use in this case, I used to argue on this matter, but I found that BEA analysis is better than SWOT analysis for this chapter because ACs in Vietnam is an economic organization. In addition, SWOT analysis is a structured planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieving that objective. In this chapter, I provide general information of cooperatives and ACs in Vietnam, I don't analyze in specially product, place and only ACs. Therefore, SWOT analysis is not suitable in this chapter.

The study used secondary data for reporting and analysis. I collected secondary data from reports of Vietnam Cooperative Alliance (VCA), Ministry of Planning and Investment (MPI), Ministry of Agriculture and Rural Development (MARD) and General Statistics of Vietnam. I also utilized secondary data from previous research related in agriculture and ACs on Vietnam.

## 2.4 Research Results

### 2.4.1 Current Status of Agricultural Cooperatives in Vietnam

ACs is largest number among of all type cooperative in Vietnam. ACs in Vietnam always comprises nearly half the total of national cooperatives<sup>30</sup> among ten categories<sup>31</sup> of cooperatives as shown in Figure 3.

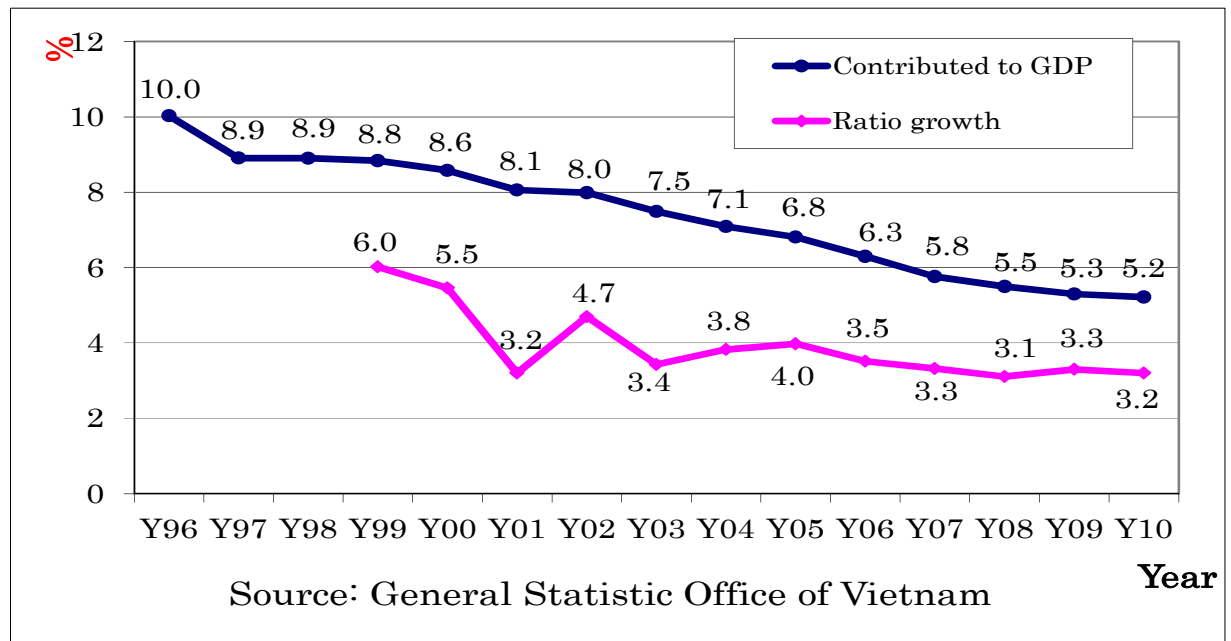


**Figure 3: Classification Name of Cooperatives in Vietnam (2010)**

<sup>30</sup> AC consists of 48.9 the total national cooperatives in 2010, VCA, report 2012, p 3

<sup>31</sup> Ten type of cooperative: agricultural cooperative, trade and service, transportation, aquaculture, construction, small-scale industrial, credit, electric and water, environment and other cooperatives such as health, school, fruit and livestock cooperative.

Collective economy (including cooperative and cooperatives groups farmers) has been quite significant to the national economy (GDP) and itself ACs.



**Figure 4: Percent Growth & Contributed GDP of Collective Economy**

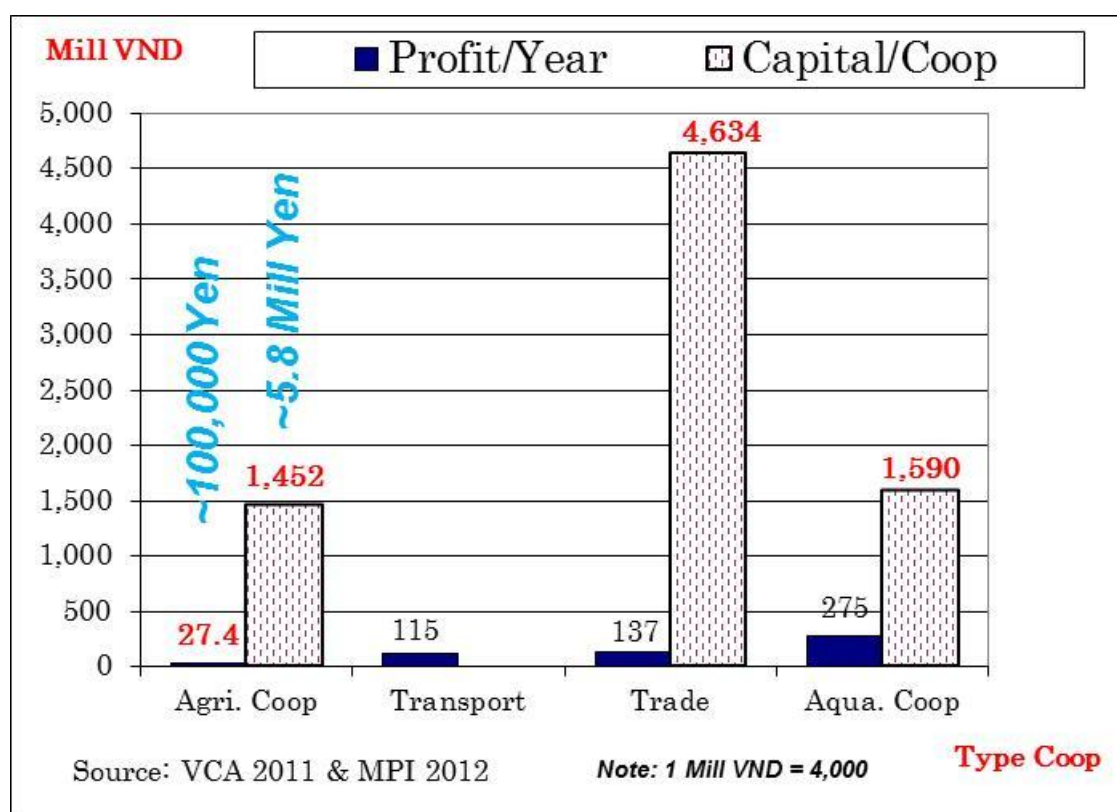
Figure 4 shows the contribution of the collective economy (including cooperatives, ACs and cooperative groups) to the GDP has decreased continuously since 1996, although the government expected that the collective economy's contribution to the GDP would be 15.9% in 2001 and 12.5% in 2005. ACs contributed to the GDP only 8.1% in 2001, was 6.8% in 2005 and was down 5.2% in 2010. The contribution of collective economy has been lowest compared with other economic sectors since 1996, although collective economy has been consideration as the second important national economic sectors since 1986. For example, the contribution to GDP in 2010 from the state owned economic sector was 33.7%, 30.8% from the individual economic sector, 18.7% from the Foreign Direct Investment (FDI) economic sector, 11.5% from the

private economic sector and 5.2% from the collective economic sector.<sup>32</sup>

In addition, the growth ratio of the collective economy has decreased annually. It was 6% in 1999 was 4.7% in 2002, compared 3.8 % in 2005, was 3.3% in 2007 and went down 3.2% in 2010. However, the national economy grew on average 7.5% during 1995-2005<sup>33</sup>.

### AC's capital and profit are the lowest compared with other cooperatives.

For example, ACs had an average capital of VND 1,452 mil in 2010, whereas aquaculture cooperatives had an average of VND 1,590 mil and credit cooperatives an average of VND 4,634 mil. Similarly, in 2010, ACs had profit of VND 27.4 mil/year (equal to 100,000 Yen) compared with VND 115 mil in transport, VND 137 mil in trade and service cooperatives, and VND 275 mil for aquaculture cooperatives.



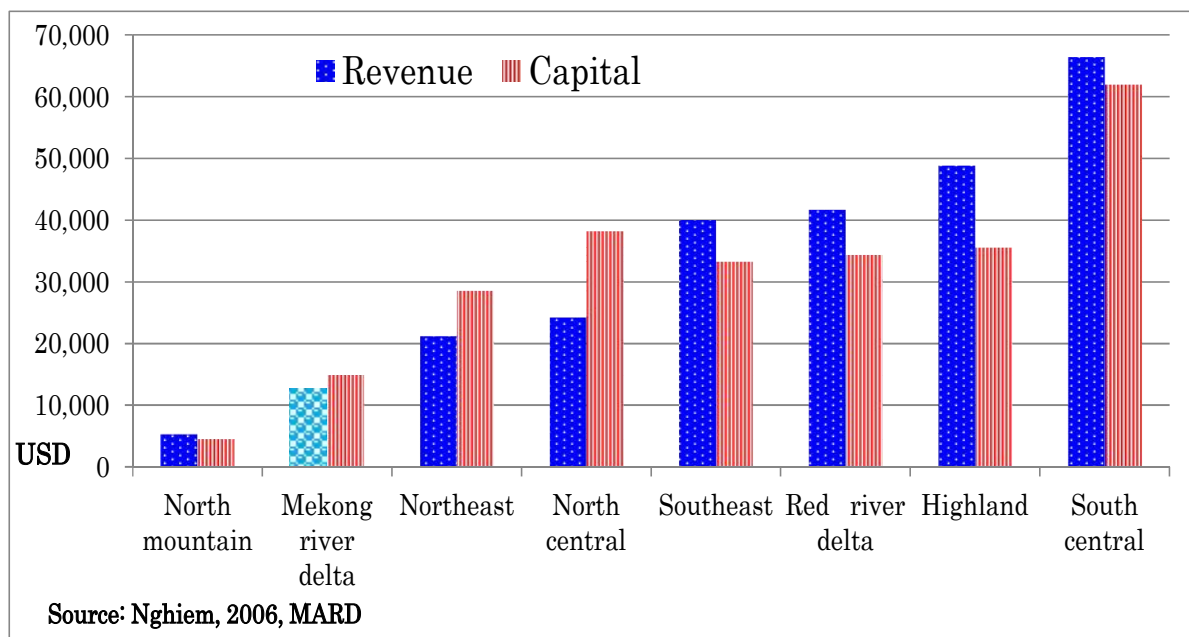
<sup>32</sup> MPI report 2012

<sup>33</sup> VCA, report 2011, pp2-4



**Figure 5: Capital and Profit/AC compared with other type Cooperatives (2010)**

Revenue and capital of ACs in the Mekong Delta is the second lowest compared with eight economic regions in Vietnam as shown in Figure 6. The development index of revenue and capital of AC's Mekong Delta is only better than that of in North mountain region.



**Figure 6: Total Revenue and Capital of ACs by regions in Vietnam (2005)**

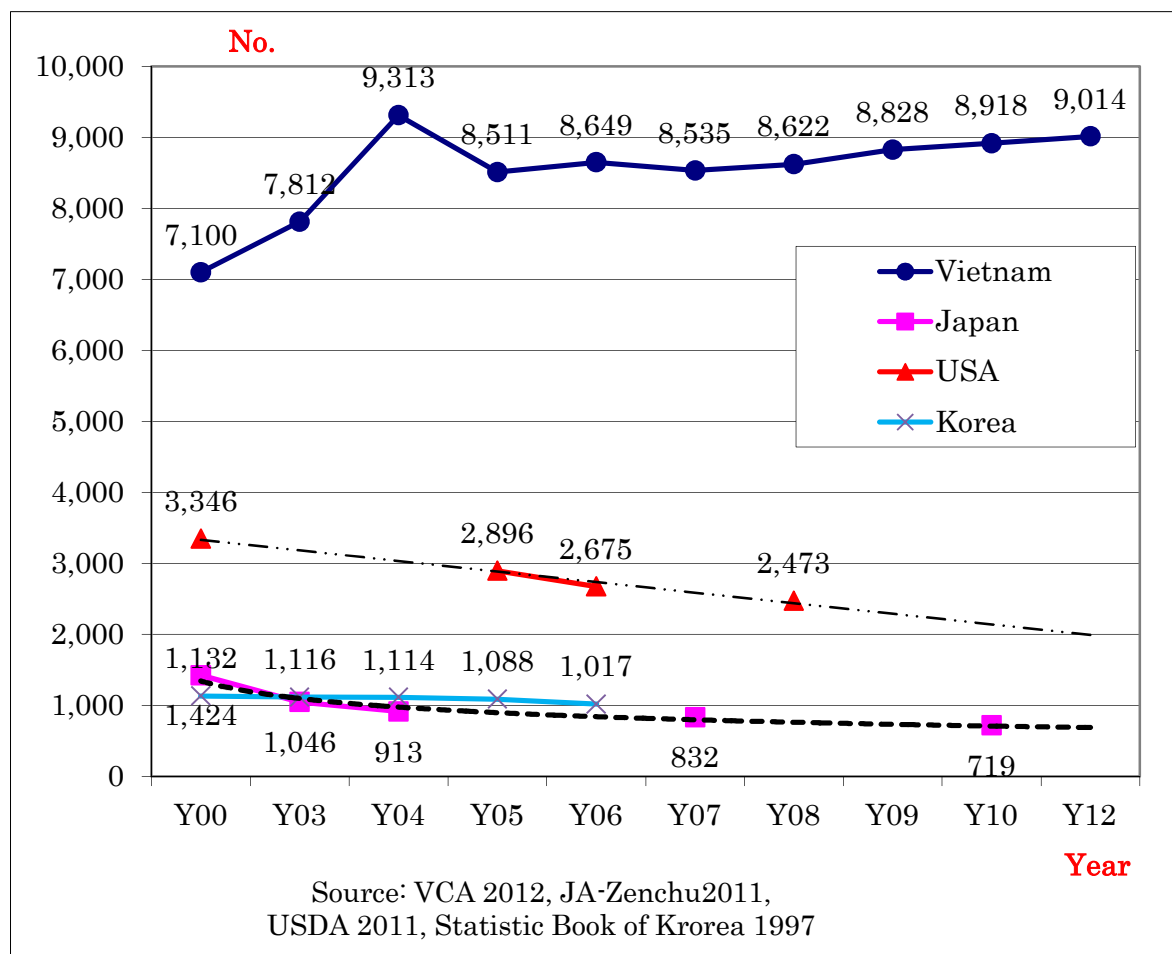
In addition, number of ACs has increased since the Cooperative Law implementation, but average number of membership in one AC has been decreased trend. Figure 2 depicts how the number of ACs has increased from 1955 to 2012. There was 45 AC in 1955, jumped around 31,700 in 1965, was about 39,200 in 1975<sup>34</sup>, went down to 17,022 in 1986, was 11,071 in 1996, decreased to 7,100 in 2000 and steady increased from 2000 to 2010.

According to my previous research, number of ACs in the Mekong Delta, south of Vietnam has increased parallel with the trend of national ACs from 2000 to 2012,

<sup>34</sup> I am not sure about number of ACs in 1965 and 1975.

but the average membership of an AC decreases slowly trend. For example, Mekong Delta region had 554 ACs in 2000, was 736 ACs in 2005, increased to 851 ACs in 2010.

Therefore, number of Vietnam's ACs, in general, AC's Mekong Delta, in particular, has increased annually since 2000, while ACs number of ACs in the United States and Japan has decreased from 2000 to 2010 as shown in Figure 7.



**Figure 7: No. ACs in Vietnam, Japan, USA and Korea**

Development of ACs in Vietnam is difference between North and South. These differences affect more challenges than opportunities in development process. For example, ratio of farmers in South enrolment in ACs is lower than that of in North. Farmers in South contribute money to buy share from AC and get dividend annually, but farmers in North do not buy share and get no dividend

from AC. Up to 2010, 70.1% of Vietnam's cooperatives are transformed, 29.9% are newly established cooperatives. However, 86.3% of transformed ACs are in North, it means that the original of most cooperatives in North were old cooperative. Otherwise, 79.5% of newly established ACs are in South<sup>35</sup>. Table 2 also reports other differences of ACs situation between North and South Vietnam.

**Table 2: AC Differences between North & South (2010)**

<b>Differences</b>	<b>Unit</b>	<b>North VN</b>	<b>South VN</b>
Member/Coop	Farmer	1,000-2,000	50-200
Capital/Coop	Mil. VND	1,452	400
Member bought shares	% of Capital	3.9	66.4
Capital assets	% of Capital	85.1	19.7
Working Capital	% of Capital	11	18.9
AC's scale size		Commune	Hamlet
Capital assets	% act value	20-30	70-80

Source: MPI report 2011, VCA report 2011

AC operating results have been improving annually, although value operation has been limited. ACs provide more services to both members and non-members, and AC service scale has increased rapidly in volume. Report from MPI in 2012 shows that only 21.7% of national ACs earned a profit in 2002 compared with 68.2% in 2010. In contrast, the proportion of ACs having losses decreased from 9.4% of national ACs in 2002 to 5.2% in 2010. Further reports the amount of annual profit increased from VND 15.2 mil in 2002 to VND 27.4 mil in 2010.<sup>36</sup>

Business and activities of agricultural cooperatives in Vietnam have been improved fast since 2004. According to (Nghiem, MARD, 2006), the proportion of agricultural cooperatives in Vietnam offers irrigation services reach 80.2%, marketing service 2.%, electricity service 41.5%, extension service 45.3% and other service as shown in Table 3.

<sup>35</sup> VCA, report 2011, pp3-4

<sup>36</sup> MPI, 2012, result of implementation the Cooperative Law 2003, p7.

**Table 3: Services of Agricultural Cooperatives in Vietnam (2005)**

No	Region	Total	Irrigation	Marketing	Electricity	Extension	Credit	Other
1	North central	1,591	1,124	9	660	608	124	997
<b>2</b>	<b>Mekong river delta</b>	<b>764</b>	<b>316</b>	<b>15</b>	<b>9</b>	<b>105</b>	<b>65</b>	<b>29</b>
3	Red river delta	3,463	3,047	15	1,696	2,019	100	2,560
4	South central	707	636	11	418	263	327	191
5	Northeast	1,010	627	58	348	307	67	324
6	Southeast	282	107	13	19	37	54	51
7	North mountain	305	180	4	20	97	9	117
8	Highland	200	69	28	31	56	24	62
	<b>Total</b>	<b>8,322</b>	<b>6,106</b>	<b>153</b>	<b>3,201</b>	<b>3,492</b>	<b>770</b>	<b>4,331</b>
	Share (%)		<b>80.2</b>	<b>2.0</b>	<b>41.5</b>	<b>45.3</b>	<b>9.9</b>	<b>56.1</b>

Source: Nguyen Van Nghiem, agricultural cooperatives in Vietnam: innovations and opportunities, MARD, p3

Nghiem, 2006<sup>37</sup> also presents, some new services have been opened by cooperatives such as: farm product processing and marketing, internal credit, clean water supply, and waste collection. Agricultural cooperatives have likewise organized new business services such as: marketing 8 percent, and internal credit 8.4 percent. As a whole, only good cooperatives are able to manage services in the fields of marketing, internal credit, and processing.

Irrigation was the most popular service. Agricultural cooperatives construct and manage irrigation canals and pump systems. Large-scale irrigation projects were constructed by the government and handed over to state-owned irrigation companies to manage before 1996 and by self ACs after 1996. In the past, the government was the one implementing the concrete canal support program. Many cooperatives strongly invested in

<sup>37</sup> Nguyen Van Nghiem, agricultural cooperatives in Vietnam: innovations and opportunities, Department of Cooperatives and rural development, MARD, p4-6

constructing the canal system, therefore, drainage and irrigation work has been improved and irrigation time has been shortened. Despite the increased price of electricity, petrol, spare parts and labor, irrigation fee has been showing a downward trend.

Input supply service (insecticide, fertilizer, seeds/seedlings) has become very competitive. This service is currently the most popular service of many agricultural cooperatives.

Internal credit service achieved rapid development among agricultural cooperatives in recent years. This service shows great potential in the future. Agricultural cooperatives have also been responding to increased demand for micro-finance.

In terms of electricity service, while the government is still unable to construct electric power transmission and supply system in all rural areas, numerous cooperatives have mobilized their own resources to invest and build up this system. This is also one service that greatly contributes to the agricultural cooperatives' profit.

Additionally, agricultural cooperatives also supply more or less other services such as: agricultural extension; advanced technology transfer; animal feed supply; and veterinary, processing, and consumer goods. A few others enter the fields of aquaculture, reforestation, and animal husbandry.

According to Nghiêm stated in Table 3, 42% of AC's Mekong Delta provides irrigation service in 2005. My survey in 2012 shows that 68.7% AC's Mekong Delta offers irrigation services both members and non-members in 2010. Also,

41.4% of AC's Mekong Delta provided more than 3 services in 2005 compared with 70,2% of ACs in the Mekong Delta has provided more than 3 services in 2010.

In summary, status of ACs in Vietnam has seemed to faces with opportunities as well as challenges.

## **2.4.2 Opportunities for AC Development in Vietnam**

### **2.4.2.1 Opportunities from the macro environment**

The Cooperative Law in 1996 has made a strong improvement for developing of ACs. Because the Cooperative Law provided Vietnam's first specific legal framework for cooperatives, changed in the thought process of the Vietnamese people about the old cooperative. The wide difference between new and old ACs is their principles of organization and operation. The most important principle clarified by the 1996 law is that assets and farmland own by individual farmers. This is opportunity from macro environment, farmers and local governors have framework and guidance for building and developing the AC. In addition, principles of AC organization and operation change into the following concept: (i) Voluntary joining to and withdrawal from the cooperative (ii) Democratic and equal management and transparency (iii) Self-responsibility and mutual benefit (iv) Community cooperation and development. It is real opportunity for ACs in Vietnam

Cooperative Law in 1996 was revised twice in 2003 and 2012, the later version has many improvements, the Law is simpler but clearer in clauses and articles. For example, definition of cooperative law in 1996 was difficulty to understand, it was clearer in definition in 2003 and it is more clarify in version 2012. For

example cooperative law revised version in 2012, definition of cooperative clarifies the nature characteristic of cooperative. It makes clear that cooperative is an economic organizations belonging to the collective economy. Cooperative can form with democratic management, self-responsibility, co-owners of the cooperative, minimum number of 7 members was formed cooperative. Although the law does not define the cooperative activities as a type of business, but it identifies cooperative's service, productions as business service and cooperative can establish a business company belong to cooperative. The 2012 cooperative law version also allows that foreigner can to members of ACs and invest to ACs as same as Vietnamese members. Other articles in the cooperative have modified and improved based on new situation of economic development in 2012.

Many macro policies related on development of cooperative and ACs have enacted for promotion and development of ACs. The national assembly and government have encouraged AC development by issuing many new policies, it is great opportunities for developing of ACs in Vietnam. For example, resolution 13 on renovating, developing and improving the collective economy marked an important step in policy and ideology on the collective economy. Decision 94 on supported the government's action program to continue innovating, developing and improving the efficiency of the collective economy to continue renovating policies and mechanisms to encourage and create good conditions for the private economy. Instruction 22 encouraged the application of the Resolution of 5th Conference of the 9th Central Committee on renovating, developing and improving the collective economy. Decisions 146 in 2001, 1197 in 2003 and 1252 in 2007 has guided to use state budget to payment debt of old cooperative, these

decision has been good guidance for transformed cooperative in North solve debts and balance sheet. Decision 166 in 2006 have made clear subsidy training policies from government for AC management staff.

Other policies supports from macro environment follow: (i) Land policy. Local government gives land to ACs for office buildings, storages, drying ground, service infrastructures, etc. (ii) Training policy: AC's staffs are trained to receive 50 percent of training expenses from the government whenever they participate in government training programs. Other 50 percent of training expenses is paid by local government or AC's training fund. (iii) Tax policy: A cooperative is entitled to exemption from enterprise income tax for the first three years after its establishment. (iv) Support and encouragement to establish cooperatives. Cooperatives which are in the process of establishment can receive free consultant service from local officers for the preparation of cooperative statute, business plan, registration, etc. (v) Support on technology transfer and trade promotion. (vi) Support to cooperatives in participating in rural development projects and programs: many ACs offer services to the national program called "New Rural Buiding" because local governments sign contract to ACs and ACs provides services like a rural business companies.

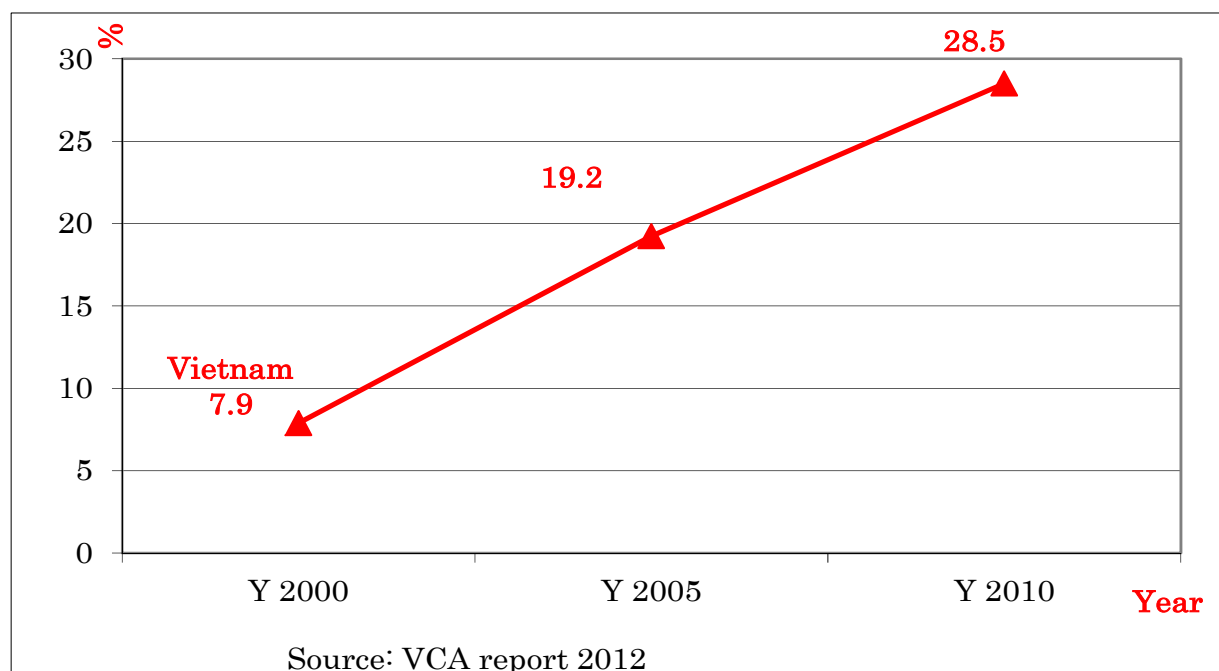
In addition, state government sometimes reformed and modified some policies related to ACs but these polices has been not suitable in implementation and government has being revised on some polices. For example, decision 88 in 2005 on promoting to purchase combine harvester for ACs had to revise after three years implementation. The Cooperative Law has revised some clauses and chapters in 2003 and 2012



In summary, the national government has enacted many policies for AC development as a macro environment, and those policies have been quite effective to opportunities on ACs and ACs have good legal framework for implementation and ACs can have more opportunities development its principles.

#### 2.4.2.2 Opportunities from the micro environment

Ratio of Vietnamese farmers enrolment to ACs has increased since 2000. Vietnamese farmers had improved their understanding about the new AC and recognised socio-economic benefits through ACs. As a result, the national average proportion of farmer enrolment in ACs has been increasing. Figure 8 reports that 7.9% Vietnamese farmers joined ACs in 2000, compared with 19.2% in 2005 and 28.5% in 2010.



**Figure 8: Percent Farmers Join to ACs in VN**

AC customers are increasing because ACs provide services with many advantages and benefits to both members and non-members. ACs provide some

services at the best price to customers, and so competitors<sup>38</sup> cannot compete with AC services. For example, the irrigation service, harvest rice by combine harvester service, agricultural training service, and high quality seed services because ACs get subsidies from government for providing cheap and advantageous services to farmers.

ACs are improving their services and getting supports from other business companies. For example, ACs provide input supply services and get support from business companies on gas, diesel, fertilizers, pesticide, material and other products. Business companies gave advantages to ACs such as cheaper price in sales and allowance in payment.

The service's demand from farmers has increase because many challenges have affected during the industrialization and weather changing in Vietnam. Individual farmers cannot do better services by themselves. Agricultural labors shift to city for working in industrial zones, lack of labor during harvest season is serious in Vietnam, farmers need more machine services from ACs. Natural disaster has increased because of effecting from global warming and weather changing. The World market needs large quantity products, small farmers need to collaborate for adapting with market demand. Therefore, ACs can be a good representative organization for small scale farmers in Vietnam. This is an opportunities for ACs

The competitive between ACs and cooperative groups, agri-business companies has increased. However, ACs have some advantages than

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<sup>38</sup> Including organization provide the same service with AC such as: cooperative groups, individual farmers, private company

agri-business such as government support to develop ACs, new entrance ACs will be free business tax during first 3 years establishing compared with that of agri-business are 3 months free of business tax. Cooperative groups are also strong competitor with ACs for offering services. But Cooperative groups of farmers are simple in organization and are not tide in management and weak organization rules, provide services at small scale area. Therefore cooperative groups is strong competitive with small and weak ACs.

#### **2.4.2.3 Opportunities from the internal environment**

AC's services have increased in term of number of service, type and quality services. Most of ACs provided from one to three services in 2008<sup>39</sup>, over 54% ACs provided more than three services in 2010<sup>40</sup>. Also, 41.4% of AC's Mekong Delta provided more than 3 services in 2005 compared with 70,2% of ACs in the Mekong Delta has provided more than 3 services in 2010.

Types services have changed depend on demand of farmers. For example, most of ACs offered services related irrigation, electricity supply, plant protection, input supply, extension (New crop, varieties, new technology) before 2008<sup>41</sup>. From 2010, most of ACs expand more services related marketing, production cost, quality product, environment and non-agricultural services. For example, my field survey in 2012 shows that most of weak ACs in the survey provided only irrigation service, otherwise, a good ACs provide from 4 to seventh services and , average ACs provide from two to three services.

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<sup>39</sup> Nguyen Van Nghiem, MARD, 2011

<sup>40</sup> VCA 2011, p6.

<sup>41</sup> Nguyen Van Nghiem, MARD, 2011

**AC operating results have been improving annually.** ACs provide more services to both members and non-members, and AC service scale has increased rapidly in volume. As the result, AC operation results have improved as shown in Table 4 that only 21.7% of number of ACs in Vietnam earned a profit in 2002 compared with 68.2% in 2010. Therefore, number of ACs earn profits from their services have increased, this a good signal for ACs in Vietnam. In contrast, the proportion of ACs having losses decreased from 9.4% of national ACs in 2002 to 5.2% in 2010. It means that number of ACs losses in their business have reduced because ACs have improved their services operation.

**Table 4: No. AC's Improved Business Result**

Year	Unit	2002	2010
No. ACs' profit	%	21.7	68.2
No. ACs' losses	%	9.4	5.2
No. ACs' broke even	%	68.9	26.6
Net profit/AC	Mill VND	15.2	27.4
Value loss profit/AC	Mill VND	-16.5	-8.3

*Source: VCA 2011*

Table 4 further reports the amount of annual profit increased from VND 15.2 mil in 2002 to VND 27.4 mil in 2010. While the amount of losses fell by nearly haft in the same period. This seems important because the amount of loss decreased more than the percent of ACs reporting losses, meaning that even those ACs that reported losses in 2010 had lower losses.

ACs' scale size has increased. Many small-scale ACs have merged together within a hamlet. AC operational capacity improved and competition against other ACs and agribusiness companies after merging increased. For example, Table 5 reports the status of establishment in 2001, merger in 2005 and current in 2010 of

Phu Thanh AC I can see that Phu Thanh AC improved operational and competitive capacity after merging with three other small ACs.

**Table 5: Phu Thanh AC's Situation at Establishment, Merger and Current**

<b>Situations</b>	<b>Member</b>	<b>Share capital</b>	<b>Bus. capital</b>	<b>Property</b>	<b>No. of service</b>
Unit	person	Mill VND	Mill VND	Mill VND	service
<b>Established (2001)</b>	<b>88</b>	<b>200</b>	<b>339</b>	<b>272</b>	<b>1</b>
<b>Merged (2005)</b>	<b>152</b>	<b>862</b>	<b>1,426</b>	<b>1,089</b>	<b>6</b>
<b>Status (2011)</b>	<b>167</b>	<b>1,100</b>	<b>2,119</b>	<b>1,728</b>	<b>7</b>

*Source: Phu Thanh AC's report 2005 and 2012*

### 2.4.3 Challenges for AC Development in Vietnam

#### 2.4.3.1 Challenges from the macro environment

Cooperative Law revised version in 2012 and other policies Government still contain many problems and unclear points. Central government revised Cooperative Law and enacted many policies related on development of cooperatives, however, Law and policies are not well applied to good effect for ACs because of some unclear point and lack of guidance documents for implementation. Therefore, few macro policies are challenges to ACs.

The Cooperative Law and the reformed versions have unclear clauses and are inconsistent with the ICA principles. For example, if ACs dissolve (bankruptcy), their capital assets transfer to the local government (Article 48 and 49). According to my opinion, the law should be clear that property and capital were given by government and subsidy programs, these will be transfer to the local government. Other property and capital were bought by members contribution, these property and capital should give back to members.

Another unclear point is that dividends (share profits) are distributed only

according to the use of members' services, not according to members' share capital.

In addition, the Law is unclear clauses and not mention about open membership, democratic member control, members' economic participation, autonomy and independence, education and training and information,

Moreover, many policies for AC development provide inadequate instructions about finance, financial management and incentives for cooperatives. For example, decision 181 in 2004 and 88/2005 require the local government including towns, districts and communes governments to provide land for building the AC office, but provides no instruction as to a financial source if the local government has insufficient budget for buying land. As a result, 42.6% of ACs had no office in 2012<sup>42</sup>; however, such ACs usually occupy a small room in a commune office, pagoda or member's house as their office. In addition, decisions do not mention about "land use certificated" when local government give land to ACs. Some ACs got land from local government, but ACs has not get land use cartificated, which ACs can give to bank as a mortgant for getting a loan.

Decision 67 states that an AC can obtain a long-term loan without a mortgage at any bank if the AC has a business plan. But any bank requires mortgage at least 70% value of a loan and banks don't care about the Decision 67. As the result, only 0.3% of ACs (2008) and 2.2% of ACs (2011)<sup>43</sup> have obtained such loans without a mortgage.

Decision 88/2005 ND-CP about promotions polices for development cooperative, decision states that government assists 20 million VND for entry ACs,

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<sup>42</sup> MARD, survey on status of ACs in Vietnam 2012, P3

<sup>43</sup> MARD, survey on status of ACs in Vietnam 2012, P4

this money will pay to a founding members, who mobilize and campaign farmers enrollment to ACs and other expense during mobilization and campaign. However, this money only pay to ACs when ACs has been opened and finished all other registrations document, it takes from three to six months. This policy is good but hard for agricultural cooperatives because they founding members need a lot of money during time mobilization farmers enrollment to ACs and new agricultural cooperatives needs to spend for many items. According to my opposition, government should give to agricultural cooperatives when they start to mobilize farmers to agricultural cooperative.

Further, many instructions for implementing polices are not suitable to rural reality and no longer conform to Vietnamese economic development. For example, decision 88 encourages and promotes the development of ACs, but few ACs can obtain a loan at 0% interest from the government to purchase a combine harvester machine because the decision requires ACs to submit a purchase receipt to the government before the government decides to grant them a loan. The decision also requires the AC to purchase a domestically manufactured combine harvester, but domestic combine harvesters have low quality compared to a second-hand Kubota harvester made in Japan.

Category name and registration name of cooperative in Vietnam is unclear and it need to improve in the near future. Name of cooperative and ACs have to follow the Article 22 on the cooperative law on “Name and logo of cooperatives” and decree 87/2005/NĐ-CP on “register business permission in cooperative”. The Article 22 is very general such as cooperatives and unions of cooperatives shall make a decision on their names and logos but not contrary to the provisions of law.

Name of cooperatives and unions of cooperatives must be written in Vietnamese and may include numbers, symbols, and begin with the word "Cooperative" or "Cooperatives Union". On the other hand, Decree 87 guides that name of cooperatives can use by their main business activities. Therefore, many “new name of cooperative” has appeared such as fruit cooperative, banana cooperative, mango cooperative, chicken raising cooperative, duck raising cooperative etc. According to my opinion, these cooperatives are agricultural cooperatives because fruit, banana, mango, chicken is a business activities of ACs. If we do not change on Article 22 on the cooperative law and decree 87, it will be hard categorized name of cooperative in the near future.

Old ACs’ historic problems have had bad effects on transformed ACs and the negative image of farmers for newly established ACs. For example, transformed ACs have many debts and common assets. Capital assets seem to be sizeable on the balance sheet but have low real value, and old ACs as original of transformed AC had a larger number of members (Table 2), but they were false members because they had bought no shares and received no dividends from ACs. Many members used AC services but paid no service fee because they thought ACs were a government organization like an old AC.

**Macro environment has been challenges from management structure.** Vietnam has three government agencies to manage cooperatives, but they remain unsynchronized and disconnected and have no responsibility for leadership to control ACs. The Department of Cooperative Development belongs to the MPI, which is the policy maker for all cooperatives nationwide, but it has no agency office at the provincial level for managing ACs. The VCA has an agency office in



each province and well manage on cooperative and ACs, but the VCA is an association and only advises on policy making. The Department of Cooperatives and Rural Development belongs to the MARD, it has an office in each province, which makes and manages policies only for ACs. Thus, the VCA, which understands cooperatives ACs well, is merely an advisory group. MPI and MARD, which understand cooperative and ACs less than ACs but these are policies maker and there are low collaboration among VCA, MPI and MARD. For example, Table 6 show annually reports on number of ACs in Vietnam are difference between VCA and MARD offices.

**Table 6: Difference Number of ACs Report by VCA and MARD**

<b>Year</b>	<b>VCA</b>	<b>(*) of MARD</b>
1955	45	45
1996	11,071	13,782
2000	7,100	8,764
2003	7,812	9,262
2005	8,511	8,595

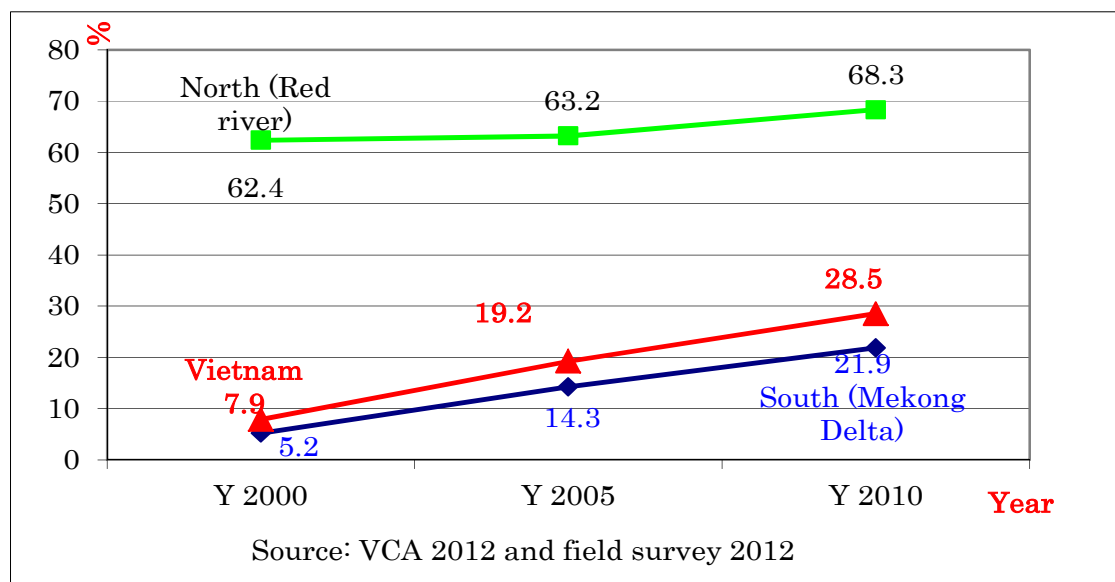
Source: VCA and MARD\* annually report

(\*) Depart of Agri Coop & rural Develop

#### **2.4.3.2 Challenges from the micro environment**

The proportion of farmer enrolment in ACs remains low. As Figure 9 illustrates, only 28.5% farmers join into ACs in Vietnam in 2010. The government sets goal that 30% of farmers join into ACs in 2015 as a “real members of ACs”. Members of ACs in the Red River Delta (North of Vietnam) consisted 68.3% farmers in region, it is three time higher than that of ration in the Mekong Delta (South of Vietnam). According to article 13 of Cooperative law about condition being member of cooperative, many members of ACs in Red Delta River are “not real members” because they are not buy share from ACs and they get no

dividend from ACs. Reason is that many ACs in North shifted all members in ACs when ACs transformed to newly cooperative under guidance from cooperative law in 1996.



**Figure 9: Difference Percent Farmers Join ACs between North and South, Vietnam**

In general, most transformed agricultural cooperatives in the North, members do not contribute capital or submit application form; it is unclear about assets contributed before cooperatives are transformed. There are no operation plans. No democratic discussions are held so that members cannot talk about general issues. Many cooperatives are not able to persuade their members about socio-economic benefits that cooperatives can bring about for them. Many of them cannot attract more members. Otherwise, several ACs in the South are actually enterprises. Because, they have strong capital and they have only 5 or 6 members, which does not satisfy the minimum number of member requirement set out by the Cooperative Law, and they do not allow new members into ACs.

ACs have been into competition with cooperative groups and agribusiness companies in rural area. Cooperative groups are simple, low operation cost and free business tax in providing services for agriculture. The agribusiness companies are strong in terms of capital, good staff and high complete capacity.

#### **2.4.3.3 Challenges from the internal environment**

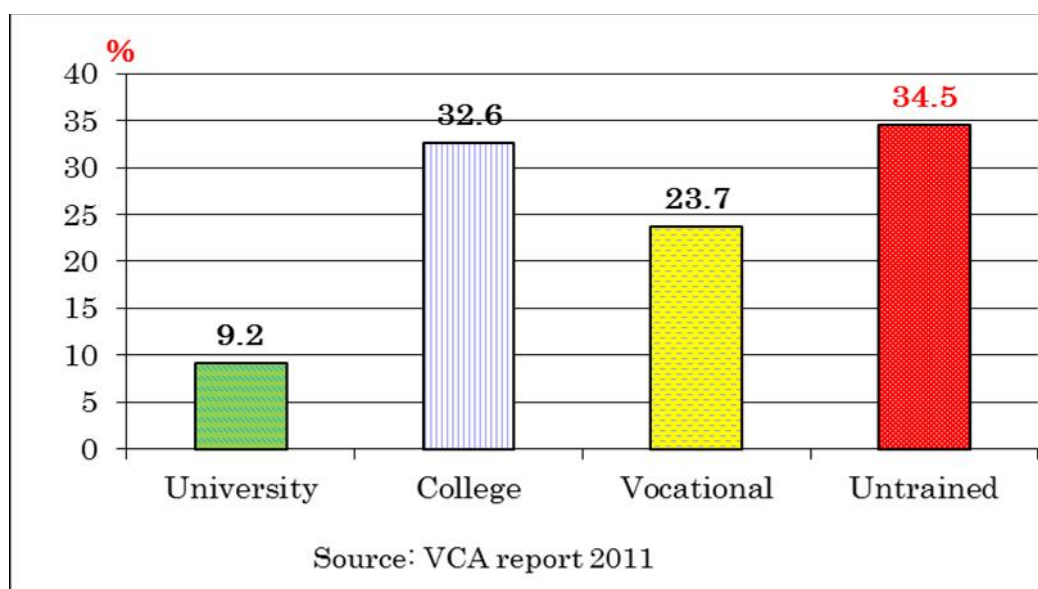
ACs have offered simple services related agriculture and few related non-agriculture. According to Nghiem, the popular services offer by ACs until 2005 including irrigation, electricity supply, plant protection, input supply, extension (new crop, varieties, new technology). In whole country, the proportion of agricultural cooperatives offers irrigation services reach 80.2%, marketing service 2.0%, electricity service 41.5%, extension service 45.3% and other service as shown in Table 3. Some new services have been opened by cooperatives such as: farm product processing and marketing, internal credit, clean water supply and waste collection. The ratio that the numbers of agricultural cooperatives have organized new business services is as following: 8% for marketing, 8.4% for internal credit<sup>44</sup>.

In the Mekong Delta region, most of ACs offer services related on agriculture such as: land preparation, irrigation including pump water into rice field and get out water from rice field, technology, input supply (fertilizer, pesticide, seed), harvest and few ACs provide service on credit, marketing, buy and sell, fresh water supply and non-agricultural services.

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<sup>44</sup> Nguyen Van Nghiem, MARD, 2006, agricultural cooperatives in Vietnam,p6.

Agricultural cooperatives' educational degree of board management is lowest compared with other types cooperative in Vietnam. AC staff member educational level and management skill has improved but they still have poor management skills because they are farmers and their knowledge are very low. For example, only 9.2% of the staff members held university education in 2011, 32.6% held college education and 23.7% held vocational education. Conversely, 34.5% of the staff members were not trained with any degree.



**Figure 10: Educational Level of AC's Management in Vietnam(2011)**

AC financial and technical capacities are generally low. ACs have a small operational scale and so have insufficient cash flow and low flexibility for seasonal needs. Further, ACs have little access to official capital funding. For example, ACs have the lowest effective investment ratio (profit/capital) among all types of cooperatives; it is also lower than that of the effective bank investment ratio. For example, ACs' effective investment ratio in 2010 was 1.9% compared with 3% for the trade and services cooperatives and 17.3% for the aquaculture cooperative; it

was also lower than that of the national level cooperative's 3.6% in 2007<sup>45</sup>.

ACs have small share capital, but it is difficult to raise capital because many members in transformed cooperative have not invested money to share capital and 43% AC members are poor and landless farmers. Further, few ACs obtain long-term loans from banks because of the aforementioned unclear credit policy.

Most ACs are organised within a hamlet and a commune, and the ties among ACs are weak; therefore, the model of an AC union has not achieved good results. VCA reported in 2012 that 39% of ACs in Vietnam have the scale 'within a hamlet', 49% 'within a commune' and 12% 'between communes'.

**ACs have limited of capital assets**, ACs' national average share capital in 2010 was VND 1,452 mil, as Table 2 reports. However, it does not represent the reality of AC financial health. For example, the capital of a transformed AC in North Vietnam has over VND 1,452 mil, but this is the 'on paper' amount of capital in balance sheet accounting, while the real value of capital is smaller because 85.1% of AC capital assets were bought before 1996, and it has been evaluated without depreciation. Conversely, the share capital of a newly established AC in South Vietnam (Mekong Delta) in 2010 was only VND 310 mil, but that was accurate valuation.

Other challenges base on characteristic of ACs between North and South of Vietnam. For example, property asset of transformed cooperative (most of in North) is from 300 million VND to 500 million VND in one AC but available as current asset is less than 20% of using value. On the contrast, property asset of

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<sup>45</sup> MPI, report implementation of the 2003 Cooperative Law, p5.

newly established ACs (most in South) is very small capital as shown in table 7.

**Table 7: Difference Characteristic between Transformed and Newly Established ACs**

Characteristics	Transformed ACs	Newly Established ACs
Membership	Open all agricultural households	Restricted to those who follow ACs objectives
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'	300-500 Mil VND - About 20% - Less than 10%	15-100 Mil VND - Almost 100% - Almost 100%
Activities/ Services	5-10 <b>Emphasis on</b> Irrigation Electricity supply Plant protection Input supply Extension(New crop, varieties) Multi-purpose	1-3 <b>Emphasis on</b> Input supply Extension (quality management) Joining marketing  Single purpose
Number of decision-making persons	5-10	1-3
Stakeholders involved	multi-stakeholder	single-stakeholder
Character	defensive	Offensive

Source; Adapted from Wolz 2002 P232; Nguyen Van Nghiem 2007, MARD, Pp3-4

## 2.5 Summary

The first Cooperative Law in 1996 and many polies related on cooperatives and ACs have uncounted opportunities as well as challenges on development of cooperatives and ACs in Vietnam.

The analysis results by BEA method shows that ACs development in Vietnam have been affected by the macro, micro and internal environments. However, the macro environment is the most important factor because it affects both opportunities and challenges in ACs development. In addition, the micro

environment seems lighter important factors than internal environment because internal environment causes many opportunities as well as challenges to ACs.

I found out that ACs development in Vietnam has been affected by the macro, micro and internal environments. However, the macro environment is the most and internal environment is the second important factors because it affects both opportunities and challenges in AC development as ACs cannot adapt directly to the macro environment although they can adapt to the micro and internal environments.

## **CHAPTER III: CURRENT STATUS OF AGRICULTURAL COOPERATIVES IN THE MEKONG DELTA, VIETNAM**

### **3.1 Introduction**

In 1996, the government introduced the new AC model following the International Cooperative Alliance (ICA) model and enacted the First Cooperative Law. In addition, the government promulgated many resolutions, decrees and circulars to promote the new AC. AC entered another development period, improving business activities, members, capital and property. However, cooperatives and ACs in Vietnam still have encountered many opportunities and challenges after the cooperative Law has effected and other policies related on AC have enacted.

As the result, Vietnam's Cooperative, in general, and Agricultural cooperatives (AC), in particular, have not been contributing significantly to the national economy and themselves. According to Vietnamese government, the collective economy as the core cooperative (including cooperative, ACs and farmer collaboration groups) plays an important role in the national economy. It is one of the Country's five economic sectors, it has created jobs for rural areas and it has contributed to reduction of poverty in Vietnam

According to the secondary data and report from the General Statistic Office of Vietnam, I find out problem statements of agricultural cooperatives in the Mekong Delta, south of Vietnam that agricultural cooperative is lowest development index compared with 8 economic regions in Vietnam but some



agricultural cooperatives are very success broken through business activities and management.

### **3.2 Objective**

- Describe current situation of agricultural cooperatives in the Mekong Delta, Vietnam
- Analyze current situation of agricultural cooperatives in the Mekong Delta, Vietnam.

### **3.3 Research Methodology**

This chapter used the qualitative and quantitative methodologies for collecting and analyzing data. The data is information concerning cooperatives, including agricultural cooperatives in the Mekong Delta. I used the qualitative methodology for collecting data at the PCAs in 12 provinces and one city in the Mekong Delta, South of Vietnam. PCA is the local government office in each province where the provincial government manages all activities of cooperatives in the province. PCA issues annual report called “Summary Report of Cooperative Activities in the Year and Orientation Activities for the Next Year”. It also issued five-year reports in two periods 2000-2005 and 2006-2010. Thirteen reports were collected from each province including 11 annual reports and two five-year reports.

However, I could not find enough data demonstration that farmers gain social-economic advantages from provincial reports although all reports said farmers gain social-economic advantages though cooperative’s services. Therefore,

I conducted a field survey in An Giang province as an example for demonstrating social-economic advantages for farmers. I selected 123 rice farmers by random sampling and surveyed using a questionnaire in seven ACs in An Giang. Sixty-two of those interviewed were members of AC and other 61 were non-members of AC. I collected information related to economic and social contribution of ACs to their productions and community.

### **3.4 Research Results**

#### **3.4.1 Current status of agricultural cooperatives in the Mekong Delta**

**Business activities (services) of ACs in MD are simple and small-scale.** ACs offer almost input services related land reparation, seed, irrigation, harvest and farming technology. Service scale of services is lower than service need from farmers. For example, field survey in 2012 shows that 68.7% AC's Mekong Delta offers irrigation services both members and non-members in 2010. Also, 41.4% of AC's Mekong Delta provided more than 3 services in 2005 compared with 57.1% in 2010, while 86.1% of agricultural cooperatives provided only one service in 2000.

Among the national 100 best ACs in 2011 were selected by Prime Minister Officer, seven out of them are in the Mekong Delta and these ACs have provided from six to nine services to farmers, most of ACs offered services related on agriculture at the beginning, then, these ACs provided service related non-agricultural and social services such as fresh water, health care, health insurance, trader, free ambulance and other society activities.

In general, the scope of business activities of agricultural cooperatives expanded in response to their members' needs. Before 2005, agricultural

cooperatives provided some main agricultural input services, as: irrigation (pump water in-out rice field), land preparation, fertilizer and pesticide supply, post-harvest control and seed provision. From 2005 to present, agricultural cooperatives have expanded non-agriculture services such as internal loan credit, fresh water and electricity supply and marketing.

**Table 8: Business and Activities offer by ACs in the Mekong Delta (2010)**

**Business and Activities offer by Agricultural Cooperatives in the Mekong Delta (2010)**

Province	Irrigation	Land preparation	Labor take care farm	Seed	Extension, farm technique	Harvest, transport	Input supply (fert, feed, pest)	Internal credit	Match selling	Social services	Special fruit/vegetable	Handicraft product
An Giang	L	L	L	L	S	S	SC	SC	FC	FC		FC
Bac Lieu	L	L	L	S	S	S	SC	SC	FC			
Ben Tre	L	L	S	L	S	S	SC	SC	FC	FC	SC	
Kien Giang	L	L	L	L	S	S	SC	SC	FC	FC		FC
Long An	L	L	S	S	S	S	SC	SC	FC		FC	
Vinh Long	L	L	S	L	S	S	SC	SC	FC	SC	SC	FC
Hau Giang	L	L	L	L	S	S	SC	SC	FC		FC	
Dong Thap	L	L	S	L	S	S	SC	SC	FC	FC		FC
Tra Vinh	L	L	L	L	S	S	SC	SC	FC		FC	FC
Soc Trang	L	L	L	S	S	S	SC	SC	FC			FC
Ca Mau	L	L	L	L	S	S	SC	SC	FC			
Tien Giang	L	L	S	L	S	S	SC	SC	FC	SC	SC	
Can Tho	L	S	S	S	S	S	SC	SC	FC	FC		

Source: Field survey 2012

L: Most of ACs offer, scale size service is large

SC: Some ACs offer, scale size service is small

S: Most of ACs offer, scale size service is small or some ACs do not offer

FC: Few ACs provide offer & scale service is very small

**Agricultural cooperatives in the Mekong Delta have increased very fast in terms of numbers, membership, staff and amount of share capital and revenue since 2000.** Table 9 shows the situation of ACs in the Mekong Delta from 2000 to 2010 in term of number of ACs, total members in ACs, total staff and regular labors, total capital and revenue.

**Table 9: Total Number, Member, Labor, Capital and Revenue of ACs in Mekong Delta from 2000-2010**

	No. ACs	Member	Labors	Capital	Revenue
Unit	Coop	Person	Person	Bil.VND	Bil.VND
2000	544	62,045	21,634	174.9	83.5
2005	736	79,904	41,913	190.6	196.9
2010	851	86,469	63,015	275.7	473.5

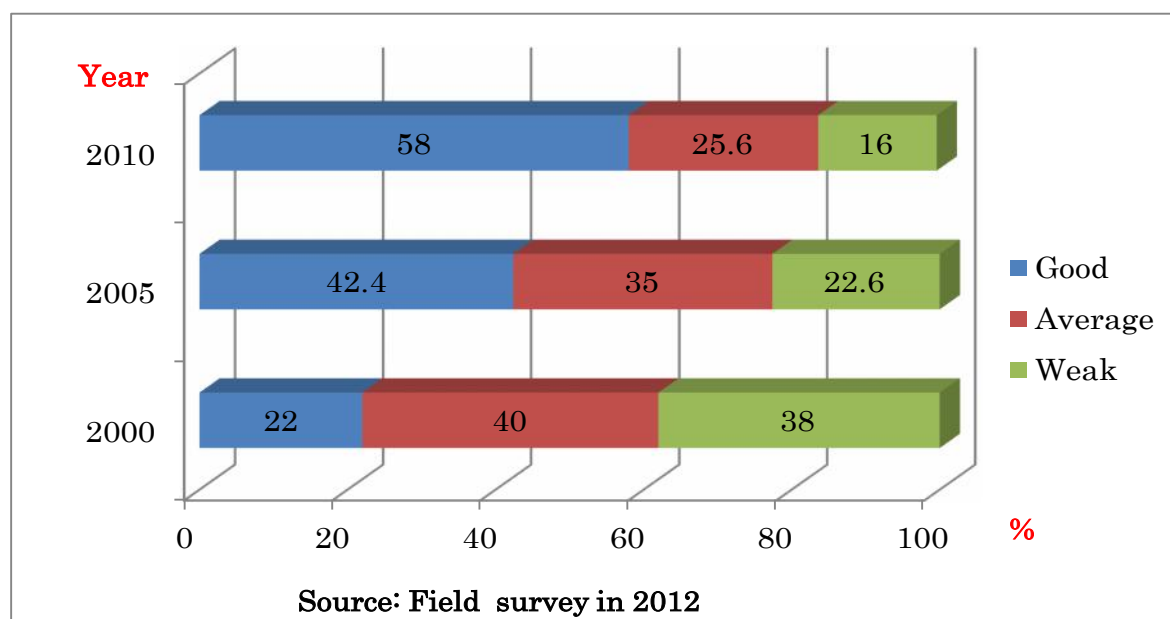
Source: Field survey in 2012

Note: 1 Bil.VND=400 man ¥

1 ¥=250 VND(2012)

The operational quality of agricultural cooperatives in the Mekong Delta has improved. The quality of the agricultural cooperative is ranked into four levels on the assessment scale by Circular No.1/2005<sup>46</sup> from state government: excellent, good, average and weak. However, all office reports rank only good, average and weak agricultural cooperatives. As shown figure 11, the percentage of good agricultural cooperatives in the Mekong Delta increased, while the percentage of weak agricultural cooperatives decreased from 2000-2010.

<sup>46</sup> The Circular No.1/2006 on ranking cooperative. The cooperative is ranked by the 4 levels of the scale consist of excellent, good, average and weak agricultural cooperative. There are six criterions in the scale consist of (i) the level of democracy and the participation of members on the development and implementation of cooperative's regulation; (ii) the level of completion of the production and service targets; (iii) the level of services to members; (iv) the level of reliability of the members on cooperatives; (v) the level of welfare from cooperatives for members; (vi) the level of solidarity and collaboration among members and community building



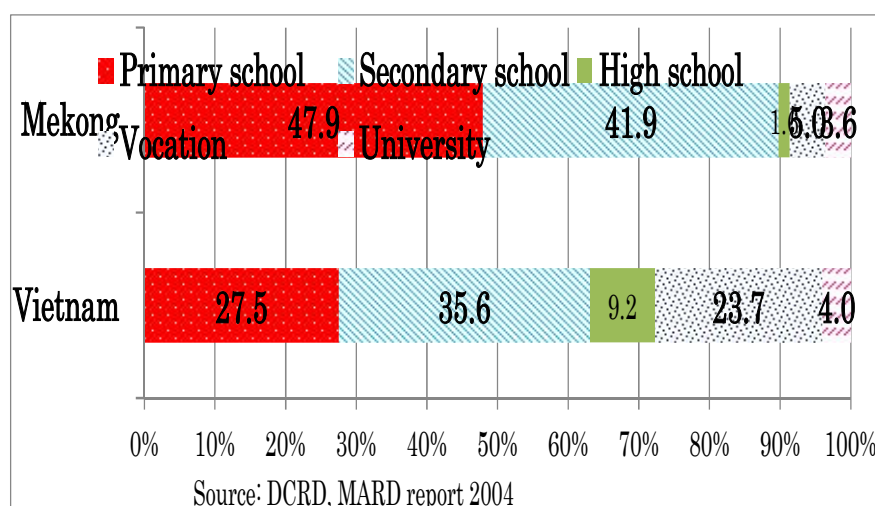
**Figure 11: Classify & Ranking of AC in Mekong Delta**

### **3.4.2 Problems and challenges of agricultural cooperatives in the Mekong Delta**

Agricultural cooperatives in the Mekong Delta have had some problems and faced several challenges, such as low educational level of board management members, few farmers in the agricultural cooperative, limited share capital, low ratio increasing of members and difficulties arising from the 2003 Cooperative Law which has not been updated to keep pace with the development of the national economy.

**The low educational level of the management board is the first problem of agricultural cooperatives.** Figure 12 shows that 89.8% directors of ACs in the Mekong Delta has not graduated from high school, 47.9% of ACs' directors have not finished primary school compared with that of 41.9% has not finished secondary school. They were selected for being director of agricultural cooperatives because they are native farmer in area and good on farming working, they have no skills and experience on management and business management. As the result, many ACs in the Mekong Delta could not develop more service because

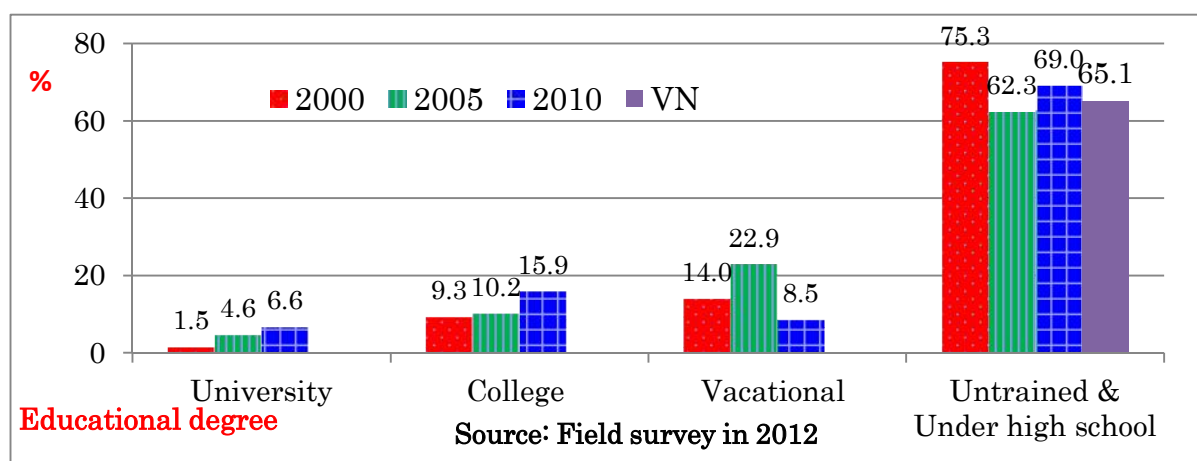
of lack of educational degree of directors.



**Figure 12: Educational level of ACs' Director in MD & VN (2004)**

ACs have not only director low educational degree, ACs have but also low educational of all board management including director, vice directors, accountant and auditors. In Figure 13, educational level of the management board members rose from 2000 to 2010, but was still low compared with the average ratio in the country and compared with average ratio in other economic sectors. For example, only 6.6% of the management board members held university education in 2010. Conversely, 69.0% of the management board members were not trained with any degree.<sup>47</sup>

<sup>47</sup> Untrained educational degree: board managements in agricultural cooperatives have not been trained in any degree, some of them finished high school education, most of them finished secondary school education and even some of them just finished primary school education.



**Figure 13: Educational Degree of AC Management Member in Mekong Delta**

Low ratio of farmer's enrollment in agricultural cooperative is the second problem. According to the Cooperative Law, when farmers want to become members of an agricultural cooperative, they have to agree with an agricultural cooperative's regulation and buy at least one share.

**Table 10: Average Member, Labors, Capital and Revenue of one AC in MD**

	No. ACs	Member/AC	Labors/AC	Capital/AC	Revenue/AC
Unit	Coop	Person	Person	Mil.VND	Mil.VND
2000	544	114	40	322	153
2005	736	109	57	259	268
2010	851	102	74	324	556

Source: Field survey in 2012

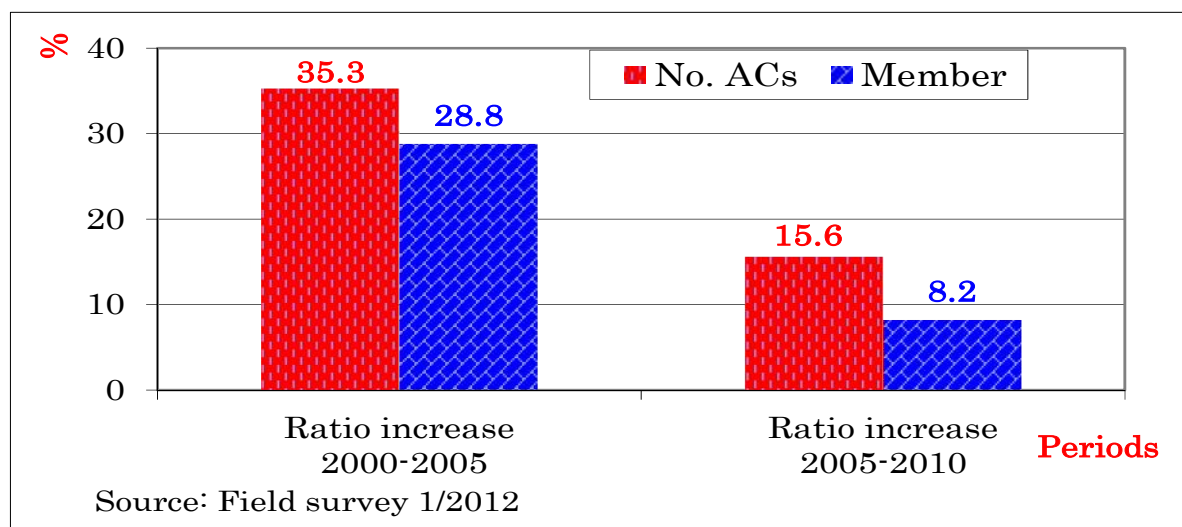
Note: 1 Mil.VND= 4,000¥

1 ¥=250 VND(2012)

Table 10 shows that the average number of members in an agricultural cooperative in the Mekong Delta has been consistently lower than the rest the country. The average number of members in an agricultural cooperative in the Mekong Delta has decreased from 114 members in one agricultural cooperative in 2000, was 109 members in 2005 and was 102 persons in 2010, while the national average was 774 members in 2010. Table 13 also shows that numbers of ACs have increased from 2000 to 2010 and an average member of one AC has decreased in

the same period.

In other words, agricultural cooperatives in the Mekong Delta is increasing the rate of number of agricultural cooperatives to be higher than the average number of members as shown in Figure 14, It means that the average number of members per one agricultural cooperative is becoming smaller and smaller.



**Figure 14: Ratio increase between No. Agricultural Cooperative & Member of AC**

This trend is opposite to status of agricultural cooperatives in some other countries such as the United State of America, Japan, Philippines, Malaysia and Thailand, where numbers of agricultural cooperatives tend to decreased, but members of agricultural cooperatives increased from 2000 to 2010.

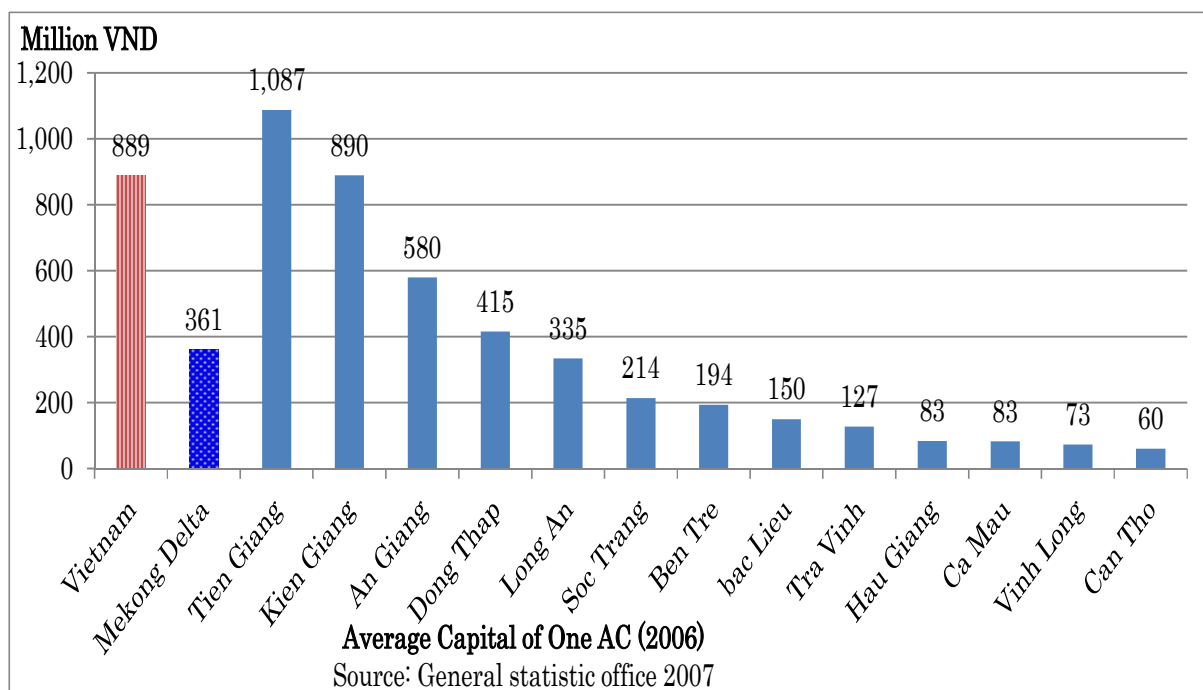
**Limited capital (including share capital, business capital and property)<sup>48</sup>is another challenge of ACs in the Mekong Delta.** Figure 15 shows average capital of

<sup>48</sup> When farmers want to join an agricultural cooperative, they are required to buy at least one share count as share capital. There are many kind of capital in ACs. The investment from members calls share capital, cash and investment of ACs on business services calls business capital, property of ACs were bought from share capital and business capital. Total value of share capital, business capital and property call agricultural cooperatives' capital or total capital



agriculture-forest-aquaculture cooperative in 2006 in the Mekong Delta. Average capital of these cooperatives is small and different from province.<sup>49</sup>

**Figure 15: Average Capital of One AC by province in MD (2006)<sup>50</sup>**



According to the survey, the average capital of agricultural cooperatives in the Mekong Delta in 2010 is only 0.31 billion VND (It is amount 124 man ¥). The average amount capital of the agricultural cooperative in the Mekong Delta is lower than average amount capital of other type cooperatives in the Mekong Delta (it is amount 1.61 billion VND)<sup>51</sup>, it is lower average 1,452 million VND (2010) capital of agricultural cooperatives in Vietnam, it also is very lower than amount

<sup>49</sup> Average share capital of agricultural cooperative is 361 million VND in 2006, while field survey shows that average share capital of agricultural cooperative is 310 million in 2005. Because report of General Statistic office include all ACs, aquaculture cooperative and two forest cooperative in Hau Giang province. While, the field survey only calculate agricultural cooperative.

<sup>50</sup> General statistic office, 2007, average share capital of agricultural cooperative, aquaculture; cooperative and forest agricultural.

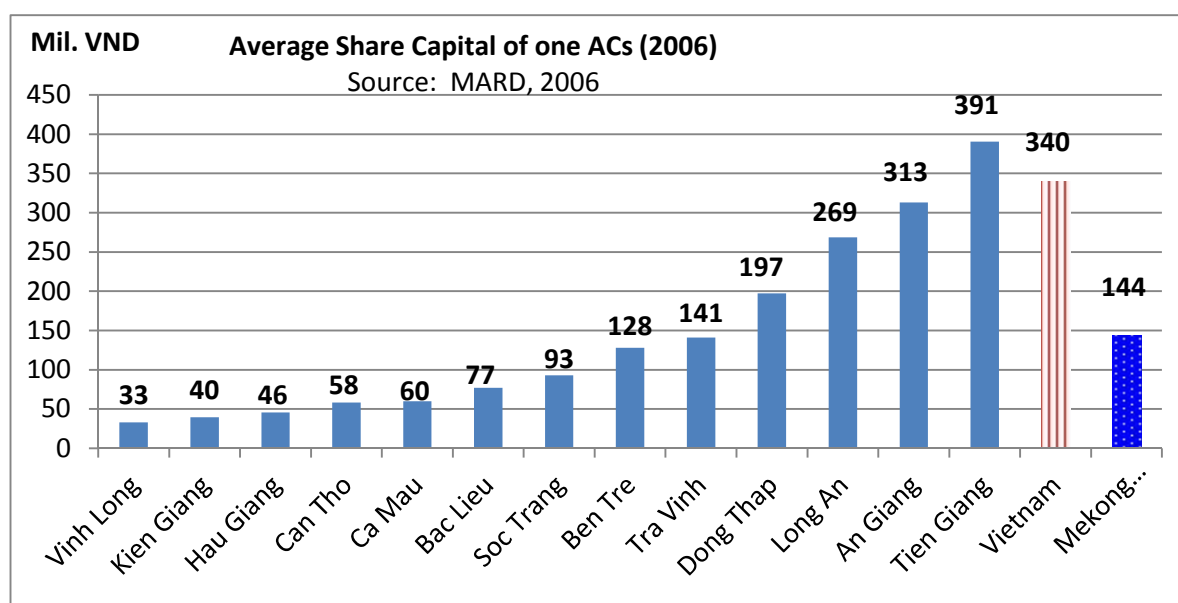
<sup>51</sup> Field survey, 2012

of standard 20 billion VND capital of small enterprise according to the decision 56/2009<sup>52</sup> from the state government and it can't compare with amount share capital of Japan agricultural cooperative (JA), the average capital of a JA in 2000 is 166 billion VND<sup>53</sup>. As the result of small capital, agricultural cooperatives in the Mekong Delta are difficulty development activities and are weak competitiveness with other cooperatives and enterprises. Figure 16 shows average share capital of ACs in the Mekong Delta in 2006, average capital of one AC in the Mekong Delta is small amount and far difference amount from provinces. The largest share capital of agricultural cooperative is 391 million VND in one AC in Tien Giang province. On the contrast, the smallest share capital of agricultural cooperative is 33 million VND in one agricultural cooperative in Vinh Long province. An Giang is the most development of ACs in the Mekong Delta but average share capital is still lower than that of average nation.

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<sup>52</sup> Decision 56/2009/NĐ-CP issued 2009 by the state government about assistant for devilmment the medium and small enterprise, minimum capital of small and medum enterprise is 20 million VND.

<sup>53</sup> Naoto, Imagawa, 2000. The average share capital of a JA in Japan in 2000 is 666.839.000 ¥ (it is about 166 billion VND )



**Figure 16: Average Share Capital of one AC (2006)**

As the result, the Mekong Delta's agricultural cooperatives have faced some challenges from macro environment similar to Vietnam's ACs.

### **3.4.3 Economic effects from agricultural cooperatives in the Mekong Delta**

Agricultural cooperatives promote development in production utilizing local resources (land, raw materials, capital, labor, etc.). They also contribute to economic restructuring, reducing poverty, and improving living standards for household members. They can set the stage for a new business style, producing according to market demand in the Mekong Delta. The survey shows that total revenue of agricultural cooperatives in the Mekong Delta have increased from 153 billion VND in 2000 to 268 billion VND in 2005 and 556 billion VND in 2010. The survey also shows that 73.2% agricultural cooperatives in the Mekong Delta have invested construction dike system for irrigation service, 41.7% have built interior fields, 86.4% have contributed to build inter-village roads and inter-commune roads and 66.3% of agricultural cooperatives have helped poor members learn about economic and jobs.

The most significantly economic contribution of ACs in the Mekong Delta is that members and non-members reduce production cost through using ACs' services. Also, members and farmers gain many advantages through cooperative's activities such as: saving cost, reducing labors, increasing crops, using good services, gaining farm experience and other benefits. For example, Table 11 shows that farmers in An Giang, Dong Thap and Kien Giang provinces save 49.6% harvest cost when he or she uses combine harvester service from cooperative, farmers also reduce 75.0% harvest time and 89.3% labors.

**Table 11: Advantages of Combine Harvester Compared Traditional Harvest Rice<sup>54</sup>**

Advantages	Unit	Combine harvester(*)	Traditional harvest(**)	Ratio (*)/(**)	% Saving cost
Cost	1,000 VND/ha	2,450	4,861	50.4	49.6
Time finish	Hour/ha	1.8	8.5	21.2	78.8
Labor need	Person/ha	3	28	10.7	89.3
Post-harvest losses	%	6.5	15.3	42.5	

Source: Field survey, 1/2012

Besides, farmers also gain advantages from irrigation (pump water) service of cooperative such as: saving around 9.6% irrigation cost compared with self-farmers do, increasing crop from 2 crops to 3 crops a year, protecting rice field from flood effect, using a dike system as a rural road...result from case study in An Giang gives more evidences that farmers gain many advantages through cooperative's activities.

Although reports from PCAs do not mention the exact amount of other economic contribution from the agricultural cooperatives, reports present data on

<sup>54</sup> Data were collected at 9 ACs in three provinces, result was average cost between group A, farmers used combine harvester of agricultural cooperatives and group B, farmers used traditional harvest (by hand) in the same area.

economic contributions from the agricultural cooperatives to provinces. For example, reports state that 100% of agricultural cooperatives have contributed to the development of rural areas, 77.0% of agricultural cooperatives have helped build large farm programs, which it is one of the state government national programs producing large quantity and high quality rice and 69.1% of agricultural cooperatives have contributed to social and economic development in their province.

#### 3.4.4 Social effects from agricultural cooperatives in the Mekong Delta

ACs have created many jobs for farmers in rural areas. Table 12 shows that ACs in the Mekong Delta used 21,634 labors in 2000, increased 41,913 labors in 2005 and reached to 63,015 labors in 2010. An agricultural cooperative created job for 74 farmers in 2010, it is good contribution to rural society in the Mekong Delta, many farmers can get a job in their communities, and they do not migrant to cities for looking for a job.

**Table 12: Full-time and Part-time Labors in ACs**

Year	No. ACs	Total labors & Staff		Full-Time Labors		Part-Time labors	
		Total Labors	Labors/AC	Full-Time Labors	Labors/AC	Part-Time labors	Labors/AC
2000	544	21,634	40	2,720	5	18,914	35
2005	736	41,913	57	5,888	8	36,025	49
2010	851	63,015	74	8,510	10	54,505	64

Source: Field survey in 2012

ACs have contributions to charity activities and social activities for improving their society and community. Result from filed survey shows that

92.5% of agricultural cooperatives have contributed to social activities in communities such as: building house for poor people, helping single-elderly people, helping poor students, building rural bridges, driving patients to the hospital and so on. All cooperatives in the Mekong Delta, including agricultural cooperatives have donated to social and charitable activities amounting to 11,957 billion VND (equivalent to 4.782 million yen) between 2005-2010. It means that each AC contributed average 2.8 million Vietnam annually from 2005 to 2010 for social activities.

The survey shows that 87.3% agricultural cooperatives have helped and supported members in case of illness, bad luck incidents and accidents.

#### **3.4.5 Research result from the case study in An Giang province**

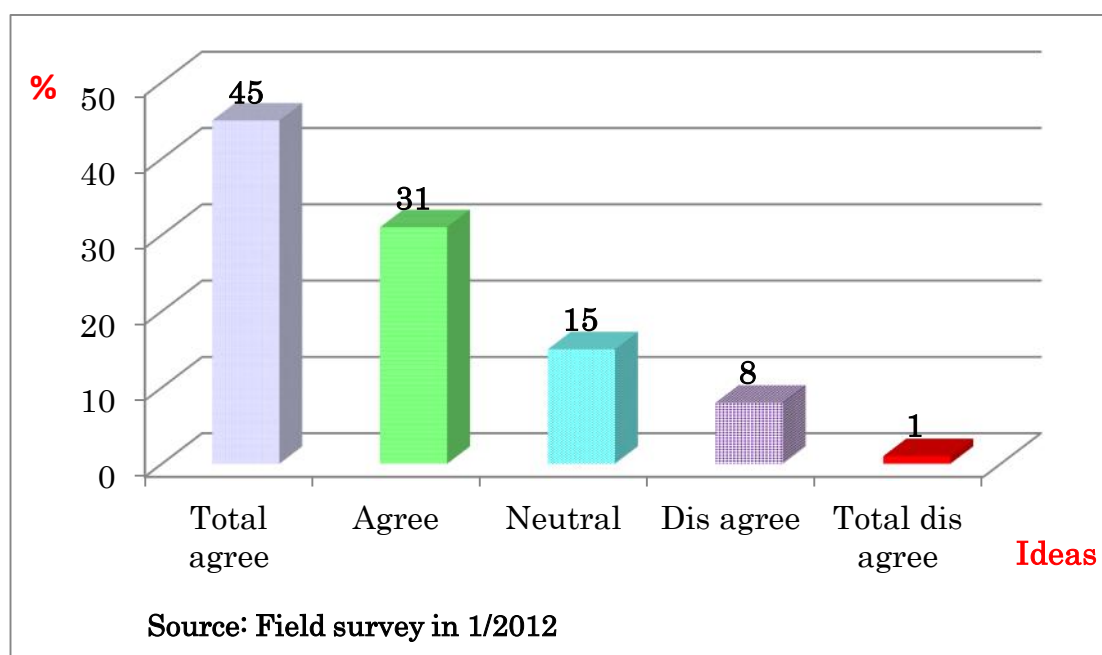
As I said in research methodology, I could not find enough quantitative data demonstration that farmers gain social advantages and economic advantages from cooperative's activities through the secondary data. Therefore, the case study in An Giang Province shows more evidences that members and non-members gain social-economic advantages through cooperative's activities. Agricultural cooperative in An Giang usually do some activities as services based on real need of farmers as irrigation, combine harvester, high quality seed provision, credit for members and other services. Farmers use services from cooperative and pay service fee as customers. Cooperatives give services to both members and non-member and cooperative's service fee usually cheaper than that from self-farmers

**Table 13: Difference profit/ha between Member and Non-member of AC in An Giang**

<b>Difference</b>	<b>Revenue</b>	<b>Cost Production</b>	<b>Profit</b>	<b>Yield</b>	<b>Sold Price</b>
Unit	1,000 VND/ha	1,000 VND/ha	1,000 VND/ha	Kg/ha	VND/kg
Member of AC (GA)	42,505	21,807	20,698	6,543	6,501
Non-member of AC (GB)	41,796	24,602	17,194	6,769	6,180
Ratio difference GA/GB	1.7	-11.4	20.4	-3.3	5.2
Field survey in 1/2012					

From the viewpoint of economics effects, the result shows that members of agricultural cooperatives have higher benefits and advantages than non-members. In table 13, members have 20.4% higher profits/ha than non-members because members have 11.4% cheaper cost of production and 1.7% higher revenue than that of non-members. The survey also shows that the items of input cost for members are cheaper than non-members. For example, members 5.5% less for irrigation cost because cooperative usually discounts 5% for members, 2.8% for fertilizer cost, 6.3% for pesticide cost because cooperative provides many farm training courses to members and members usually use high quality seed, apply new technology for saving fertilizer, pesticide and 7.2% for seed cost because members can buy cheap seed at the cooperative than non-members. Members sell 2.3% higher price than non-members because members usually use high quality seed from cooperative and members have better farming experiences.

In addition, most of farmers in the survey agree that the cost of services from agricultural cooperative is cheaper than that of service from the other companies. Figure 17 shows that 76.0% of respondents totally agree and agree that the cost of services from agricultural cooperatives is cheaper than that from the other companies.



**Figure 17: Idea about AC' Service Fee Is Cheaper than AC' Competitors**

Table 14 shows that farmers save a lot cost when he or she uses services from cooperative compare with that from self-farmer. Besides that, most of farmers agree that agricultural cooperatives help famers improve product quality (79.0% agree) and contribute to reducing production cost, thus increasing profits for farmers (70.0% agree) as shown in Figure 18

**Table 14: Service fee by agricultural cooperatives and by Farmers**

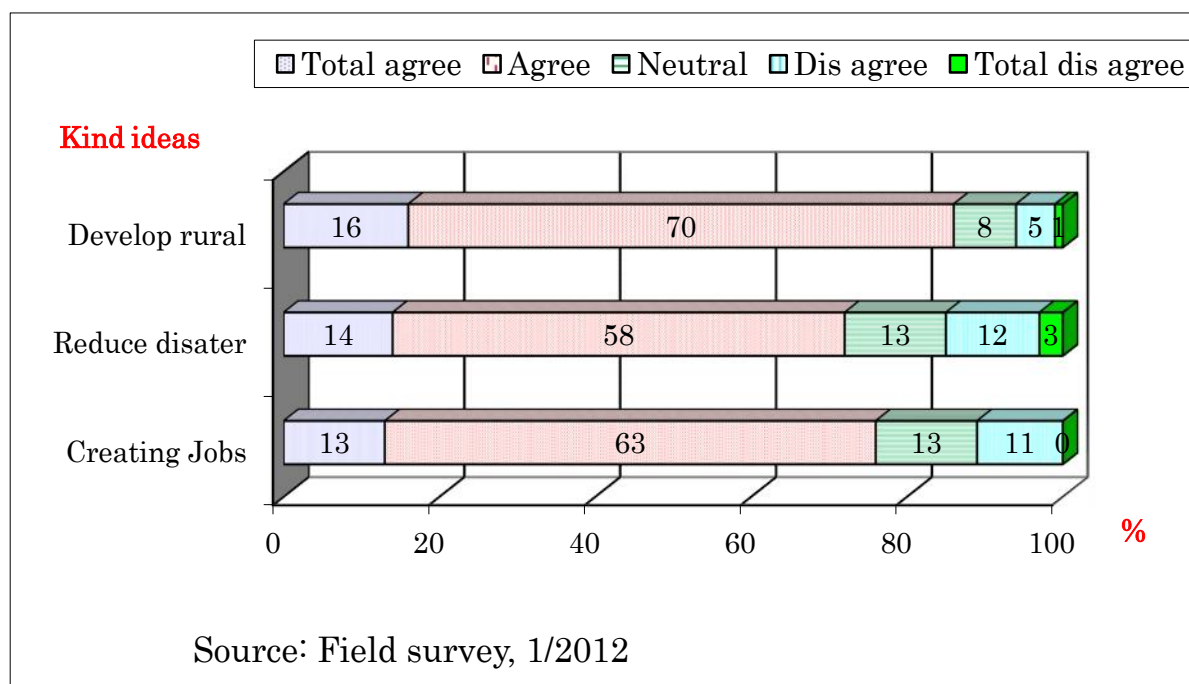
Services	Unit	Do by AC	Do by Farmer	% farmer saving
Irrigation	1,000 VND/ha	700	942	25.7
Harvest rice	1,000 VND/ha	1,423	3,067	53.6
Credit for member	% interest/month	0.5	3.0	83.3
Seed provision	1,000 VND/kg	9	14	35.7

Source: Field survey, 1/2012

Note: AC harvest rice by combine harvester, Farmer harvests by hand

From the viewpoints of social effect, I can observe many positive social effects agricultural cooperatives contribute to society from the case study in An Giang.





**Figure 18: Idea about Positive Effects of AC**

According to Figure 18, a total of 76.0% of respondents total agree and agree that agricultural cooperatives create jobs for community. Also, 72.0% total agree and agree that agricultural cooperatives help reduce and prevent natural disaster, irrigation service from agricultural cooperatives protect 31,000 out of 110,000 ha rice farmland in the province from flood and drought; and 86.0% total agree and agree that agricultural cooperatives help develop rural areas such as building dike systems, small roads and bridges.

### 3.5 Summary and Discussion

The result of this chapter situation of agricultural cooperatives in the Mekong Delta. They have increased rapidly in number, membership, staff and laborers, share capital and revenue from 2000 to 2010. However, agricultural cooperatives in the Mekong Delta have also had some problems and faced several challenges, such as simple services, low educational level of board management members, low farmers enrollment in agricultural cooperatives, small share capital

and some challenges arising from macro environment similar Vietnam's ACs. In spite of this, agricultural cooperatives in the Mekong Delta have had positive economic contribution and social effects and have produced other advantages. The case study in An Giang Province gave evidences of the social and economic effects, advantages and contribution from agricultural cooperatives to local farmers and their communities.

In addition, I should improve and change some macro policies and legal framework regarding cooperatives and agricultural cooperatives. The State government should organize the national campaigns for introducing and advertising agricultural cooperatives in Vietnam.

## **CHAPTER IV: AGRICULTURAL COOPERATIVE'S CONTRIBUTIONS TO FARMING PRACTICES IN AN GIANG PROVINCE, THE MEKONG DELTA.**

### **4.1 Introduction**

As I stated in research methodology and in chapter III, the secondary data from all Mekong Delta provinces show that ACs have contributed to develop economics, society and farming through their business and activities. But reports did not give figures, numbers and evidences for measuring these contributions of ACs. For example, Kien Giang Cooperative Alliance issues the most detail annually report among those reports from survey. But the report states that “ACs have played an importance role in agriculture and rural development in the province, many ACs have increased their contributions to reducing production cost, applying new farming technology and being rural development”. Hence, I could not find enough quantitative figure and numbers contributions of ACs and kind of contribution of ACs.

I assume that the more diversify business and activities offer by ACs, the more AC' benefits contribute to members and non-members. In addition, the more AC's services use by members and non-members, the more advantages received by members and non-members.

Therefore, I did another survey in An Giang province for measuring contributions of ACs in An Giang province as a case study to support evidences my writing in previous chapters and next chapters.

## 4.2 Objectives

This chapter attempts to

- Find out popular business and activities of AC in An Giang province
- Identify AC contributions to farming practices in An Giang province, Mekong Delta.
- Analyze reasons for different AC contributions between members and non-members and different farming practices before and after farmers receive AC services.
- Suggest actions for improving AC contributions to farming practices and methods for improving the AC in An Giang province, Mekong Delta, Vietnam.

## 4.3 Research Methodology

I selected An Giang province for conducting field survey because An Giang is one of the provinces in the Mekong Delta has been well known for the largest output of rice production and diversify quality agricultural cooperatives. Agriculture is main in economic structure and rice is main agricultural product as same as other provinces in the Mekong Delta.

The primary data collected among five out of 11 districts in An Giang province. Table 15 reports the name of each AC, their quality ratings<sup>55</sup> as of 2011,

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<sup>55</sup> The Circular No.1/2006 on ranking cooperative. The cooperative is ranked by the 4 levels of the scale consist of excellent, good, average and weak agricultural cooperative. There are six criterions in the scale consist of (i) the level of democracy and the participation of members on the development and implementation of cooperative's regulation; (ii) the level of completion of the production and service targets; (iii) the level of services to members; (iv) the level of reliability of the members on cooperatives; (v) the level of welfare from cooperatives for

their number of business and activities (hereinafter services) and their services. I designed to conduct survey at eight ACs including two excellent ACs, two good ACs, two average ACs and two weak ACs. However, there is only one excellent AC in An Giang province according to the Circular No. 1/2006. Therefore, I survey at 7 ACs in An Giang province as shown in Table 15.

**Table 15: Surveyed Agricultural Cooperative, Rating and Services**

#	Name of AC	Rank of AC (2011)	No. of services	Irrigation	Agr. training	Market info	Harvest	Good seed	Land prep	Fertilizer, pesticide	Credit	Others
1	Phu Thanh	Excellent	9	1	1	1	1	1	1	1	1	1
2	Vinh Trach	Good	8	1	1	1	1	1	1	1	1	0
3	Long Binh	Good	8	1	1	1	1	1	1	1	0	1
4	Thanh Loi	Average	5	1	1	1	0	1	0	1	0	0
5	Hoa A	Average	5	1	1	1	1	1	0	0	0	0
6	Long Thanh	Weak	4	1	1	1	1	0	0	0	0	0
7	Hoa An	Weak	2	1	1	0	0	0	0	0	0	0
AC Provide service to		Members (GA)		yes	yes	yes	yes	yes	yes	yes	yes	yes
		Non-Members(GB)		yes	few	few	few	few	yes	few	no	no

Source: Field survey, 1/2012

Note: 1 - Service; 0 - Non-service

I selected 123 rice farmers by random sampling and surveyed using a questionnaire in seven ACs in An Giang (Table 15). Sixty-two of those interviewed were members of ACs, which I called Group A (GA), and the other sixty one were non-members, called Group B (GB). Non-members had farmland in the same area as members and used some of the same AC services used by members.

P0 denotes the period before GA and GB began receiving AC services and PT indicates the period after GA and GB began receiving AC services. I measured the AC's contributions to farming practices by comparing PT and P0 services. The

members; (vi) the level of solidarity and collaboration among members and community building

limited data did not contain P0 values for several indicators. Therefore, I measured those cooperative contribution indicators by comparing the difference between GA and GB. This method cannot exactly measure the contributions of only the AC to farming practices; however, a relatively accurate contribution amount and trend can be measured because ACs provide many priority services to members and discount their service fees for members.

Secondary datas were collected from the reports of the Department of Agriculture and Rural Development (DARD) in An Giang province, the An Giang Cooperative Alliance and our previous studies.

## 4.4 Results

### 4.4.1 Descriptive statistics of research results

Table 16 reports the gap in farming characteristics, such as age, farming experience, educational level, and farm size, between members and non-members.

**Table 16: Descriptive Statistics Characteristics of GA (Member) & GB (Non-member)**

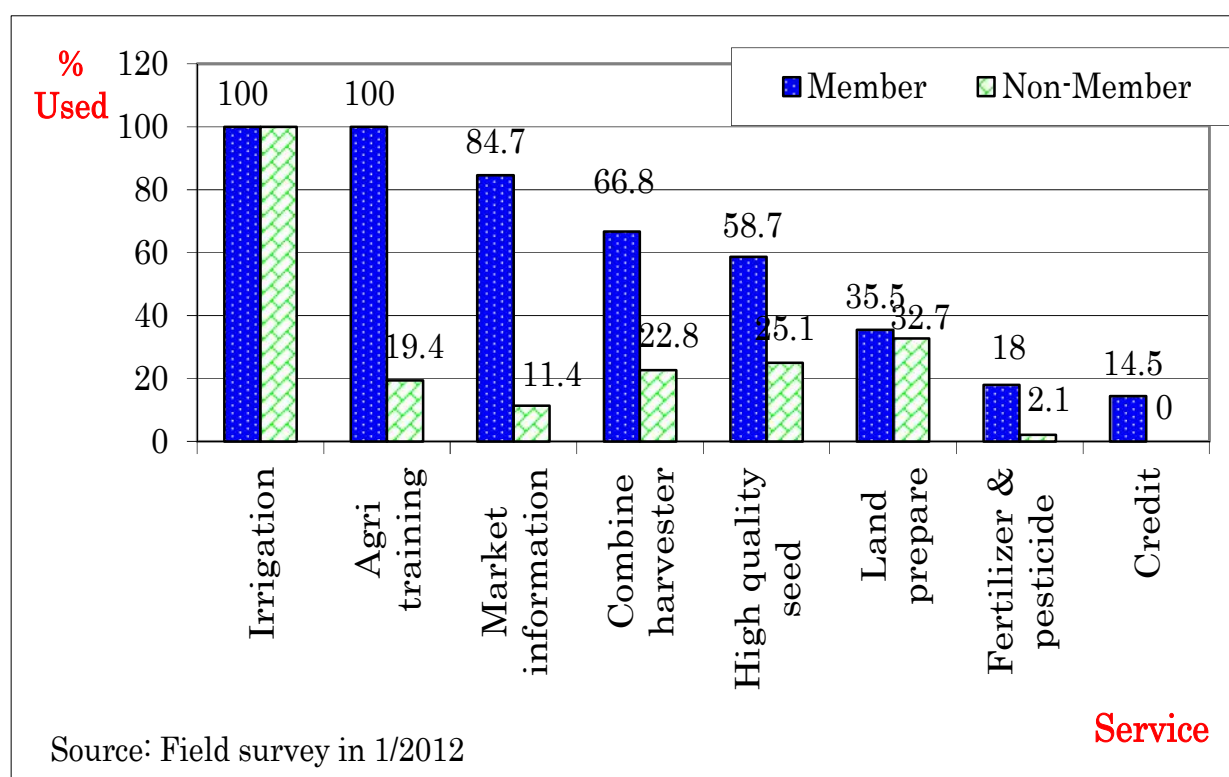
<i>Farmers' background</i>	<i>Age (year)</i>		<i>Experience (year)</i>		<i>Education (grade)</i>		<i>Agricultural land (ha)</i>		<i>Attend training courses (times)</i>	
	<i>GA</i>	<i>GB</i>	<i>GA</i>	<i>GB</i>	<i>GA</i>	<i>GB</i>	<i>GA</i>	<i>GB</i>	<i>GA</i>	<i>GB</i>
<i>Mean</i>	54	49	28	23	8.1	6.7	2.34	1.85	4.0	1.4
<i>Standard Error</i>	1.17	1.04	1.17	1.15	0.39	0.34	0.27	0.19	0.13	0.13
<i>Minimum</i>	34	32	6	5	1	1	0.2	0.2	2	0
<i>Maximum</i>	78	70	44	48	12	12	10	8	6	4
<i>Count</i>	62	61	62	61	62	61	62	61	62	61
<i>Confidence(95%)</i>	2.35	2.08	2.34	2.30	0.78	0.68	0.53	0.38	0.26	0.25

*Source: SPSS Analysis from field survey, 1/2012*

*Note: GA: Members GB: Non-members*

As Table 16 reported, most ACs in the survey provides services to members and few provide services to both members and non-members. Figure 19 depicts

the percentages of members and non-members using cooperative services among the 123 farmers sampled in the survey.



**Figure 19: Member & Non-member Percent using AC services**

The survey revealed that ACs charged members a discounted service price for using the irrigation service and gave other priority services to members. For example, the AC discounted the irrigation service fee by 5 - 15% for members compared with that of non-members. As a priority service, the cooperative provided high quality seed to members at a price lower than that provided by a private seed company. Most members and non-members need cooperative services such as combine harvesters, credit and pesticide. However, the AC provides insufficient services than that needed by members and non-members because it has only limited capital and capital assets.

Kind of services	Member		Non-Member	
	# farmer	%	# farmer	%
Irrigation	62	100.0	61	100.0
Combine harvester	56	90.3	14	23.0
Seed	59	95.2	19	31.1
Land preparation	58	93.5	12	19.7
Fertilizer & pesticide	42	67.7	2	3.3
Credit	16	25.8	0	0.0
<b>Total sample</b>	<b>62</b>		<b>61</b>	

**Figure 20: Number of Members & Non-members and service's use**

#### 4.4.2 Agricultural cooperative contributions to farming practices

An AC contributes to an increase in profit/ha. Table 17 reports that members have a 20.4% higher profit/ha than that of non-members. This result represents a ACs contribution because profit is calculated as  $P = R - PC$ , where P = profit/ha, R = total revenue/ha and PC = total production cost/ha<sup>56</sup>. Thus, if farmers want to increase P, they must increase R and reduce PC. In raw numbers, members earn 3,503 thousand VND, equivalent to 14,000 Yen, from the 20.4% profit/ha, which is higher than that of non-members. This is because members have higher revenue/ha and lower production cost/ha than non-members (Table 17).

**Table 17: Profit/ha of Rice between Member (GA) & Non-member (GB)<sup>57</sup>**

<sup>56</sup> Production cost includes land preparation, irrigation, seed, fertilizer, pesticide, labor rent, farm tool, land rent and family cost.

<sup>57</sup> Net profit/ha rice of GA and GB is lower than that of national office statistic reports because I counted production cost including farm tool, land rent and family cost. Most of official reports do not count these cost.



Unit: 1,000VND/ha		
	GA	GB
Total revenue (1)	42,505	41,796
Total production cost (2)	21,807	24,602
<b>Net profit (3) = (1) - (2)</b>	<b>20,698</b>	17,194
Difference profit GA - GB	3,503	
<b>% profit higher/ha of GA</b>	<b>20.4</b>	

*Source: Field survey in 1/2012.*

*Note: 1,000 VND = 4 Yen*

ACs contribute to increased revenue/ha. Farmers' total revenue/ha increased because ACs contributed to the increase of selling price/kg of rice. Table 18 reports that members earned 709 thousand VND revenue/ha higher than did non-members, because members sold their rice at a 5% higher selling price than did non-members.

**Table 18: Differences in Yield, Selling Price & Revenue between GA&GB**

Differences	Yield	Selling price	Total Revenue
Unit	Kg/ha	VND/kg	1,000VND/ha
<b>Member (GA)</b>	<b>6,543</b>	<b>6,501</b>	<b>42,505</b>
Non-member (GB)	6,769	6,180	41,796
GA - GB	-226	321	709
Percent difference GA/GB	-3.3	5.2	

Source: Field survey in 1/2012

Table 19 shows the statistical analysis by regression analysis demonstrates a high coefficient between revenue/ha and yield/ha and revenue/ha and price sold/kg, significant at the 1% level (Table 19). The correlation between revenue and price sold/kg is stronger than that between revenue/ha and yield/ha. This result reveals that although members have yield/ha lower than that of non-members, members earn revenue/ha higher than that of non-members.

**Table 19: Correlation of Revenue to Yield & to Selling Price/kg**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-4483.7	516.25		-8.685	*
Yield	6.856	0.549	.679	12.500	*
Selling Price/kg	651	49.19	.719	13.240	*

*Note: Dependent variable: Revenue; (\*) Significant at the 1% level*

ACs in An Giang have engaged in many activities to increase the selling price of product prior to members and certain non-members. Cooperatives provide high quality seed, hold many agricultural training courses, market members' products to rice export companies, provide market information to members and certain non-members, and perform other services. As a result, members' selling price is higher than that of non-members due to the use of high quality seed, more marketing information and higher opportunities to sell their products directly to rice export companies. These factors enable members to earn revenue/ higher ha than that of non-members.

ACs contributed to reducing production cost by reducing component cost because they provide service costs lower than those provided to individual farmers.

**Table 20: Irrigation Cost by Individual Farmers and by ACs Services**

Irrigation cost: before AC service (P0) & after AC service (PT)	Unit	An Giang province		Vinh Trach AC	
		GA	GB	GA	GB
Cost by individual farmers in 2010* (P0)	1,000 VND/ha	2,515	2,515	2,461	2,461
Cost by AC in survey (PT)	1,000 VND/ha	1,453	1,608	1,710	1,800
<b>AC's value contribution (PT - P0)</b>	1,000 VND/ha	<b>-1,062</b>	<b>-907</b>	<b>-751</b>	<b>-661</b>
% of AC contribution & farmers' savings	%	-42.2	-36.1	-30.5	-26.9
Price discount for members	%	9.6		5.0	

Sources: MARD of AG report in 2011 & Field survey in 1/2012

For example, Table 20 reports that individual farmers paid 2,515 thousand VND/h<sup>58</sup> for irrigation cost in 2010 (P0). In 2011 (PT), ACs provided irrigation service cost lower than that provided to individual farmers. Cooperatives charged a service fee of 1,608 thousand VND/ha for non-members and 1,453 thousand VND for members, an average 9.6% discount. I compared irrigation costs during PT and P0, and found that members saved 42.2% and non-members saved 36.1% on irrigation costs by using the AC service. The Vinh Trach AC in Table 20 also contributed to reducing irrigation cost. P0 was the period in which the Vinh Trach Cooperative did not provide an irrigation service. In 2009, farmers independently performed irrigation at a cost of 2,461 thousand VND/ha. PT began in 2011 when Vinh Trach provided irrigation service and charged a service fee of 1,800 thousand VND/ha for non-members and discounted 5% for members. I compared irrigation cost/ha during PT and P0, and found that the Vinh Trach Cooperative saved 30.5% irrigation cost for members and 26.9% for non-members. The cooperative could provide irrigation services at a low service fee because it used an electric pump station, whereas individuals had used

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<sup>58</sup> DARD in AG report in 2011, individual farmers had used diesel engines for pumping water over 60% rice area in the province and It cost average 2,515 thousand VND/ha.

diesel engines; the use of electrical power costs less than that of diesel. The cooperative also obtained a government subsidy for an irrigation system, and the government required that ACs charge a low service fee.



**Picture 1: Irrigation use diesel engine by individual farmer in An Giang province**



**Picture 2: Irrigation use electrical power by ACs in An Giang province**

In addition, Table 21 reports the contribution measurements of ACs for reducing harvest costs. For the Phu Thanh AC farmers, the manual harvest cost was 4,890 thousand VND/ha in 2010 (P0).

**Table 21: Harvest Cost/ha by Hand and by Combine Harvester**

Cost/ha before AC service (P0) & after AC service (PT)	Unit	Phu Thanh AC(i)		Vinh Trach AC(ii)	
		GA	GB	GA	GB
Cost hand-harvested rice (P0)	1,000 VND/ha	4,890	4,890	4,312	4,312
AC Cost for machine harvest (PT)	1,000 VND/ha	2,275	2,833	2,317	4,037
AC's value contribution (PT - P0)	1,000 VND/ha	-2,615	-2,057	-1,995	-275
% of AC contributions & farmers's savings	%	-53.5	-42.1	-46.3	-6.4

Source: DARD of AG report in 2011 and Field survey in 1/2012

*Note: (i) GA & GB used machine; (ii) GA used Agri coop machine but GB used hand*

When the cooperative provided combine harvester service in 2011 (PT), harvest cost decreased to 2,275 thousand VND/ha for members who used its harvester machine of cooperative. I found that the Phu Thanh Cooperative saved 53.5% of the P0 period's manual harvest cost for members. For the Vinh Trach AC farmers, the manual harvest cost was 4,312 thousand VND/ha in 2010 (P0). When Vinh Trach provided combine harvest services to all members (PT) beginning in 2011, the 92% of the sampling's farmers who were non-members continued to harvest manually because there was no other combine harvester in the Vinh Trach area at that time. I found that members saved 46.3% of their previous (P0) harvest cost during the PT period by using the cooperative service's equipment. Non-members, who could not harvest mechanically, continued paying high harvest costs (Table 7, column GB). Thus, the Vinh Trach Cooperative reduced members' component and



production costs.



**Picture 3: Harvest rice by hand and by Combine harvest machine**

In other cases, ACs reduced components cost for both members and non-members. As Figure 20 depicts, our survey revealed that the percentages of members that used AC services are higher than those of non-members. Therefore, I assume that members used more AC business and activities than did non-members and benefitted more from production cost reduction than did non-members. Table 22 reports that members incurred production costs 2,794 thousand VND/ha (equivalent to 11,000 Yen) lower than those of non-members. Members also obtain many components at prices lower than those for non-members. I found several reasons for members having lower component and production costs. Members have an average harvest cost that is 30.2% lower than that for non-members because 66.8% of members harvested rice using the AC's combine harvester service compared to 22.8% of non-members who harvest mechanically, using the cooperative's and other providers' services.

**Table 22: Components of Cost & Production Cost/ha of Rice for Member & Non-member**

Components cost	Harvest	Land prep	Pesticide	Irrigation	Seed	Fertilizer	Herbicide	Take care	Labor rent	Management	Farm tools	Production cost
Member GA	23,070	14,905	50,062	14,531	14,665	59,917	3,952	8,990	13,471	9,753	4,757	21,807
Non-member GB	33,062	17,935	56,214	16,082	16,079	64,771	3,885	8,896	13,563	10,558	4,973	24,602
Value cost GA - GB	-9,992	-3,030	-6,151	-1,551	-1,414	-4,854	66	94	-92	-805	-216	-2,794
% lower cost GA/GB	-30.2	-16.9	-10.9	-9.6	-8.8	-7.5	1.7	1.1	-0.7	-7.6	-4.3	

Source: Field survey in 1/2012

Note: 1,000 VND = 4 Yen

Table 14<sup>59</sup> demonstrated that mechanically harvesting rice is 53.6% of the cost of manual harvesting. Therefore, the AC combine harvester service reduced production costs for members. Further, members have an irrigation cost lower than that incurred by non-members because the AC discounts its irrigation service fee for members at an average of 9.6% of non-member fee.

Members obtained additional components at costs lower than those incurred by non-members because many national subsidy programs apply through the AC, which then provides prior those opportunities to members. For example, the government distributes special discount price tickets to ACs for buying high quality seed. National extension courses, other agricultural courses and the new model ‘1 Must Do and 5 Reductions’<sup>60</sup> are organized by ACs. Therefore, ACs have contributed to reducing total production costs by reducing

<sup>59</sup> Tran Minh Hai & Iwamoto Izumi, agricultural cooperatives provided combine harvester service and charged 50.4% service fee compare with that of individual farmers’ manual harvest cost.

<sup>60</sup> Model “1 Must Do and 5 Reductions”: 1 must use certified seed and 5 Reductions for reducing seed rate, fertilizer use, pesticide use, water use, and postharvest losses.

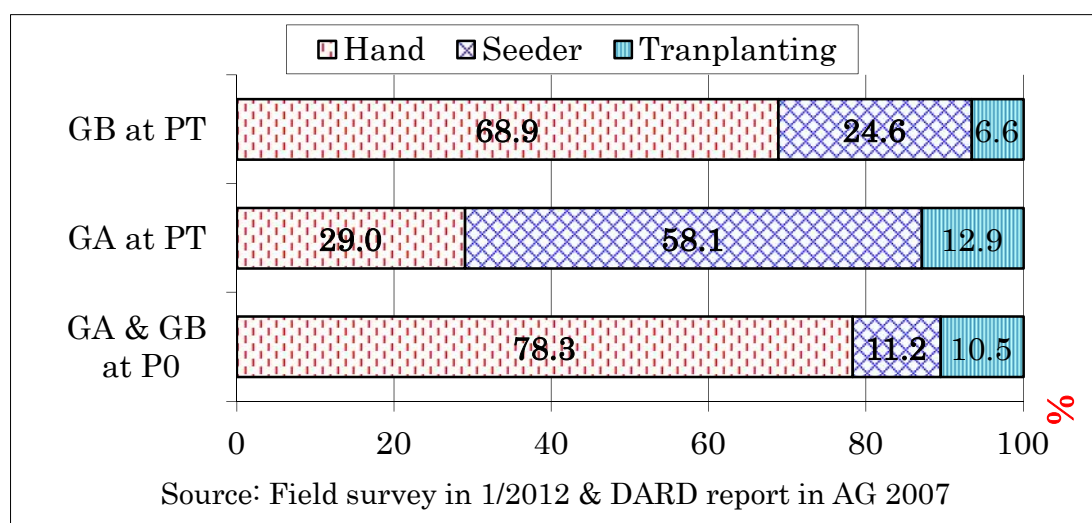
components costs (Table 22).

In summary, ACs' business and activities have contributed advantages and benefits to members and non-members. Result shows strong evidences that members use more ACs' business and activities than non-members do. As the result, members group have gained higher benefits than that of non-members group.

#### 4.4.3 Contribution of agricultural cooperatives in improving farming practices

ACs have contributed to improving farming practices such as using a seeding machine, high quality seed, new technology, less fertilizer and pesticide, environment protection measures and water conservation. Cooperatives have also improved levels of farming practices for PT over those in P0; this has done for more members than for non-members.

Cooperatives change farmers' habits by using the seeding machine. Figure 21 depicts that in 2007 (P0) 78.3% of farmers in An Giang province manually sowed compared the 11.2% of those who used a seeding machine.



**Figure 21: Rice Sowing Method at P0(2007) & PT(2011)**



In 2009, cooperatives began providing free seeding machines to members because the government wanted to encourage farmers to use them. In the same year, the government provided five free seeding machines and subsidized 50% of the cost for another five for each AC. The cooperatives also organized many landless farmer groups and provided them the seeding machine sowing service. Members borrowed seeding machines from the AC and sowed their own fields or hired landless farmer groups through the ACs. Figure 21 depicts the result: The percentage of member (GA) using seeding machines to sow increased from 11.2% in 2007 to 58.1% in 2011, and 24.6% of non-members (GB) sowed using seeding machines in PT, whereas only 11.2% did so during P0. Seeding machine is not very expensive as the combine harvester machine, a seeding machine pulling by hand costs equally 600kg rice or 200 kg fertilizer<sup>61</sup>, many individual farmers can purchase seeding machine. Ratio farmer sowing seed by seeding machine naturally increase in An Giang from 2007 to 2010. However, ratio of member (GA) using seeding machines has increased faster than that of non-members (GB) because ACs in An Giang have encouraged members using seeding machine through government subsidies program and by organizing sowing services.

Our survey revealed that 72.6% of members applied the “1 Must Do, 5 Reductions - 1 ph i 5 gi m”<sup>62</sup> model, whereas only 32.8% of non-members did so. This is because if members registered to apply the model, they obtained 30 kg of

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<sup>61</sup> Average yield of rice in An Giang is 6,000 kg/ha/crop and farmers use average 500 kg fertilizer/ha

<sup>62</sup> “1 Must Do, 5 Reductions - 1 ph i 5 gi m”: 1 must use certified seed and 5 Reductions for reducing seed rate, fertilizer use, pesticide use, water use, and postharvest losses. The model was develop by An Giang province under support from International Rice Institution Research (IRRI)

high quality seed free from a government project for ACs' and the AC would provide the necessary training and guidance upon applying the model. Therefore, ACs help members follow the model's guidance and members derived greater advantages, as shown in the 2009 IRRI report<sup>63</sup>.

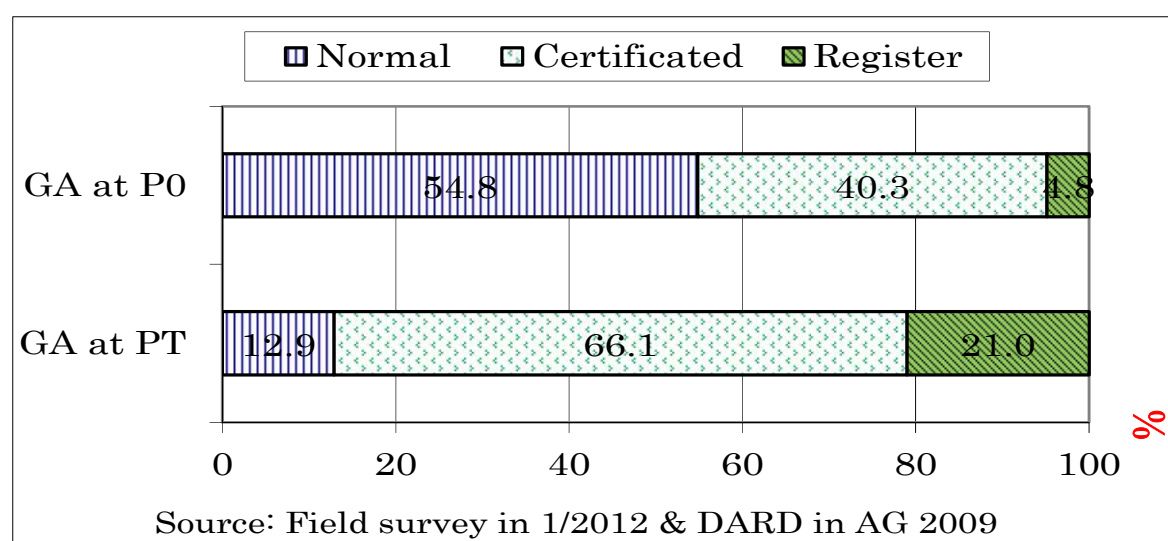
ACs increased the percentage of members using certified seed because certified seed has high insect and disease resistance and low fertilizer demand and produces a high quality product, which is easier to sell at a higher price<sup>64</sup>. Figure 22 depicts the results that members (GA) used 54.8% normal seed, 40.3% certified seed and 4.8% registered seed in 2009<sup>65</sup> (P0). By contrast, in 2011 (PT), members (GA) used 12.9% normal seed, 66.1% certified seed and 21% registered seed. When I compared PT and P0, I found that members (GA) used less normal seed and more high quality seed, including certified and registered seed, in the PT period.

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<sup>63</sup> The study of IRRI in 2009 reported that the yield of farmers who applied "1 must Do, 5 Reductions" was 0.2 to 0.4 tonne per hectare higher than other farmers, whose yield was average 5.3 tonnes per hectare. Farmers' profit increased by US\$208 equivalent to 15,600 Yen/ha, if farmers applied the model "1 Must Do, 5 Reductions".

<sup>64</sup> Thanh, a good quality seed needs a high care technique and do not have very high yield but a good quality seed benefits to farmers because high quality seed has high insect and disease resistance and low fertilizer demand and produces high quality product, which is easier to sell at a higher price.

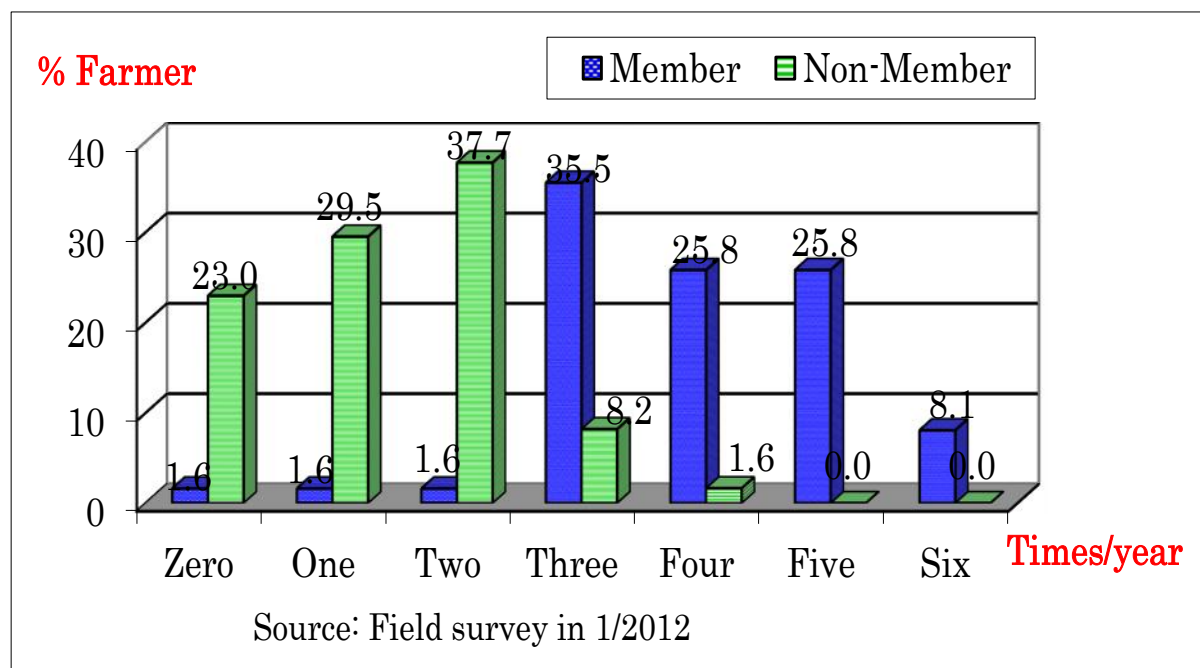
<sup>65</sup> DARD, An Giang in 2009, Famer in An Giang province used 54.8% normal seed, which farmers exchanged among farmers in village, 40.3% certified seed and 4.8% registered seed.



**Figure 22: Seed Level Used by Members Group at P0(2009) & PT**

There is a correlation between using high quality seed and seeding machine. Farmers use high quality seed including certified seed and registered seed, they have to use seeding machine for sowing because high quality seed is high price. Therefore, if ACs encourage more farmers use high quality seed, the percentage of farmers us seeding machine increase.

ACs improve farmers' farming skills through organizing agricultural training courses. Figure 23 demonstrates members attended an agricultural training course more than non-members did.



**Figure 23: Times Attending Agricultural Training Courses/Year**

Thus, members learned more than non-members about using fertilizers, pesticides and farming tools and improving living conditions. The higher member attendance was for several reasons. Members were aware of the benefit of training courses and state government policy. Vietnam's government encourages more farmers to enrol in ACs. Thus, the government provides extension programs, farmer training and agricultural training and subsidizes projects for farmers through AC organizations. In addition, members receive priority seating in government programs.

I assume that if members attend agricultural training courses, they reduce their fertilizer and pesticide cost. Table 24 reports our correlation test between the independent variable - fertilizer and pesticide cost - and the dependent variable - attending training (dummy variable: member attend = 1, member does not attend = 0). The statistical result reveals that only pesticide cost reduction significantly correlates with attending training at the 10% level, whereas

fertilizer cost reduction positively correlates, but not significantly, with attending training.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Sig.
	B	Std. Error	Beta			
1 (Constant)	1.5	0.355		4.295		0.000
Fertilizer	0.000	0.001	-0.073	-0.768	Ns	0.444
Pesticide	-0.001	0.000	-0.181	-1.890	***	0.061

Note: Dependent variable: Attend training code =1

\*\*\* significant level at the 10% level; Ns: Non-significant

#### **Figure 24: Correlation between Fertilizer/Pesticide cost & Training**

I found reasons for fertilizer not significantly correlating with training. First, the fertilizer market has not been monopolized by state-owned companies since 2011, but instead has competition among state-owned, private and foreign investment companies. Many foreigner fertilizer companies produce ‘special fertilizer packed with application guide’ for rice and guide farmers in how to use the fertilizer. Farmers easily follow these instructions and have many choices among fertilizers. Second, in contrast, pesticide products rapidly change because many insects and diseases develop resistance to pesticides; therefore, farmers need updated information for pesticide use, which the courses provide.

I also found reasons for non-members less attended on agricultural training course than that of members. Government wants to encourage more farmers’ enrolment into ACs and many national agricultural programs such as extension programs, rural development, and farmers’ life improvement have applied through ACs. Therefore, members have more chances attending in these programs. In addition, national extension program used to give cash or gifts for attractive to farmers, who came to attend extension training, every farmer

received a gift after attending training. Now, government have not given any gifts to farmers for attending extension programs, because many farmers came to extension training because of cash and gifts. As the result, many farmers, who are not self-awareness benefits of agricultural training courses, they do not attend on these training courses.

In short, ACs increased profit, total revenue and the effectiveness of farming practices, and reduced total production cost per hectare of rice. Cooperatives also offered more services to members than to non-members. Hence, ACs' improvement of farming practices is more effective for members than non-members.

#### **4.4.4 Reasons for the low proportion of farmers' enrolment in agricultural cooperatives**

To date, many South Vietnam farmers have been afraid of the term “agricultural cooperative-Hợp tác xã” because the government used to expand the “old agricultural cooperative”<sup>66</sup> from North to South during 1975-1986. At that moment, the government collected the land, capital assets and property of individual farmers in the South and added it to the local AC, and then equally distributed the profits to each farmer. As the result, the old AC in Vietnam largely collapsed and could not conduct activities.

The field survey in An Giang shows that large number of old farmers have

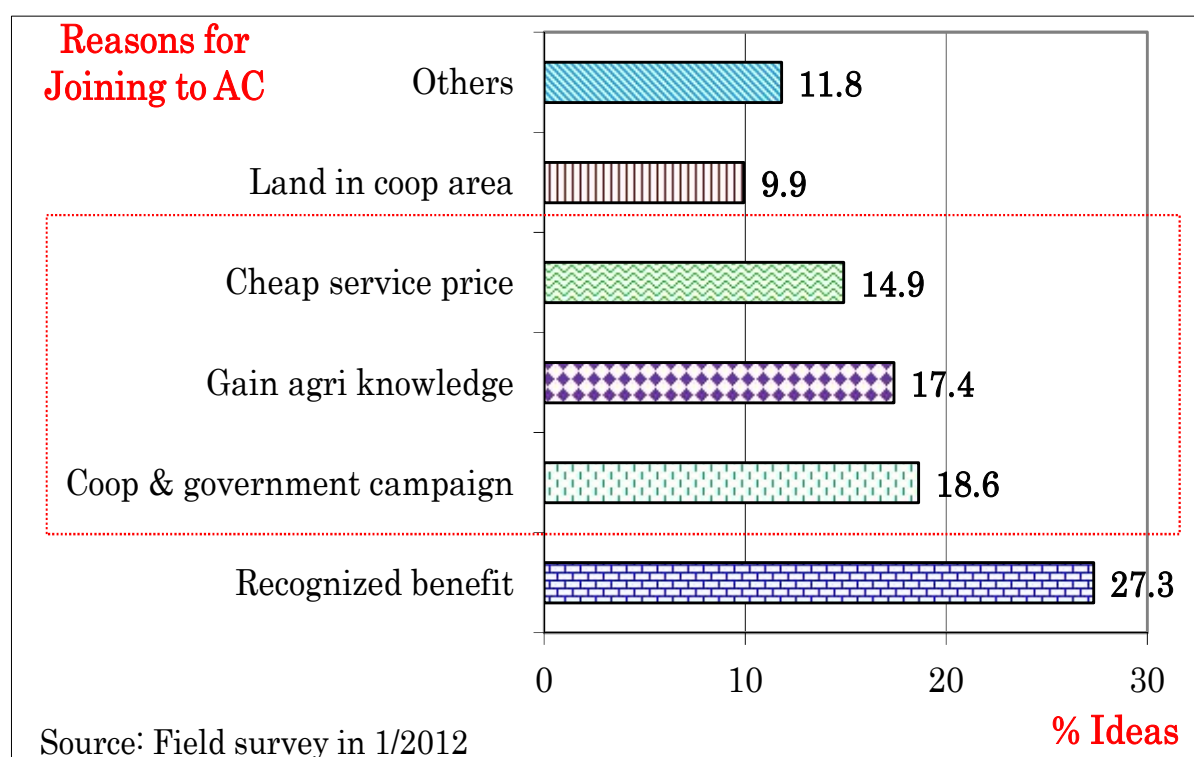
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<sup>66</sup> Period 1959 -1996[3], the cooperatives (old cooperative) were formed of collective assets, lands, labors and equal distribution. Every farmer had to enroll & worked together to cooperatives in government plan.

been afraid of ACs because old farmers faced a not good feeling about ACs during period 1975-1986. The period 1975-1986, farmland size in An Giang is larger than other regions in Vietnam, many old farmers had over ten hectare of farmland and hundreds of buffalos and cows, and they had to work hard for investing these properties. However, their land, buffalos and cows were collected into ACs and they received nothing after 1986.

Furthermore, the ACs model has not been attractive to farmers. In An Giang province, 24.7% of farmers had enrolled in ACs in 2010. The percentage of farmer enrolment in ACs in An Giang province is higher than the 21.9% in the Mekong Delta but lower than the nationwide rate of 28.1%. This percentage of farmers in ACs is far lower than that of JAs in Japan, in which almost 100% of Japanese farmer have enrolled.

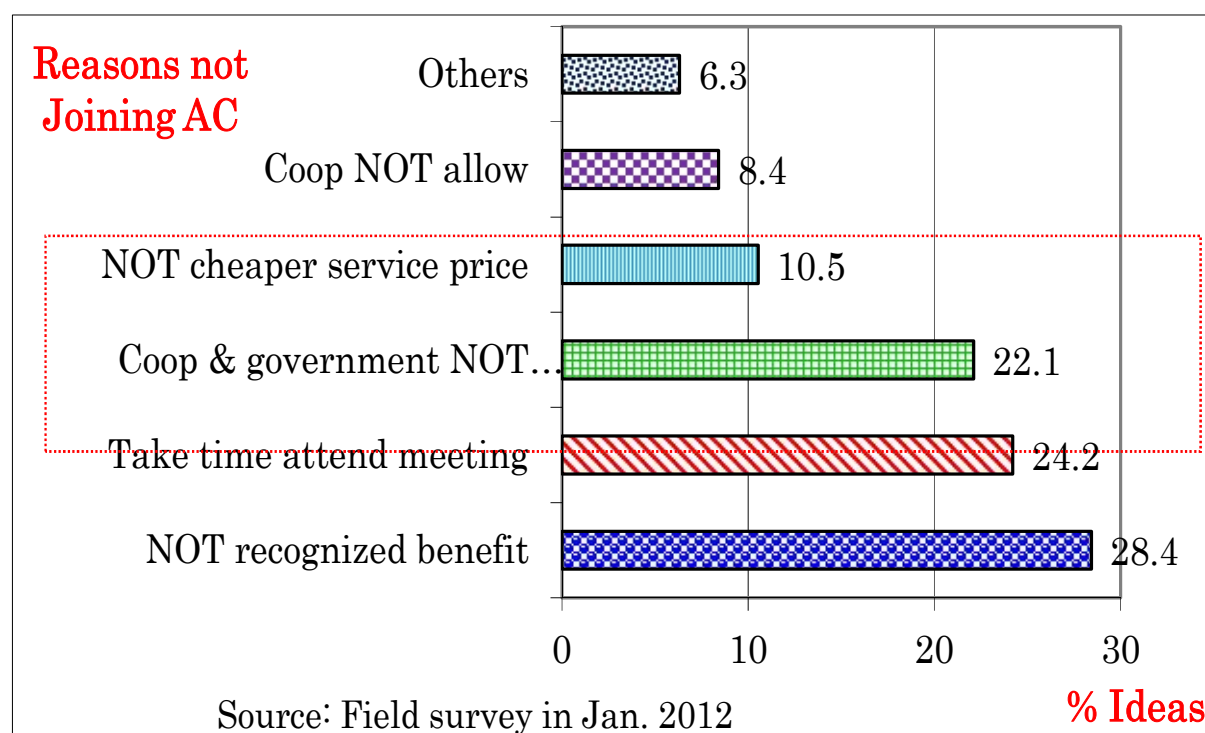
Figure 25 presents the reasons for which farmers join in ACs: they recognize the benefits and advantages (27.3%), cooperative members and the local government have campaigned for an AC (18.6%), the AC has been a good place for gaining and sharing farming practices (17.4%), ACs provide a cheap service price (14.9%), farmers' farmland in cooperative service area (9.9%) and other reasons.



**Figure 25: Reasons for Joining Cooperatives**

I found that farmers' primary reason for enrolment is their awareness of ACs' profit, benefits and contributions of ACs. In contrast, Figure 26 presents the reasons for which farmers do not join in ACs: they do not recognize the benefits and advantages (28.4%), membership takes too much time in terms of meetings and training (24.2%), farmers received no invitation or campaign from cooperative members and the local government (22.1%), ACs provide a not cheap service price (10.5%), ACs do not allow farmers to join to AC (8.4%) and various other reasons.





**Figure 26: Reasons for NOT Joining Agricultural Cooperatives**

Moreover, ACs have only a limited capacity in capital, human resources, property and tools. Cooperatives provide services lesser than those required by members and non-members. As Figure 19 reports, cooperatives' highest priority is services for members.

#### 4.4.5 Suggestions to increase ACs contributions to farming practices

To expand the contributions and development of ACs in An Giang province, Mekong Delta, in the future, I suggest the following actions. (i) Improve ACs' capacity for expanding the scale of services and activities for farmers by increasing capital, property, tools and member numbers. (ii) Increase the number and types of services that ACs offer. Table 23 reports farmers' ideas about most-needed AC services.

**Table 23: Services ACs Should Perform**

#	The most necessary service	% Ideas	No. Ideas
1	Fertilizer& pesticide supply	23.6	29
2	Harvest by combine harvester	16.3	20
3	Market & marketing	16.3	20
4	Service for improving life	15.4	19
5	Seed provision	13.0	16
6	Credit for member	10.6	13
7	Land preparation	4.9	6
Source: Field survey in 1/2012		100	123
<i>Note: Q "What is the most necessary service from AC?"</i>			

However, our opinions are that ACs should expand the combine harvester service in the short term, rather than the fertilizer and pesticide service because the markets for them have not been monopolized by state-owned companies since 2011. The market is very competitive among state-owned companies, private companies and foreign investment companies, and farmers will benefit more from that competition without any further intervention by the cooperatives. ACs should provide services for market information and marketing and provide services for improving farmers' lives in the long run. This is because such services are new in Vietnam and no ACs have yet provided them. (iii) Increase the percentage of farmer enrolment in ACs through various activities, such as offering membership to non-members and advertising the benefits of membership and the cooperatives' contributions to farming practices to non-members. (iv) Provide more inexpensive and useful services in response to farmers' needs reported in Table 23, maintain current agricultural services and develop new non-agricultural services, such as those for market information and marketing, and farmers' overall lives. (v) The local government and cooperative board management members should improve the quality of training courses vi) Local

government should support and assist in management to many small-scale ACs in communities during the merge process and create infrastructures for providing services.

#### **4.5 Summary**

Agricultural cooperatives have contributed to the improvement of farming practices in An Giang province for both members and non-members. The contribution of ACs to farming practices widely differs between P0, when the AC did not give services, and PT, when it provided services. Moreover, ACs' contributions have greater effects on the members than the non-members because the members have more opportunities to use services than do non-members. Members use a greater variety of services from ACs than do non-members. Hence, contributions of ACs to farming practices have more significant effects on members(GA) than on non-members(GB).

The most significant contribution of ACs to farming practices is the reduction of farmers' component and production costs, thus increasing profit/ha. This advantage is the farmers' main reasons for enrolling in an AC. Members also increase their profit/ha to a greater degree than do non-members because the AC provides more services to members.

The greater the number of business and activities and the greater scale of services ACs perform, the greater their positive contributions to farming practices. Therefore, cooperative management members, government and farmers must increase the capacity of ACs by improving the amount of share capital, business capital, property, tools, infrastructure and members.

## **CHAPTER V: SUCCESS OF AGRICULTURAL COOPERATIVES IN THE MEKONG DELTA**

### **5.1 Introduction**

Chapter II presented general status of ACs in Vietnam with many opportunities as well as challenges from macro, micro and internal environments, and data showed that ACs have low contributed to GDP, but ACs have earned achievements through their business and activities. Chapter III stated current status development of ACs in the Mekong Delta, South of Vietnam. The situation of ACs in the Mekong Delta is similar to ACs in Vietnam, ACs in the Mekong Delta have faced some challenges as simple business and activities, low educational degree of management staff, low ratio of farmers enrolment into ACs. But, Mekong Delta's ACs have contributed to develop economic and society among region. Also, some ACs have been successful business and activities and have valuable contributed to farming practices and agriculture in the Mekong Delta. Chapter IV measured valuable difference AC's contributions between members and non-members of ACs in An Giang province.

Chapter V is going to present successful business and activities of ACs Mekong Delta and reasons affect to success of these ACs.

### **5.2 Criteria for Success**

Currently, insufficient AC success criteria or elements have been identified in Vietnam. I build AC success criteria based on my assumptions from external and internal results of AC development. Most Japan Agricultural Cooperatives (JAs)

offer multi-functional services for not only agricultural production and marketing but also banking, insurance, business activities and services that improve farmers' lives. ACs in Thailand provide diversified services on savings and loans, input supply, marketing and the market, sustainable agriculture cultivation, traditional health and agricultural tourists. As a result, most multi-function cooperatives in Japan and cooperatives offering diverse services in Thailand are successful. In contrast, Vietnam's ACs provide services related largely to agriculture. In Vietnam, offering diversified services is a criterion for rating ACs for the national prize. For example, the state government recognized the nation 100 best ACs in 2011 and the Vietnam Cooperative Alliance recognized the nation 200 best ACs in business in 2012. One of the selection criteria is that ACs provide more than three services. In contrast, the list of weaknesses of ACs includes the fact that 95% of ACs provide only one service. Therefore, the number overall and specific AC services for agriculture and non-agricultural matters are one of this study's criteria.

My criteria for a successful AC are as follows: (i) An AC provides its members and non-members more than four services. (ii) The AC provides services for both agriculture and non-agriculture matters to meet member needs. (iii) AC services contribute to reducing production cost and increasing revenue and profit for members and non-members. (iv) The AC has developed the cooperative's internal resources for its sustainable development, such as increasing the number of members, the amount of overall and share capital, property and business results.

### **5.3 Objectives**

As described in the Introduction, several ACs in the MD have succeeded in terms of our criteria listed in Section Criteria for Success. Therefore, this chapter introduces those successful ACs in the MD and their successful business and activities and identifies factors contributing to their success.

### **5.4 Research Method**

I used the case study approach. Phu Thanh and 3A Canal ACs were chosen as my case studies because these ACs were two out of seven ACs in the MD belong to the national 100 best ACs in 2011, recognized by central government. Therefore, I visited all seven ACs in the MD to obtain general information on their activities and management. Next, I analyzed the information of the seven ACs and selected the Phu Thanh AC (hereinafter, Phu Thanh) in An Giang province and the 3A Canal AC (hereinafter, 3A Canal) in Kien Giang province for our case study, because both provinces are agriculture-dominated provinces. Then, we returned to Phu Thanh and 3A Canal. In each site, we had discussion with management staff of ACs, local authorities, and four farmers, two of them are members of AC and others are non-members. Finally, we held a short discussion with the commune governor on AC activities in the commune. I used a qualitative method for collecting and analysing data and used results from my previous studies on ACs in the MD for statistical analysis.

## 5.5 Research Results

### 5.5.1 Description Status of Phu Thanh and 3A Canal ACs

Table 24 reports major descriptive elements for the general situation of Phu Thanh and 3A Canal in 2011. These elements are compared with the average situation of ACs in the MD in 2010, among which Phu Thanh and 3A Canal have been famously successful. However, certain differences exist between Phu Thanh and 3A Canal about number of hectare service, members and ratio of farmer's enrolment into cooperative. Because Phu Thanh is newly established cooperative including area five out of six hamlets in Phu Thanh commune, few numbers of farmers voluntary join to cooperative until AC's business and activities offer more benefits to farmers. Phu Thanh set 100,000 VND (equal=500 ¥) as one unit share price and 20,000 shares as a total shares, one members can occupy from one to 6,000 shares , number of members in Phu Thanh will increase in the near future. In contrast, 3A Canal used to be an old cooperative including area of only one out of six hamlets in Tan Hiep commune, 100% households had joined to cooperative and occupied equally one share at unit price 300,000 VND. 3A Canal transformed to newly established cooperative in 2001, but it cannot increase number of members and share capital.

**Table 24: Status of Phu Thanh & 3A Canal ACs**

Status	Unit	Phu Thanh	3A Canal
Location		An Giang prov Phu Tan district	Kien Giang prov Tan Hiep district
Classification		Newly Established	Transformed
Year Established	Year	2001	1987
No. of Services	service	7+	8+
Farmers are members	%	20.1	100
No. of ha service (*)	ha	1,529	734
(*) campared Commune area	%	73.6	22.9
Farmers in (*) are AC' members		20.1	100
No. of members	Person	167	447
Importance event		2005 Merged	2002 Re-organized
Share capital	Mil.VND	1,100	165
Business Capital	Mil.VND	2,194	1,802
Revenue	Mil.VND	4,924	1,063
Profit	Mil.VND	854	31

Source: Field surveu in 8/2012

Note: 1 Mil.VND=4,000 ¥

## (2) Governance and operation at Phu Thanh and 3A Canal

Both ACs in my case studies held the annual general meeting that members can determines and approves the cooperative's activity plan for the next year. The general meeting also defines the range of activities for which the cooperative's management board can make independent decisions. Otherwise, the management board must obtain agreement from the membership representative and activities require full membership approval.

The annual AC meeting determines the total amount of share capital, total number of shares and unit price per share. Each member can purchase a minimum of one share and a maximum of 30% of the total number of shares. The annual meeting also votes on the method of profit distribution. After payment of costs and taxes, the AC takes a maximum of 30% of the net profit as cooperative funds and distributes the remaining 70% to the members proportionate to the



number of shares they own.

### 5.5.2 Successful services offered by both Phu Thanh and 3A Canal

Table 25 reports the services that Phu Thanh and 3A Canal provide to members and non-members. Both Phu Thanh and 3A Canal offer irrigation, combine harvesters, credit for members and seed provision. But each cooperative provides different additional services as shown in Table 25 and other services such as a free ambulance service in Phu Thanh and health check-up in 3A Canal.

**Table 25: Activities and Services of Phu Thanh and 3A Canal Agricultural Cooperatives**

Phu Thanh Agri. Cooperative		3A Canal agri.cooperative	
Services	Started	Services	Started
Irrigaiont	2001	Irrigaiont	1987
Combine harvester	2005	Combine harvester	2004
Credit for members	2009	Credit for members	2004
Seed provision	2007	Seed provision	2007
Fertilizer & Pesticide supply	2006	Seasonal calendar management	2001
Rice drier	2009	Agri Products transport	2011
Preparation cannals into rice	2010	Plant protection	2005
		Advance Technology transfer	2005

Source: Field survey in 8/2012

#### 5.5.2.1 Irrigation service

The irrigation service covers both periods when water is pumped into (six-month sunny season) and out (six-month rainy season) of rice fields. The cooperative receives a service fee for pumping. The irrigation service is the most successful activity of not only Phu Thanh and 3A Canal but also of other successful ACs in the MD, where they can build a dike system for the service. Building a dike system is not only a high-cost project but also requires the approval of all farmers within the dike area and local government.

Members and non-members obtain many advantages from the cooperative irrigation service. For example, members and non-members inside the dike have increased their crop production from two to three crops per year because they can cultivate rice during the four-month flood season. The irrigation service fee is lower than that borne by an individual farmer or offered by other companies.

**Table 26: Irrigation Cost by Cooperative and by Others**

**Table 3: Irrigation Cost by Cooperative and by Others**

Pump cost by	Unit: 1,000 VND/ha	
	Phu Thanh	3A Canal
Individual farmers (2010)	2,515	2,688
Private company (2011)	1,075	1,260
<b>Agricultural cooperatives (2011)</b>	<b>700</b>	<b>812</b>
Cooperative/Company (%)	27.8	30.2
Cooperative/Indi.farmers (%)	65.1	64.4

*Sources: Phu Thanh report(2012) & 3A Canal report (2012)*

Table 26 reports that members and non-members of Phu Thanh paid an irrigation fee of VND 700 thousand per hectare, far below fees of VND 1,075 thousand to a private company and VND 2,215 thousand incurred by individual farmers. In addition, Phu Thanh gives a 15% discount to members compared to its service fee for non-members. Thus, AC irrigation services have reduced irrigation cost and increased benefits for members and non-members in the cooperative area. The cooperative could provide irrigation services at a low service fee because it used an electric pump station, whereas individuals used diesel engines; the use of electrical power costs less than diesel. The cooperative also obtained a state government subsidy<sup>67</sup> for the irrigation system, and the government required

<sup>67</sup> Government loans to ACs cover 50% of the cost of a dike system, if ACs provide to the state government (1) the source of the other 50% of the budget and (2) an agreement for building

that ACs charge a low service fee.



**Picture 4: Irrigation individual farmers (diesel engine)<sup>68</sup> and by ACs (electrical power)<sup>69</sup>**

### 5.5.2.2 Combine harvester service

The combine harvester service is an activity whereby the cooperative charges a service fee to cut, pack, thresh and transport rice using a combine harvester machine. This method is more efficient than the traditional method<sup>70</sup>. According to our survey, Phu Thanh and 3A Canal provide combine harvester service, with many advantages for members and non-members. Table 27 reports the

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dike signed by all farmers within the dike area.

<sup>68</sup> Individual farmer usually use small diesel engine for pumping water into rice field

<sup>69</sup> ACs use electrical power for pumping water into or out to rice field (Pictures on right). ACs built a dike system boundary an area of many hundreds ha. Then, ACs use many big electrical pump station for the irrigation service.

<sup>70</sup> Traditional harvest: cut rice stems by hand, collect and transport rice stems by labourers or buffalo, bring rice stems to the threshing machine and transport rice seed to canal by buffalo or small tractor.

advantages that AC's combine harvester service user enjoy.

**Table 27: Advantages of Combine Harvest Service by Agricultural Cooperative**

Kind of advantages	Unit	Combine harvester(a)	Traditional harvest(b)	Compared a/b(%)	Farmer saving cost(%)
Cost	1,000 VND/ha	2,450	4,861	50.4	49.6
Duration	hour/ha	1.8	8.5	21.2	78.8
Labour	person/ha	3	28	10.7	89.3
Post-harvest losses	%	6.5	15.3	42.5	

*Sources: Field surveys 1/2012 and 8/2012*

An average cooperative service fee is 50.4% that of the traditional method's cost. Only three persons are needed to harvest hectare rice compared to 28 persons by the traditional method. A machine can harvest a hectare of rice in only two hours compared to eight hours by hand. The post-harvest loss of machine-harvested rice is 6.5% compared to the 15.3% by the traditional method. Hence, as Table 27 demonstrates, both members and non-members obtain many advantages from the combine harvester service, but members gain greater advantage because the service capacity is so limited that the cooperatives give them priority to use the service over non-members.

Traditional harvester: (1) Cut rice stubble by hand, (2) collect and bring to threshing machine (3) Pack and transport



**Combine harvester:**  
Machine will cut, thresh, collect, pack and transport at same time by one machine



Picture 5: Harvest rice by Hand (traditional way) and by Combine Harvester machine

### 5.5.2.3 Provision service for good quality seed

In this provision service, cooperatives sell high quality seed to members and non-members. The cooperative can plant a registered seed in its area, harvest certified seed and sell it to members and non-members<sup>71</sup>.

Members and non-members obtain many advantages through this AC service. For example, both can buy good seed at a cooperative for a lower price than that of the seed companies. Further, their crops are generally sold at a higher price because they use good quality seed. The cooperative could provide high quality seed services at a low price because the cooperative also obtained government subsidy

<sup>71</sup> Three seed levels: Registered seed is created by scientists, certified seed is harvested from registered seed plant and normal seed is seed harvested after the certified seed level.

tickets for buying registered seed at 50% of the market price from a government seed centre.

#### **5.5.2.4 Credit for Member Service**

Credit service is an activity whereby cooperatives provide low interest loans only to members. Phu Thanh and 3A Canal use their capital for loans to members during the mid and end of the crop season when most farmers run out of cash. Phu Thanh charges interest rate at average 1.2% per month compared with 0% in 3A Canal. The loan interest rate per month is average 1.4% lower than commercial banks and is average 3.5% lower than black market loan.

However, cooperatives provide loans to few members because the ACs' amount of credit capacity is so limited. Phu Thanh started its credit service in 2009 and loaned in 2010 a total of VND 96 mil. to 12 members at 2% interest per month, a total of VND 146 mil. to 20 members at 1.4% interest per month in 2011 and VND 152 mil. to 38 members at 1.4% interest per month in 2012. In contrast, 3A Canal started its credit service in 2004 with a total amount of VND 150 mil. equally contributed by 477 members, and it loans money to members at 0% interest.

#### **5.5.3 Each cooperative's individual successful services**

##### **5.5.3.1 Services offered by only Phu Thanh**

Phu Thanh provides other services to members and non-members, such as providing fertilizer and pesticide, a rice drying service and preparation of water flowing canals into rice field.

In addition, the AC provides a free ambulance service because the Phu Thanh

commune is far from the nearest city hospital, and so patients must wait about three hours for a city hospital ambulance to arrive. The cooperative transports residents of Phu Thanh and other three communes that contribute to the free ambulance car budget. The AC and local governments purchased an ambulance to transport patients from the community to the city hospital at no charge. The cooperative provides this non-profit activity as a benefit for all residents of the surrounding area.

#### **5.5.3.2 Services offered by only 3A Canal**

3A Canal provides eight services for members<sup>72</sup>. The AC's services increase member profits and benefits. The cooperative manages the crop calendar, provides transportation service and transfers extension information. It also constructs rural infrastructures, provides health services for members and offers services for improving members' living conditions such as health insurance and cable for internet and television. For example, the cooperative organizes agricultural training courses for its members, so that members enhance their knowledge about using fertilizers, pesticides, farming tools and improving their living conditions. Figure 23 and 24<sup>73</sup> demonstrate that farmers who attended training on pesticide control spent less money on pesticides than did farmers who did not attend. In addition, 3A Canal is the first cooperative in the MD to have doctors conduct health examinations for members twice a year and to subscribe to health insurance for all members.

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<sup>72</sup> The farmers in hamlets, 100% are members of the 3A Canal cooperative.

<sup>73</sup> Tran Minh Hai and Yutaka, Iwamoto, 'AC's contribution to farming practices in An Giang province, MD, Vietnam'.

In short, Phu Thanh and 3A Canal have provided many effective business and activities to members and non-members. Therefore, these ACs have increased total revenue and profits and reduced total production costs to members and non-members.

## **5.6 Factors affecting AC success**

### **5.6.1 Factors affecting the success of both Phu Thanh and 3A Canal**

First, AC management staffs have authority to operate diversified business and activities (services) for members and non-members. As of 2010, Phu Thanh and 3A Canal provided, respectively, seven and eight business or activities, compared with an average of three business or activities for ACs in the MD. In addition, AC services related not only to agricultural activity but also to non-agricultural issues, including several non-profit services that benefits members and non-members alike, such as Phu Thanh's free ambulance service and 3A Canal's credit service, health examinations and health insurance.

Second, AC business and activities have solved the majority of the most difficult problems of members and non-members and increased profits for both in the cooperative area. For example, the irrigation service not only provides the cheapest service to members and non-members but also increases their yield from two to three crops per year and protects residents inside the dike from flooding. The combine harvester service is necessary and useful for members and non-members because it is convenient and cheap.

Third, because ACs can obtain government subsidies for services, their services are not only convenient for members and non-members but also have the



cheapest fees as a result of government subsidies for services such as irrigation, combine harvesters and high quality seed. For example, cooperatives received government loans for building dike systems, purchasing combine harvester machines and buying high quality seed at the government seed centre.

Fourth, AC re-organisation for greater and sustainable development is a successful factor of Phu Thanh and 3A Canal. Phu Thanh merged with two other ACs in 2005 and has innovated since the re-organization of the number of members, share capital, business capital and service areas (Table 28 in next page). By contrast, in 1998, 3A Canal transformed to a newly established AC but could not become successful because of limited human resources and its financial report's lacked transparency. Finally, 3A Canal re-organized in 2002, changing management members, providing new business activities on the basis of members' needs and implementing many activities to increase the members' profits and improving their living conditions.

Fifth, business achievement is a success factors. Table 28 reports that Phu Thanh and 3A Canal produced greater business achievement than those of the MD in 2010. This achievement led two ACs in success or the members do not follow the cooperative staffs.

**Table 28: Achievement of Business in Phu Thanh, 3A Canal ACs (2011) & MD (2010)**

Achievements	Member	Share capital	Business capital	Property	Area service	Revenue	Profit
Unit	Person	Mil. VND	Mil. VND	Mil. VND	Ha	Mil. VND	Mil. VND
Phu Thanh	167	1,100	2,194	1,728	1,529	4,924	854
3A Canal	477	167	1,802	2,337	734	1,063	31
Mekong Delta	102	317	N/A	425	289	642	73

*Sources: Reports of Phu Thanh (2012), 3A Canal (2012)*

*Note: 1 ha = 10,000 m<sup>2</sup>; 1 Mil. VND = 4,000 ¥*

Finally, basic support from local governments, including hamlet and commune governments, during the establishment and re-organization periods is another success factor. For example, Phu Thanh could not built the dike boundary area of 1,529 ha of farmland related 1,679 households and 6,716 residents without the commune government's support in negotiating with farmers and obtaining a 0% interest loan from the state government.

### 5.6.2 Factors affecting Phu Thanh's success only

Good educational level of management staff is a success factor. In fact, Phu Thanh's management staffs have the highest education level among An Giang province ACs. As of 2011, in Phu Thanh, 60% of management staff held university degrees, 20% held college degrees and 20% held vocational degrees, compared to the 7% holding university degrees, 16% holding college degrees, 8% holding vocational degrees and 69% being untrained and completing less than a high school education average in the MD in 2010.

All Phu Thanh staffs are local person living in Phu Thanh commune. All staffs originally had no university, college and vocational degrees when they

joined in management staff. Then, Phu Thanh supports them in tuition fee and time for studying higher education by “cooperative training fund”

Phu Thanh’s staff members have developed many proposals for obtaining government subsidy programmes and outside assistance programmes for AC development. For example, Phu Thanh wrote proposals to receive a government subsidy for building two electric pump stations, 24 sewing machines from a company and other proposals, such as for opening an auction market for sticky rice, raise cattle and vegetables and training the cooperative’s younger members of management.

In addition, stronger business achievement is a factor in Phu Thanh’s success. For example, the cooperative has sufficient budget to buy a combine harvester and invest in electric pump stations. Table 29 reports that Phu Thanh exhibited stronger business achievement after merging with other cooperatives in 2005.

**Table 29: Phu Thanh AC at Establishment, Merged and Current**

	Member	Share capital	Business capital	Property	Area service	Revenue	Profit	No. of Service
Unit	person	Mil. VND	Mil. VND	Mil. VND	Ha	Mil. VND	Mil. VND	Service
<b>Established (2001)</b>	88	200	339	272	545	409	194	1
<b>Merged(2005)</b>	152	862	1,426	1,089	1,529	1,969	440	6
<b>Status (2011)</b>	167	1,100	2,119	1,728	1,529	4,924	854	7

*Source: Phu Thanh report(2012)*

### 5.6.3 Factors affecting 3A Canal's success only

One hundred percent <sup>74</sup>of the farmers in the cooperative area in the 3A Canal hamlet were enrolled in the cooperative, compared to the 21.9% in the MD and 28.5% in Vietnam.

The cooperative has offered many business and activities to reduce production costs and improve members' living conditions. For example, it has built a primary school and provided a health worker, street lights, a loudspeaker system and a bridge. 3A Canal is the first hamlet in Kien Giang province where 100% of the rural roads are paved with cement from house to house and from house to fields. These were built into the AC budget.

3A Canal's accountant is a head of 3A Canal hamlet, selected by vote of all residents in 3A hamlet and was trained by government program. In addition, 3A Canal has "financial transparency committee advice and check". The committee also was voted by members including eleven persons representative for eleven areas in 3A hamlet. In addition, 3A Canal weekly reports all financial activities on hamlet radio system and provides documents of finance to eleven areas in 3A hamlet.

The farmers' trust in cooperative management members and the transparency of financial management is also a success factor for 3A Canal. Farmers believe in and contribute to the construction budget; the cooperative manages the budget, performs the building and discloses all activities to farmers.

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<sup>74</sup> 3A Canal is consist of one out of six hamlets in Tan Hiep A commune. Tan Hiep A commune has six hamlets and open one agricultural cooperative in each hamlet.



**Picture 6: ACs contributed to rural development**

## 5.7 Summary

Phu Thanh and 3A Canal are two of the few successful ACs in the MD. These cooperatives have succeeded because their business and activities to members and non-members are diversified, beneficial, convenient and based on the needs of members and non-members, reduce production cost and increase revenue and profit and the AC has developed its internal resources for sustainable development. Many reasons explain Phu Thanh and 3A Canal ACs' success factors. (i) ACs have offered its members and non-members seven services in Phu Thanh and eight services in 3A Canal respectively. (ii) ACs provides both agricultural businesses such as irrigation, combine harvester, input supply and non-agricultural activities ssuch as free ambulance car, health care, and primary school for kids and rural construction. These business and activities meet

member's need. (iii) ACs have offered services at cheaper cost, it has contributed to reducing production cost and increasing revenue and profit for members and non-members. (iv) ACs have built sustainable development because ACs have increased fast in number of members, capital and revenue as for Phu Thanh and increased in number non-agricultural service improving farmer life and rural development as for 3A Canal. (v) Other reasons related on basic support from local governments, including hamlet and commune authorities,

## **CHAPTER VI: DEVELOPMENT STRATEGY OF AGRICULTURAL COOPERATIVES IN THE MEKONG DELTA, VIETNAM**

### **6.1 Introduction**

Recently, the trend of expanding business and activities based on the model of multiple purpose cooperative have been developing. Many agricultural cooperatives recognize that it is difficult to exist and develop if only relying on some traditional agricultural services. Among the nation 100 best ACs, some cooperatives have opened new services such as: handicraft, internal credit, marketing of agricultural products, collect product and some non-agricultural services. Most of successful agricultural cooperatives have offered diversification of business and activities. The key motive of this innovations are (i) to offer diversification business and activities, (ii) to reduce production cost, as a result it will bring about reduction of service fees (iii) to increase management skills for cooperative staff. Many cooperatives use part of profit of non-agricultural services to compensate for expenditures of agricultural services. Some services such as: irrigation, plant protection, seed, veterinary are cheap service fee and even are free of charge in some several services.

### **6.2 Research Methodology**

#### **6.2.1 Design research method.**

I decide to use SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis method for developing strategy development of ACs in the Mekong Delta, Vietnam. I used to argue between SWOT and BEA<sup>75</sup> methods. But

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<sup>75</sup> I stated in chapter II

I found that SWOT analysis is better than BEA analysis for this chapter because I analyze detail factors between external environments and internal environment impact to ACs. It is different from BEA method that we analyze in general impact from macro, micro and internal environments to ACs.

In addition, SWOT analysis is a structured planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a organization for building strategies on marketing, business, and development of an organization.

### **6.2.2 What is SWOT and how does it apply?**

The SWOT analysis is an analysis that it helps us setting a framework for the formation of strategies by relating internal environment, **S**trengths and **W**eaknesses, of a specific system to the external environment, with a direct or indirect influence on the system, represented by **O**pportunities and **T**hreats. All these parameters have an impact on the outcome of implementation of a certain strategy and its goal (Grant 2005). In this research the internal environment is regarded as marketing, service types, staff, management, capital, revenue, property and the external environment the policy, structure management, stakeholders (members), customers(members and non-members). By relating the strengths and weaknesses of a organization system with the opportunities and possible threats in the environment where it's supposed to be implemented, we can weigh/consider their impact and form a strategy by using the internal strengths together with the external opportunities to reinforce the base of the strategy and try to eliminate/reduce weaknesses and threats



**Internal analysis (Strengths and Weaknesses):** The internal analysis should lead to an assessment of internal strengths/weaknesses that could be of competitive advantage/disadvantage. In this case the intrinsic advantages and disadvantages of ACs on business and activities.

**External analysis (Opportunity and Threats):** The external analysis focuses on macro and micro environmental characteristics that could produce opportunities as well as threats relative to competitive solutions

After I develop and build an analysis of strengths, weaknesses, opportunities, and threats (SWOT) of ACs in the Mekong Delta, I am going to identify the alternatives or choices to build strategic development of ACs in the Mekong Delta. Table 30 shows SWOT matrix for developing strategy of ACs in the Mekong Delta Vietnam. I focus on diversification business and activities of ACs to members and non-members. Also, SWOT matrix will be used for developing other strategies development of ACs in this research.

**Table 30: SWOT Matrix Analysis of ACs in MD, Vietnam**

<div>External Env</div> <div>Internal Env</div>	<b>Opportunities (O)</b>	<b>Threats (T)</b>
	List Opportunities of ACs in MD	List Threats of ACs in MD
<b>Strengths (S)</b>  List Strengths of ACs in MD	<b>S-O Alternatives</b>  How do ACs use strengths to take advantages of these opportunities	<b>S-T Alternatives</b>  How do ACs use strengths to reduce or avoid impact of these threats
<b>Weakness (W)</b>  List Weakness of ACs in MD	<b>W-O Alternatives</b>  How do ACs overcome the weaknesses by taking advantages of	<b>W-T Alternatives</b>  How do ACs minimize weaknesses and avoid these threats.

	these opportunities	
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### 6.3 Summary of Previous Discussions

The cooperatives and ACs in Vietnam after the first Cooperative Law in 1996 have uncounted opportunities as well as challenges on development of cooperatives and ACs in Vietnam. The results from Chapter II show that ACs development in Vietnam has been affected by the macro, micro and internal environments. However, the macro environment is the most important factor because it affects both opportunities and challenges in ACs development. On the other hand, the internal environment is the second factors that cause many opportunities as well as challenges to ACs.

Chapter III shows current situation of ACs in the Mekong Delta, South of Vietnam. The results show that agricultural cooperatives in the Mekong Delta have also had some problems and faced several challenges similar to Vietnam's ACs such as simple business and activities services, low educational level of board management members, low farmers enrollment in agricultural cooperatives, small share capital, low efficiency of operation and some challenges from macro environments as same as ACs in Vietnam. ACs in Mekong Delta is ranked lowest compared with 8 economic regions in the country. However, the Mekong Delta has appeared with many successful ACs. These ACs have had positive economic and social effects and have produced other advantages during period 2000-2010. For example, quality of ACs has fast improved. Educational degree of management members is still low, but it has increased because government give training, supports and ACs have changed management staff with young people, higher educational degree. AC's have contributed to improve farming practices, reduce

production cost and other benefits. Some successful ACs have started to offer services related non-agriculture such as marketing, credit and transfer farming technique.

There are many reasons for becoming success in operation of ACs in the Mekong Delta but there most significant reason is the diversification into business and activities to both members and non-member of ACs.

The case studies in Chapter IV and V have given evidences of contributions of ACs to farming practices. These ACs have succeeded because their business and activities to members and non-members are diversified, beneficial, convenient and based on the needs of members and non-members, reduce production cost and increase revenue and profit and the AC has developed its internal resources for sustainable development.

#### **6.4 Author Opinions for Development strategy of agricultural cooperatives**

- Development multi-purposes AC
- Development diversification business and activities

#### **6.5 Goals and Objectives**

- Develop strategies of ACs in the Mekong Delta on diversification of business and activities services to members and non-members
- Develop strategies of ACs on implementation of diversification of business and activities services
- Describe resources, conditions and recommendations for implementation the

strategy development of ACs in the Mekong Delta, Vietnam

## **6.6 Analyse Farmers' Demand on ACs' Business and Activities.**

### **6.6.1 Demand for an irrigation service because of global warming increase flood in the Mekong Delta.**

The Mekong delta is one of the most endangered regions in the world under the effects of global warming. Such effects include ocean warming, a rise in sea level, heat waves, typhoons, and high tides. As a result there are coastal flooding, sedimentation and erosion, salt water intrusion, and spread of disease (Mekong Delta Climate Change Forum Report, 2009). In addition, 90% of the agricultural land in the Mekong Delta would be affected by flooding and 70% of the Mekong Delta will suffer from saline intrusion as a result of climate change (ICEM, page 6). The Mekong Delta is critical to the livelihoods and food security of millions of people in Vietnam. 22% of the population of Vietnam lives in the Mekong Delta, which is a high population density area of about 21.8 million people (2012). Agriculture is a primary source of livelihood in the Mekong Delta, where roughly half of the total amount of food in Vietnam is produced (ICEM, 7). Vietnam is the second largest rice exporter the World, with 90% of rice exports produced in the Mekong Delta (ICEM, 59)

Therefore, building dike system and offering irrigation service has been the best solutions of Mekong Delta provinces. It depends on natural condition of provinces, the dike system includes dike boundary one hamlet<sup>76</sup>, some hamlets in

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<sup>76</sup> Six to eleven hamlets sets up a commune/village

a commune and some dams. Dike system prevents flood during flood season and contains water during dry season.

Individual farmer can build dike for preventing flood in only their rice field because flood level is high from one to three meters.

As the result, farmers will need ACs' irrigation service because many advantages as I stated in chapter three and four. The water is pumped into (six-month dry season) and out (six-month rainy season) of rice fields by ACs and ACs takes services from farmers.

### **6.6.2 Demand for machinery utilization**

At present, high demand of labor in industrial zone has increased, non-agriculture job opportunities which could offer higher income as compared to agriculture has been increasing in rural Mekong Delta. Young labors tend to leave agriculture for new employment in industrial places as Can Tho, Ho Chi Minh cities and Binh Duong, Long An, Dong Nai provinces. Agricultural labor gradually becomes more expensive. In addition, the average farm size in the Mekong Delta is almost twice larger<sup>77</sup> size than that of other regions. The appropriate solution is to use machinery as substitution for labor. Accordingly demand for machinery utilization is increasing rapidly. Machine is used intensively for land preparation and harvest. The highest demand of machine is during harvest time.

Therefore, ACs should offer services related harvest, transportation,

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<sup>77</sup> MARD, 2009, land using effective survey, pp23-29

process, land preparation and farming taking care

### **6.6.3 Demand for Agricultural Extension**

The rapid progress in production of new seeds, plant protection, veterinary and other agricultural technologies makes many farm households embarrassed to access information and technologies. In the other hand, since the government agricultural extension service is not enough to meet diversified demand of farmer, and private agribusiness company introduce some many new seed, technique, fertilizer, pesticide and farm tools. ACs shall play an important role to offer extension services.

### **6.6.4 Demand for cooperation in marketing and material supply**

Cooperation in terms of joint marketing and material supply in large-scale rice field, animal and fruit farms are in need to establish. Because Vietnam has participated into WTO, TPP and other markets, buyers need to buy a large quantity products and difficulty requirements. Some successful ACs in the Mekong Delta should start to offer these kind services. But, new ACs, average and weak ACs try to find the way of do these services.

### **6.6.5 Demand for Loan and Save capital**

Many farmers demand for capital and some farmers have cash at home. ACs should open small saving service for members. Monthly or quarterly, each member shall deposit a small fixed amount of saving to ACs. By this way and

together with the temporary unused capital, cooperative can satisfy the needs for internal credit service.

ACs should start to do business on saving and loan as case of Thailand, Malaysia, Philippine and Japan

Beside the traditional agricultural production, many farm households enter other fields such as trading, services and other non agricultural business. A part of farm households are to expand scope of agricultural production. So that, the demand for financial service from this group increases day by day. In the rural areas which have been urbanizing and in the specialized production areas of paddy, vegetable, fish, livestock, flower, etc. the demand for this service is relatively higher than other regions.

#### **6.6.6 Demand for partnership with suppliers in input supply services**

ACs shall get inputs from suppliers at advance basis and pay up in identified period of time. Both sides shall negotiate the contract conditions which may compromise interest of all parties concerned. Follow this was, ACs will buy cheap price and get other advantages. The successful business of JA model in Japan is that JA is partnership with supplier in input supply services. As the results, most of input supply from JA to members have advantages on price and other promotions.

#### **6.6.7 Demand for changing crop because narrowing paddy field in MD.**

Many farmers in the Mekong Delta realize that producing rice gives low income, then they will change into planting flowers, vegetables and other plants and breeding, which can meet their target of increasing income.

This change is to satisfy the consumer demand especially in the urban area where income is increasing relatively fast. These of changing will need new service from ACs.

## 6.7 SWOT analysis of ACs in the Mekong Delta, Vietnam.

**Table 31: SWOT Analysis of ACs in MD and Strategy Development Services in ACs.**

<div>External Environment</div> <div>Internal Environment</div>	<b>Opportunities (O)</b> O1: High need services from farmers. O2: High demand non-agri-services <sup>78</sup> O3: Government support and subsidies some services. O4: Policies & Law improve	<b>Threats (T)</b> Competitive cooperative group farmers
<b>Strengths (S)</b> S1: Service fee cheap <sup>79</sup> S2: Services improve farming production <sup>80</sup> S3: Services contribute rural & society development. S4: Members, capital, revenue increase S5: Local government support	<b>S-O Alternatives</b> S1,S2+O1,O2: Offer more business and activities S3, S4+O3, O4: Occupy government programs develop high investment services & non-agri.services S5+O4: Increase No.members of one AC	<b>S-T Alter..</b> S + T: Develop and expend service with support from government and non-agri service.
<b>Weakness (W)</b> W1: Simple business and activities. W2: Services scale small W3: Few non-agri. services W4: Low management skill,	<b>W-O Alternatives</b> W1,W2+O1,O2, O3: Offer diversification services and expand scale-services W3+O3, O4: Develop non-agri.service.	<b>W-T Alter</b> Small and week ACs merge together (re-organize)

<sup>78</sup> Non-agricultural service: credit, health insurance, process, life, insurance...

<sup>79</sup> AC' service fee is cheaper than individual farmers and private companies. (the cheapest services fee at government subsidies services: irrigation, seed, combine harvester)

<sup>80</sup> Reduce production cost, increase revenue, improve farming practices, improve farmer bad habits.



capital, property.		
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### 6.7.1 Strategy S+O (Strengths + opportunities)

**Strategy 1:** Alternative between S1, S2 and O1, O2: ACs need to offer diversification number of business and activities to members and non-members. Because members and non-members need more services for their production and society. ACs have ability to offer cheap service fee and more advantages because of some government subsidise programs. ACs should priority develop services with subsidies programs from government in investing infrastructure for production (dike, in field lanes, irrigation canal, electrical power, store house, roads...). These services will have huge impact on the whole community where ACs offer service. Field survey shows demand types services of farmers in An Giang province as shown in Table 23 of chapter IV. However, my opinion recommends that the irrigation by electrical power service and harvest by combine harvester machine are urgent services from now to 2019.

### 6.7.2 Strategy S+O and S+T (Strengths + opportunities) + (Strengths + Threats)

**Strategy 2:** Alternative between S3, S4 + O3, O4 and S+T: ACs should occupy government programs development high investment cost services such as irrigation, combine harvest machine and some non-agriculture services. There are 20 criterions in the new rural building program, development ACs in commune is the criteria number 19 that every commune has to follow and stage government subsidize. Therefore, ACs and commune authority should develop proposals for taking government subsidies to ACs development.

### **6.7.3 Strategy S+O and W+O (Strengths + opportunities) + ( Weaknesses + Opportunities)**

**Strategy 3:** Alternative (S5+O4)+ (W1,2+O1,2,3): Develop capacity and status of ACs by increase number members of one AC; Expand scale of services to both members and non-members

Because the most importance principle of ACs is service their membership. But the average member/AC in MD is decreasing. Therefore, increase number of members in one agricultural cooperative is necessary. Number of members increase, agricultural cooperative's capital, customers, competitive ability increase.

In addition, demand services from farmers are higher than capacity service of ACs. Some services are necessary for farmers such as: harvest by machine, credit for members and input supply. However, capacity of ACs is low, ACs offer services priority for members. Therefore, ACs occupy government subsidies programs for investing and expanding scale of services.

#### **Strategy 4: Alternative W+T (Weaknesses + Threats)**

Many weak ACs should merge or re-organize together with other small ACs in same commune for increasing of capital, members, property, assets and competitive among ACs in same communes.

## **6.8 Stages development of service in Agricultural cooperatives.**

**Table 32: Model Five Stages Development Services in Agricultural Cooperatives**

		<b>Stage 5</b>	<b>Service on quality life, happy life and long life.</b> - Better living, happy life guidance - Tourist - Education
		<b>Stage 4</b>	<b>Service on health &amp; life of members</b> - Health insurance - Improve life condition (clean water, garbage collection, entertainment, yoga...) - Save and loan
	<b>Stage 3</b>	<b>Non-agricultural &amp; trade services</b> - Services Credit for member - Service Input supply: Fertilizer, pesticide, feed, medicine...) - Trade & market service: Collect, process, storage and sell	
	<b>Stage 2</b>	<b>Service on reduce production cost and increase quality products</b> - Change technology in farming - Service increase quality products(high quality seed, breed and variety; new farming technique...) and safety products - Service enhance extension (Farming guidance, special product development) - Practicing marketing and market rules.	
<b>Stage 1</b>	<b>Agricultural services solve urgent need &amp; problems of farmers</b> - Irrigation (expand irrigation scale of service) - Machinery services: Combine harvester, land reparation, transportation, in-field lanes reparation, - Agricultural extension, farm technique - Service substitution a lack of agricultural labors and demand labor for taking care in agriculture: sowing seed, praying pesticide, fertilizer, harvest (rice, vegetable, fruit, fish....)		

Source: Tran Minh Hai, 2013

## 6.9 Implementation strategies

### 6.9.1 Short term strategy

Stage 1 and stage 2 can apply in short term strategy of ACs within 5 years from 2014. However, there are difference between conditions and requirements for each stage.

## Services in stage 1

Services in stage 1 are suitable with current status of most ACs in the Mekong Delta such as few number of members, low educational degree of board management, low capital

The irrigation service is still main service of many ACs in Mekong Delta. Most of ACs have to invest more dikes and pump stations for this service. Building dike system is the most necessary for irrigation service and it is very difficult to do it. ACs need to collaborate with commune authorities for developing proposal and occupy government subsidy loan. There are many national programs that ACs can get a subsidy loan for building dike such as the new rural development, the resettlement zone flood area and the large scale farm size<sup>81</sup>

Machinery utilization services need to purchase a machine, it cost high investment and few subsidy programs from government, ACs have to prepare their own budget. I recommend that ACs only purchase machines with subsidy from government. Otherwise, ACs should collaborate and negotiate with private farmers service machine in other provinces. ACs contract with private farmers, who have machine, provide service in AC's area. Reason is that the Mekong Delta has different crop calendars in agricultural production because flood season come different time to each provinces. Flood comes and goes one month earlier some upper Mekong provinces as An Giang, Dong Thap, Long An and Kien Giang compared with lower Mekong provinces as Can Tho, Ben Tre, Tra Vinh, Vinh Long, Soc Trang, Bac Lieu and Ca Mau. Therefore, the crop calendar is also one month earlier in upper Mekong Delta

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<sup>81</sup> Large scale farm size: An area where all farmers cultivate rice at same varieties and sign contract with buyers for selling product. Farm land and take care own by individual farmers but cultivation technique follows guidance and requirement from buyers.

provinces. So, ACs in upper Mekong province can hire machine services in lower Mekong province because of different to crop calendars.

Service substitution a lack of agricultural labors and demand labor for taking care in agriculture. For example, sowing seed, spraying pesticide, fertilizer, harvest (rice, vegetable, fruit, fish....). ACs can organize service as case study in Phu Thanh and 3A Canal where organize many landless farmers for offering many activities to members and non-members. ACs can offer these services anytime and ACs do not need to investment capital or tool.

Agricultural extension, farm technique

### **Services in stage 2**

ACs offer these services in stage 2 when ACs have provide these services in stage 1 and status of agricultural cooperative on members, capital, revenue, managements skill have improved. Services in stage 2 are high requirement from ACs on investment, capital, management skill, business management skills and competitive ability skills. In addition, profit margin of these service is narrowing because these services are strong competitive with private supplier.

The input supply (Fertilizer, pesticide, feed, medicine...) service is very high demand from members and non-members (table 20). However, ACs offer these services when ACs have strong business capital and good business management skill because these service need to invest high capital but margin profit is small.

The international experiences show that 70% of JA in Japan loses profit when JA start to offer market business for member and recently all marketing and market business contributed less than 30% profit of JA<sup>82</sup>. In addition, most of agricultural cooperatives in Thailand lose profit on marketing and market business activities if ACs do not get subsidy from government.<sup>83</sup>

However, if ACs offer these services, members will get more profits through these activities and ACs' trademark will increase in future.

Requirement of ACs for offering these services in stage 2 follow a strong business management skills of board management members, many members in one agricultural cooperative, members follow ACs' business activities, and strong of business capital.

#### **6.9.2 Long term strategy**

Services in stage 3 and stage 4 have not been suitable with current status of Mekong Delta's ACs and some following years later. Therefore, services in stages 3 and 4 should apply in long term development strategy of ACs. These services will be offer after 2019 or when ACs organizations develop as a strong economic business organization. Then, ACs should start to offer these social business activities.

### **6.10 Other strategies development of ACs in Mekong Delta.**

#### **6.10.1 Organization single or primary AC and multi-purpose AC models.**

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<sup>82</sup> Agricultural Development in Japan, 2006, JA Zenchu,p4.

<sup>83</sup> Suwanna, Agricultural Cooperatives in Thailand, 2006, p7.

Most ACs in the Mekong Delta organizes as a single purpose cooperative, agricultural cooperative offer only one business and activity, 42.8% ACs in Long An offer only one service and 57.2% ACs offer from two services<sup>84</sup>. Reports from Mekong Delta Cooperative Alliances show that average 38.7% ACs on the Mekong Delta offer only one service. In addition, multi-purpose ACS seem to be very new with many governor and farmers in Mekong Delta. Most of people want to open new agricultural cooperative with only one activity such as the fruit AC, the cow raising AC, the organ fruit ACs... these ACs should be a business activities in some ACs.

Therefore, I suggest that we should organize single purpose and multi-purpose ACs. The Cooperative Law revised version in 2012 allows to organize a multi-purpose agricultural cooperatives.

Single-purpose agricultural cooperative is an agricultural cooperative that it offers only one business or activity. This model applies for new opening agricultural cooperative or agricultural cooperative products a special product. Then, ACs will transfer to multi-purpose agricultural cooperative when agricultural cooperative develop on number of cooperative scale size, member, share capital, business capital, management skills and property.

Multi-purpose agricultural cooperative offer many business and activities as shown in Table 31 and Table 32. In addition, multipurpose agricultural cooperative doesn't offer business and activities within a hamlet and a commune. ACs offer services cover through other hamlets, communes, districts and

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<sup>84</sup> Long An Cooperative Alliance, survey status on cooperative in 2010

provinces. The model of multi-purpose is similar with model of ACs in Thailand and Japan.

#### **6.10.2 Organize Regular member and associate member**

The Cooperative Law revised version in 2012 does not state about regular member and associate members but the Cooperative Law also does not forbid two kinds of members. However, recently macro policies allows “use service member”, a person invest money to ACs for doing one services in agricultural cooperative or use services of agricultural cooperative. He or she receive dividend on only the investment service and cannot attend to general meeting of ACs. Therefore, I suggest that ACs organize with regular member (xã viên chính thức) and Associate member (xã viên liên kết)

**Regular members** is a member as same as I our definition in chapter one<sup>85</sup>. In addition, regular member is farmer who has farmland in ACs and regular members attend general meeting and select board management as stated in the cooperative law.

Associate member is a person who does not want to be a regular member, but he or she wants to invest money to ACs for doing one or many service or using ACs services. Associate members can be farmers who have no farmland in ACs, residences in a city or other provinces. Associate members only receive dividend at service that she or he invested money or use service. She or he does not allow attend the general meeting and vote board management of ACs.

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<sup>85</sup> A member of ACs is farmer who buys at least one share in the AC and receives dividends (share profits) from the cooperative at the end of year.



### **6.10.3 Organize the Agricultural Cooperative Union.**

Definition of cooperative Union: Cooperative union is a collective economic organization, co-ownership with legal entity and is established voluntarily by at least 04 cooperatives and mutually cooperate and assist in the production, sales to meet the common needs of member cooperative, on the basis of self-control, self-responsibility, equality and democracy in the management of the unions of cooperatives<sup>86</sup>. Therefore, the agricultural cooperatives Union can be set up by at least 04 agricultural cooperatives and mutually cooperate and assist in the production, sales to meet the common needs of member cooperative, on the basis of self-control, self-responsibility, equality and democracy in the management of the unions of cooperatives. This model will increase capacity of small ACs in the Mekong Delta.

## **6.11 Improve legal framework and macro policies**

### **6.11.1 Subsidizing farmer through ACs**

Mekong Delta contributes 90% the national quantity rice export and 65% of farmers cultivate rice. State government has set goal that farmers have earned at least 30% profit on rice production and government have subsidized programs for farmers earn 30% profit. For example, Government give subsidy loan at 0% interest rate to Vietnam Food Company for buy all rice product during main harvest season, giving loan to fertilizer and pesticide companies for investing new technology and other program. As the result, government subsidies program have quite affected to farmers profits.

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<sup>86</sup> The Cooperative Law 2012, Article 3

Therefore, we should give subsidies fund to farmers through ACs. Government gives subsidies loan at 0% interest rate during two last months in the crop season. Government subsidy program directly contributes to farmers profit and it encourages many farmers enrolment into ACs. It solves one of problem low ratio of farmer's enrolment into AC.

#### **6.11.2 Improving other legal frameworks.**

Many polies need to be clear on finance resources and implementation guidance

Lack of guidane policies on the 2012 Cooperative Law. The Law has applied in July 2013 but it can not be apply because lack of guidance docuements from state government.

Raising awareness of cooperatives and promoting comprehensive and right understanding of new cooperative model and its nature. Improving staff to propagandize Cooperative law and support the establishment and development of cooperatives.

The State assists agricultural co-operatives in building necessary infrastructure for production, such as in-field lanes, irrigation canals, roads, electricity system, etc, which will have huge impact on the whole community in the area when all or majority of the people here are co-operative members.

The State assists co-operatives in the following issues: human resource training, marketing, trade promotion, technology transfer, etc..

The State opend budget supplemented to ACs developemnt on renewing, developing products; innovating technology; developing markets and expanding

sales; building up and multiplying models of ACs, ACs Union.

The State restructures ministry management of ACs. It should be belong to Ministry of Agricultural and Rural Development. Also, State allows Vietnam Cooperative Alliance as a representative of ACs and VCA has right work as an economics organization of members. VCA should has a permission to do marketing, trade for members.

Connecting the State's assisting programs with farmers, agriculture, rural areas through ACs.

### **6.12 Conclusions**

Strategy development of ACs in the Mekong Delta includes 1) four strategies consist of offering diversification number of business and activities to members and non-members; taking government programs development high investment cost services such as irrigation, combine harvest machine and some non-agriculture services; Developing capacity and status of ACs by increase number members of one agricultural cooperatives and expanding scale of services to both members and non-members; merging or re-organizing together with other small ACs in same commune for increasing of capital, members, property, assets and competitive among ACs in same communes. 2) Five stages/steps development of business and activities include stage 1 offers agricultural services related urgent need and problems of members and non-members in farming production; stage 2 offers service for reducing production cost and increasing quality products; stage 3 offers non-agricultural services and trade services; stage 4 offers services for increasing health and life condition and stage 5 offers service for being quality life, happy life and long life to members and non-members. 3) These strategies and stages should implement in short term

period from 2014- 2019 and long term period after 2020. 4) Three suggestions include organize single-purpose and multi-purpose ACs model, allow regular member and associate member and develop agricultural cooperative Union and regional agricultural cooperatives union.

## **CONCLUSION OF THESIS RESEARCH**

Vietnam's Agricultural cooperative (AC), in general, and the Mekong Delta's (MD) Agricultural Cooperative, in particular has developed since 1954 with many stages of rises and falls. During 1954-1975, ACs developed only in northern Vietnam, and none existed in southern Vietnam. Then, government expanded AC from North to South Vietnam during 1975-1995. During 1954-1995, ACs were formed with collection land, capital assets and property of individual farmers and equally distribution, which Vietnamese called the old AC model. The period 1986-1995, most of ACs in Vietnam largely collapsed after Vietnam change into renovation "DOI MOi" on economy policy in 1986.

In 1996, the government introduced the new AC model following the International Cooperative Alliance model and enacted the first Cooperative Law. Then, Cooperative law has revised in 2003 and 2012. In addition, the government promulgated many resolutions, decrees and circulars to promote the new AC. ACs entered another development period, improving business activities, members, capital and property.

However, these ACs have not been contributing significantly to the national economy. The contribution of the collective economy to gross domestic product (GDP) has decreased continuously since 1996. For example, in 1996 the contribution of collective economy to GDP was 10.0%, 8.6% in 2000 and only 5.2% in 2010. In 2010, the contribution to GDP from the state owner economic sector was 33.7%, 30.8% from the individual economic sector, 18.7% from the Foreign Direct Investment (FDI) economic sector and 11.5% from the private economic

sector. On the other hand, the growth ratio of the collective economy is low and tends to decrease. It was 4.0% in 2005, compared with 3.0% in 2008 and only 3.0% in 2010. Therefore, ACs have uncounted opportunities as well as challenges on development and it seems that ACs have faced more challenges than opportunities.

The research results shows that 1) Vietnam's ACs, in general, and the MD AC, in particular, have both opportunities and challenges after the First Cooperative Law in 1996. 2) The current status development of ACs in MD, South of Vietnam is similar to ACs in Vietnam, ACs in MD have faced some challenges as simple business and activities, low educational degree of management staff, low ratio of farmers enrolment into ACs. But, some ACs in MD have been successful business and activities. 3) ACs have contributed to the improvement of farming practices for both members and non-members. Members use a greater variety of services from ACs than do non-members. Hence, contributions of ACs to farming practices have more significant effects on members than on non-members. In addition, the contribution of ACs to farming practices widely differs between P0, when the AC did not give services, and PT, when it provided services. 4) Case studies of successful ACs show that these ACs have succeeded because their business and activities are diversified, beneficial, convenient and based on the needs of members and non-members. Also, AC's services reduce production cost and increase revenue and profit and the AC has developed its internal resources for sustainable development. 5) Development strategy of ACs in the Mekong Delta includes 2 periods, 3 implementation suggestions, 4 strategies and 5 stages development business and activities.

## APPENDICES

### Appendix 1: Mekong Delta Provinces

#### Number of Cooperatives and Agri Coop in Mekong Delta (2010)

Province	No.Cooperative (a)	No. agricultural cooperative (b)	Ratio a/b (%)
An Giang	142	88	62.0
Bac Lieu	101	64	63.4
Ben Tre	101	29	28.7
Kien Giang	171	120	70.2
Long An	75	30	40.0
Vinh Long	93	28	30.1
Hau Giang	168	108	64.3
Dong Thap	199	138	69.3
Tra Vinh	116	40	34.5
Soc Trang	96	43	44.8
Ca Mau	160	43	26.9
Tien Giang	98	42	42.9
Can Tho	230	78	33.9
<b>Total</b>	<b>1,750</b>	<b>851</b>	<b>48.6</b>

Source: Field survey 2012

## Appendix 2: Questionnaire for Member of agricultural cooperatives

Kagoshima University, Faculty of Agriculture, Doctoral course (2011-2014)  
Topic: Development strategy of agricultural cooperatives in the Mekong Delta,  
Vietnam

### Questionnaire for Member of Agricultural Cooperative

#### I. General information of farmer

1. Date:..... Interviewer:.....  
Code [....]

2. Name of interviewees:..... Male/female:.....  
Common Name (nick name):..... Age: .....Years

Experience on rice produce: .....Year Home/cell  
phone:.....

Education level:....12

3. Address: #.....hamlet:.....Village:.....District.....An Giang

#### 4. Number of household members

#	Member name	Relation HH	Gender	Age	Education	Occupation	Farm work
1							
2							
3							
4							
5							

#### 5. Are you a member of any farmer's organizations?

☐ Farmer club ☐ Associate production ☐ Cooperative group ☐  
Other:.....

#### 6. Are you member of agricultural cooperative?

Code [....]

☐ Yes Name of the agricultural  
cooperative:.....

☐ No

6.1 Year of became a member of the agricultural cooperative:.....

6.2 How many shares do you buy?.....share Value of a  
share:.....VNĐ

#### 7. How is structure income of your household in 2011?

Kind of income	Agriculture	Service	Business	Monthly salary	Other
Ratio (%)					



## II. Farm Characteristics in 2011

### 2.1 How much land do you have?

Unit: ha

Total	Tenure land	Garden land	Cultivation land	Livestock land	Aquaculture Land	Other land

### 2.2 How is your household Agricultural cultivation in 2011 (2010)

	Fruit	Cultivation land		Livestock land	Aquaculture Land	Other land
		Rice	Vegetable			
Area (ha)						
Cost (Đ)						
Income (Đ)						
Profit (Đ/ha)						

### 2.3 How is the detail of cost and benefit of two main agriculture products?

#### 2.3.1 First product: Rice

Unit: VNĐ/1.000 m<sup>2</sup>

Type of costs	A-W (3 <sup>rd</sup> crop) 2011	S-A (2 <sup>nd</sup> crop) 2011	W-S (1 <sup>st</sup> crop) 11/ 2010 to 2/2011
<b>Area (m<sup>2</sup>)</b>			
<b>1 Land Preparation</b>			
<b>Seed</b>			
- Kg of seeds/1.000 m <sup>2</sup> x Price			
- Sowing cost (labor or seeder)			
<b>2 Irrigation cost</b>			
<b>3 Fertilizer</b>			
Urea			
DAP (18-46-0)			
NPK (20-20-0)			
NPK (20-20-15)			
P (Photphat )			
K (Kali 60%)			
Microorganism			
Other			
<b>4 Herbicide cost</b>			
<b>5 Pesticide</b>			
Insecticide			
Fungicide			
Molluscide (snail)			
Rodenticide (Rat)			

Stimulant growth			
Other			
<b>6 Harvest &amp; post-harvest cost</b>			
Combine harvester (cut, thresh, haul)			
Cutting			
Threshing			
Hauling (transportation)			
Dry			
Other			
<b>7. Labor taking cost</b>			
<b>8. Other cost</b>			

### 9 Income from rice production

Type of information	A-W (3 <sup>rd</sup> crop) 2011	S-A (2 <sup>nd</sup> crop) 2011	W-S (1 <sup>st</sup> crop) 11/ 2010 to 2/2011
<b>Yield/1.000 m<sup>2</sup></b>			
<b>When did you sell?</b> (1): immediately after harvesting (2) after drying (3) Stored to sell later			
<b>Total income (VNĐ)</b>			
<b>Price/1 kg</b>			
<b>Quantity sold (kg)</b>			
Kept for seed (kg)			
Kept for home consumption (kg)			
Paid to other (kg)			
<b>Type of Buyer<sup>87</sup></b>			
<b>Contact or non contract<sup>88</sup></b>			

### 2.3.1 Second product:.....

Type of information	Unit	Description	Amount
<b>Area, quantitative..</b>			
<b>Total cost investment</b>			
<b>Total of income</b>			
Yield			
Price/unit			

<sup>87</sup> 1. Cooperative; 2. Local small collector; 3. Big collector; 4. miller; 5. Food company

<sup>88</sup> 2. contract; 2. Non- contract

### III. Information relative on agricultural cooperative (Use for member of AC)

3.1 Reasons for being a member of AC?.....

<input type="checkbox"/> Recognize benefit	<input type="checkbox"/> Improve life
<input type="checkbox"/> Campaign from Cooperative and Government	<input type="checkbox"/>
<input type="checkbox"/> Land is in Cooperative area	<input type="checkbox"/>
<input type="checkbox"/> Use cheaper service	<input type="checkbox"/>
<input type="checkbox"/> Learn together	<input type="checkbox"/>

3.2 How many shares did you buy (c<sub>h</sub> ph<sub>n</sub>)? .....share Year of buying:.....

3.3 How much is a share (original price)? .....VNĐ/share

3.4 How much value is a share now (2011)?.....VNĐ/Share

3.5 How much dividend is in the recently shareholder meeting?.....

3.6 Do you know name and telephone of management board?

Chairman:.....Phone:.....

Vice chairman:.....phone.....

3.7 Are you using agricultural cooperative service?

☐ Yes Name of service: ☐ Irrigation ☐

Other:.....

☐ No Reason:.....

3.8 Agricultural cultivation a year before became a member of agricultural cooperative

Year:.....

	Fruit	Cultivation land		Livestock land	Aquaculture Land	Other land
		Rice	Vegetable			
Area (ha)						
Cost (Đ)						
Income (Đ)						
Profit (Đ/ha)						

3.9 Agricultural cultivation a year After became a member of AC

Year:.....

	Fruit	Cultivation land		Livestock land	Aquaculture Land	Other land
		Rice	Vegetable			
Area (ha)						
Cost (Đ)						
Income (Đ)						
Profit (Đ/ha)						

### 3.10 What kind of farm activities different from before and after a member of ac?

#	Activities (*)	Before	After	Description (**)
1	Kg of seed/1.000 m <sup>2</sup>			
2	Sowing method (hand or seeder)			
3	Seed level			
4	Crop seasons			
5	Farm experience			
6	Apply new technology			
7	Quality of products			
8	Market information			
9	Farm knowledge			
10	Community relationship			
11	Other			
(*) trend is decrease or increase (**) Explain reasons				

### 3.11 What kind of advantages when you become member?.....

.....

.....

#### Kind of advantages compare with non member or private farmer

Kind of advantages	Description and measurement
<input type="checkbox"/> Irrigation pump service	
<input type="checkbox"/> Fertilizer service	
<input type="checkbox"/> Pesticide service	
<input type="checkbox"/> Seed service	
<input type="checkbox"/> Micro credit	
<input type="checkbox"/> Harvest	
<input type="checkbox"/> Rice selling	
<input type="checkbox"/> Chance for learning	
<input type="checkbox"/>	
<input type="checkbox"/>	

### 3.12 What kind of disadvantages are when you become member?.....

.....

.....

#### Kind of disadvantages compare with non member or private farmer

Kind of <u>disadvantages</u>	Description and measurement
<input type="checkbox"/> Irrigation pump service	
<input type="checkbox"/> Fertilizer service	
<input type="checkbox"/> Pesticide service	
<input type="checkbox"/> Seed service	

<input type="checkbox"/> Micro credit & banking	
<input type="checkbox"/> Harvest	
<input type="checkbox"/> Rice selling	
<input type="checkbox"/> Chance for learning	
<input type="checkbox"/>	
<input type="checkbox"/>	

**3.13 What kind of activities that agricultural cooperative should be improved? And how is improve?<sup>89</sup>**

Activity 1:.....

.....

Activity 2:.....

.....

Activity 3:.....

.....

**3.14 What kind of activities/service that agricultural cooperative should do?**

Kind of activities	Description and measurement
<b>Relate to production</b>	
<input type="checkbox"/>	
<b>Non – agricultural activities</b>	
<input type="checkbox"/>	
<b>Other activities</b>	
<input type="checkbox"/>	

**3.15 Please give your evaluation on activities of ac**

	Totally Agree	Agree	No Idea	Dis-agree	Totally Disagree
1. Services from AC is cheaper than others					
2. Services from AC is better than others					
3. Services from AC is faster than other					
4. AC help to initiative crop					
5. AC provide better input services (fertilizer, seed...) than others					
6. AC help to sell better (higher, faster, easier) product than others					
7. AC increase power of small scale farmer than others					
8.					

<sup>89</sup> Notes: ask name of activities, status now, expect of farmer and suggestion from farmer for improving

#### IV. Social indicators relate to agricultural cooperative (ask for both groups)

4.1 What kind of social benefits that AC brings to farmers, community and society?

.....  
 .....

4.2 How is your evaluation on those sentences?

	Totally Agree	Agree	No Idea	Dis-agree	Totally Disagree
1. AC helps to improve farming skills					
2. AC helps to improve quality of product					
3. AC creates job for local people					
4. AC helps people receive new information and technology					
5 AC helps to reduce effects from natural disaster (flood, drought, insect...)					
6. AC helps community development & rural development					
7. Any people can become member (The poor, landless )					
8. AC help to reduce cost production and increase profits					
9. When AC provide service (fertilizer, goods...), it helps control price in the community					
10. AC is a good organization for linking small farmers for increasing competition					
11. AC is a good representative of farmer for market services and 4 hours linking					
12. AC is easy get programs from government & other organizations					
13. AC can provide health care service					
14. AC can provide insurance service					
15. AC is good model for the future					

Thank you very much.

End

### Appendix 3: Questionnaire for Non-Member of agricultural cooperatives

#### Questionnaire for Non - member of agricultural cooperative

##### I. General information of farmer

1. Date:..... Interviewer:.....  
Code [....]

2. Name of interviewees:..... Male/female:.....  
Common Name(nick name):..... Age: .....Years

Experience on rice produce: .....Year Home/cell  
phone:.....

Education level:..../12

3. Address: #.....hamlet:.....Village:.....District.....An Giang

##### 4. Number of household members

#	Member name	Relation HH	Gender	Age	Education	Occupation	Farm work
1							
2							
3							
4							
5							

##### 5. Are you a member of any farmer's organizations?

☐ Farmer club ☐ Associate production ☐ Cooperative group ☐  
Other:.....

##### 6. Is your land inside the area of any agricultural cooperative?

☐ Yes Name of the agricultural  
cooperative:.....

☐ No

##### 7. How is structure income of your household in 2011?

Kind of income	Agriculture	Service	Business	Monthly salary	Other
Ratio (%)					

##### II. Farm Characteristics in 2011

##### 2.1 How much land do you have?

Unit: ha

Total	Tenure land	Garden land	Cultivation land	Livestock land	Aquaculture Land	Other land

## 2.2 How is your household Agricultural cultivation in 2011 (2010)

	Fruit	Cultivation land		Livestock land	Aquaculture Land	Other land
		Rice	Vegetable			
Area (ha)						
Cost (Đ)						
Income (Đ)						
Profit (Đ/ha)						

## 2.3 How is the detail of cost and benefit of two main agriculture products?

### 2.3.1 First product: Rice

Unit: VND/1.000 m<sup>2</sup>

Type of costs	A-W (3 <sup>rd</sup> crop) 2011	S-A (2 <sup>nd</sup> crop) 2011	W-S (1 <sup>st</sup> crop) 11/ 2010 to 2/2011
<b>Area (m<sup>2</sup>)</b>			
<b>1 Land Preparation</b>			
<b>Seed</b>			
- Kg of seeds/1.000 m <sup>2</sup> x Price			
- Sowing cost (labor or seeder)			
<b>2 Irrigation cost</b>			
<b>3 Fertilizer</b>			
Urea			
DAP (18-46-0)			
NPK (20-20-0)			
NPK (20-20-15)			
P (Photphat )			
K (Kali 60%)			
Microorganism			
Other			
<b>4 Herbicide cost</b>			
<b>5 Pesticide</b>			
Insecticide			
Fungicide			
Molluscide (snail)			
Rodenticide (Rat)			
Stimulant growth			
Other			
<b>6 Harvest &amp; post-harvest cost</b>			
Combine harvester (cut, thresh, haul)			
Cutting			
Threshing			
Hauling			



(transportation)			
Dry			
Other			
<b>7. Labor taking cost</b>			
<b>8. Other cost</b>			

### 9 Income from rice production

Type of information	A-W (3 <sup>rd</sup> crop) 2011	S-A (2 <sup>nd</sup> crop) 2011	W-S (1 <sup>st</sup> crop) 11/ 2010 to 2/2011
<b>Yield/1.000 m<sup>2</sup></b>			
<b>When did you sell?</b> (1): immediately after harvesting (2) after drying (3) Stored to sell later			
<b>Total income (VNĐ)</b>			
<b>Price/1 kg</b>			
<b>Quantity sold (kg)</b>			
Kept for seed (kg)			
Kept for home consumption (kg)			
Paid to other (kg)			
<b>Type of Buyer<sup>90</sup></b>			
<b>Contact or non contract<sup>91</sup></b>			

#### 2.3.1 Second product:.....

Type of information	Unit	Description	Amount
Area, quantitative..			
<b>Total cost investment</b>			
<b>Total of income</b>			
Yield			
Price/unit			

### III. Information relative on agricultural cooperative (Use for member of AC)

#### 3.1 Reasons for not being a member of AC?.....

<input type="checkbox"/> Recognize benefit	<input type="checkbox"/> Improve life
<input type="checkbox"/> Campaign from Cooperative and Government	<input type="checkbox"/>
<input type="checkbox"/> Land is in Cooperative area	<input type="checkbox"/>
<input type="checkbox"/> Use cheaper service	<input type="checkbox"/>
<input type="checkbox"/> Learn together	<input type="checkbox"/>

<sup>90</sup> 1. Cooperative; 2. Local small collector; 3. Big collector; 4. miller; 5. Food company

<sup>91</sup> 1. contract; 2. Non- contract

### 3.2 Did AC invite you to become the member?

☐ Yes ☐ No

### 3.3 Do you want to become a member of agricultural cooperative now?

☐ Yes ☐ No

Reasons:.....

### 3.4 Do you know name and telephone of management board?

Chairman:.....Phone:.....

Vice chairman:.....phone.....

.....Phone.....

### 3.5 Are you using agricultural cooperative service?

☐ Yes Name of service: ☐ Irrigation ☐

Other:.....

☐ No Reason:.....

### 3.6 Can you **comparison those farm activities between your farm and other farm inside the AC** (farm is member of ac)

#	Activities (*)	Your farm	Farm in AC	Description (**)
1	Kg of seed/1.000 m <sup>2</sup>			
2	Sowing method (hand or seeder)			
3	Seed level			
4	Crop seasons			
5	Farm experience			
6	Apply new technology			
7	Quality of products			
8	Market information			
9	Farm knowledge			
10	Community relationship			
11	Other			
(*) trend is decrease or increase (**) Explain reasons				

### 3.7 What kind of **advantages** when you are not a member of AC (private farming)?.....

.....

.....

.....

#### Kind of advantages when you are not a member of AC (private farming)

Kind of advantages	Your farm	Farm in AC	Description and measurement
--------------------	-----------	------------	-----------------------------

<input type="checkbox"/> Irrigation pump cost			
<input type="checkbox"/> Feed cost			
<input type="checkbox"/> Input cost			
<input type="checkbox"/> Fertilizer cost			
<input type="checkbox"/> Pesticide cost			
<input type="checkbox"/> Seed cost			
<input type="checkbox"/> Micro credit			
<input type="checkbox"/> Harvest			
<input type="checkbox"/>			
<input type="checkbox"/>			

3.8 What kind of disadvantages are when you become member?.....

.....

.....

Kind of **disadvantages** when you are not a member of AC (private farming)?

Kind of advantages	Your farm	Farm in AC	Description and measurement
<input type="checkbox"/> Irrigation pump cost			
<input type="checkbox"/> Feed cost			
<input type="checkbox"/> Input cost			
<input type="checkbox"/> Fertilizer cost			
<input type="checkbox"/> Pesticide cost			
<input type="checkbox"/> Seed cost			
<input type="checkbox"/> Micro credit			
<input type="checkbox"/> Harvest			
<input type="checkbox"/>			
<input type="checkbox"/>			

3.9 What kind of activities that agricultural cooperative **should be improved?** And how is improve?<sup>92</sup>

Activity 1:.....

.....

Activity 2:.....

.....

Activity 3:.....

.....

3.10 What kind of activities/services that agricultural cooperative **should do in the future?**

**What kind of activities that agricultural cooperative that you want to join into**

---

<sup>92</sup> Notes: ask name of activities, status now, expect of farmer and suggestion from farmer for improving

## agricultural cooperative

Kind of activities	Description and measurement
Relate to production	
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	
Non – agricultural activities	
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	
Other activities	
<input type="checkbox"/>	
<input type="checkbox"/>	

### 3.11 Please give your evaluation on activities of ac

	Totally Agree	Agree	No Idea	Dis-agree	Totally Disagree
1. Services from AC is cheaper than others					
2. Services from AC is better than others					
3. Services from AC is faster than other					
4. AC help to initiative crop					
5. AC provide better input services (fertilizer, seed...) than others					
6. AC help to sell better (higher, faster, easier) product than others					
7. AC increase power of small scale farmer than others					
8.					
9.					
10.					

## IV. Social indicators relate to agricultural cooperative

4.1 According to you, what kind of social benefits that AC brings to farmers, community and society?

.....

.....

.....

.....

### 4.2 How is your evaluation on those sentences?

	Totally Agree	Agree	No Idea	Dis-agree	Totally Disagree
1. AC helps to improve farming skills					

2. AC helps to improve quality of product					
3. AC creates job for local people					
4. AC helps people asset to new information and technology					
5 AC helps to reduce effect from natural disaster (flood, drought, insect...)					
6. AC helps community development & rural development					
7. Any people can become member (The poor, landless )					
8. AC help to reduce cost production and increase profits					
9. When AC provide service (fertilizer, goods...), it helps control price in the community					
10. AC is a good organization for linking small farmers for increasing competition					
11. AC is a good representative of farmer for market services and 4 hours linking					
12. AC is easy get programs from government & other organizations					
13. AC can provide health care service					
14. AC can provide insurance service					
15. AC is good model for the future					

**End**  
**Thank you very much**

#### Appendix 4: Maps of Vietnam and the Mekong Delta region





## Appendix 5: Dike system and Irrigation service

Dike prevent flood and use for irrigation in the Mekong Delta, Vietnam



Dike use for rural development



## Appendix 6: Electrical Power pump station of ACs

Electrical power pump station of ACs



## **Appendix 7: Process vegetable of ACs in Long An**

## **Appendix 8: Other services of ACs**



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