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**UNDERSTANDING FARMER'S COOPERATION
AND LINKAGE IN AGRICULTURAL
PRODUCTION TO PROMOTE FARMERS'
RIGHTS, VOICES, AND CHOICES:
FINDINGS AND POLICY
RECOMMENDATIONS**

EXECUTIVE SUMMARY



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We expect that the report meets stated objectives, and contributes to the innovation and development of farmer's cooperation and linkage, and cooperative economy in Vietnam.

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UNDERSTANDING FARMER'S COOPERATION AND LINKAGE IN AGRICULTURAL PRODUCTION TO PROMOTE FARMERS' RIGHTS, VOICES, AND CHOICES: FINDINGS AND POLICY RECOMMENDATIONS

EXECUTIVE SUMMARY¹

¹ This report is a joint effort between the Institute of Research and Consultancy on Development (RCD) and Oxfam, under the technical and administrative collaboration and support from the Department of Cooperatives and Rural Development, Ministry of Agriculture and Rural Development. The study is conducted in three provinces: Ninh Binh, Lam Dong, and Dong Thap. The objective of study is the forms of cooperation and linkage that had been in operation until the promulgation of the Amendments of the Law on Cooperatives in 2012.

CONTEXT

Almost 30 years since the Doi Moi reforms were introduced, rural agriculture in Vietnam has progressed substantially, helping the country to transform from food shortages to food security and the exportation of agricultural products. One of the key factors contributing to this is the acceptance and encouragement of **fostering a household economy and cooperative economies in rural communities in Vietnam.**

However, agriculture in Vietnam has been faced with challenges to product quality and sustainable development under the global economic integration context and from the impacts of climate change. Some problems have been identified, including the structural elements of agriculture: around 40 million farmers in over 12 million households are having to cultivate and produce their crops in disadvantaged and dangerous conditions, causing farmers' lives to bear risk; there is a lack of institutional organization of production within the industry due to weak cooperation among actors, and the consequence of old agricultural cooperation models; a focus on production and productivity rather than postharvest, quality and access to markets. Because of this, the Government has enacted agricultural policies at a macro level to restructure the agricultural sector toward increasing the added value of products, sustainable development, issuing policies that promote cooperation and linkages among actors with the hope of creating breakthroughs in agricultural production in general, and regional economic cooperation in particular. At the micro level, **how to increase household income, and how to raise the economic status and competitiveness of farming households, in an open economy of agricultural production, and through farmer's cooperation and linkage,** remain difficult questions to answer fully.

International studies and best practice indicate that: if provided with a favorable development environment and supportive policy interventions, through farmer's organizations and cooperation and linkages, farmers will have their voices heard and greater production efficiency, and will optimize the use of the natural and social resources from which they share benefits and risks more equitably. From the natural laws of life and production, cooperation and linkages are a natural demand, and one of the unique features of rural social organizations in Vietnam (Chi, 1996). A cooperative linkage is particularly meaningful to Vietnamese farmers, who in the past have tended to "be interested in setting up guilds", voluntarily participating in organizations (Gourou, 1936), and possessing the spirit of a "free farmer" without any dependence from the village.

The social position of farming households, particularly small-scale households formed through mutually cooperative relationships, and under the umbrella of farmer's cooperative organizations, are improved through increasing incomes for farmers, fostering farmers to attain legitimate and equitable rights and benefits, and helping farmers acquire their own voice and decision making powers in the development of policies contributing to sustainability as a whole. **The policy, which focuses on the development of sustainable cooperation among farmers will be an important policy to reorganize production and renew productive relationships, which have been shown to be irrational and ineffective.** Addressing this issue will help to release energy, develop the potential and internal resources of actors, it will maximize the value of inter-generational knowledge, increase the competitiveness of Vietnamese agriculture, and consolidate spiritual and material bases for social development in the future.

This report was prepared during the Government's review of policies to promote cooperatives, economic cooperation, and vertical integration in the value chain of agricultural products. Based on the information gathered during our research, we propose that policy makers, implementing agencies, and authorities at all levels review and adopt the recommendations of this report. This will help to create positive and innovative changes for the development of cooperation and linkages and farmer's organizations, as well as provide a sustainable contribution to the work of restructuring and renewing the agriculture sector of Vietnam.

RESEARCH FOCUS

This study aims to answer the following questions: How should we understand and assess cooperation and linkages among farmers in agricultural production in Vietnam? How do cooperation and linkages work effectively and sustainably, so that farmers get the fairest outcomes? And, how can stakeholders promote cooperation and linkages in the most effective way, under present and future conditions?

The study investigates **the current status and factors impacting the success and failure of the method for organizing farmer's cooperation and linkage models**; thereby offering **policy and practical solutions to help identify and change the perspective for building farmer's organizations**, and for promoting cooperation and linkages in new development conditions, in which farmers are important actors.

The report provides information on the following urgent problems in Vietnam: (1) the perspective of governance and institutions to promote forms of cooperation and linkage in order to remove the difficulties and disadvantages faced by farmers under the current conditions of using small-scale production to meet market requirements; (2) how the rights, voice, and interests of farmers have been promoted through the current institutions and State policies; and (3) best practice for farmer's cooperation and linkage in Vietnam to be summarized for lessons learnt and scaling-up.

METHODOLOGY/ ANALYTICAL FRAMEWORK

The study applies an interdisciplinary approach toward ensuring the harmony of interests among actors through the **rights, voices, choices and sustainable benefits** of farmers and farmer's organizations at the center. The study was carried out from July to December 2014, using a combination of secondary data collection, policy analysis, field research and analysis. The fieldwork was conducted in three provinces in Vietnam, each of which have regionally specific features of agricultural production and demonstrate the market differences between the three regions: Ninh Binh (representative of the Red River Delta area), Lam Dong (Highlands region) and Dong Thap (Mekong Delta region). In each province, four cooperative models and collaborative groups were surveyed by the research team. For each cooperative model, questionnaires were used to survey 30 households. The total size of the quantitative sample from the three provinces was 360 households. This was done in addition to in-depth interviews, group discussions among farmers, and typical case studies of collaborative groups and cooperatives.

The **Study framework was developed based on two approaches** to collaborative action by two research groups **(1)** Ruth Meinzen-Dick, Monica Di Gregorio, and Nancy McCarthy (2004) **and, (2)** Jenny Biddle and Nicole Darnall (2015). From there, we built four key groups of indicators that were used to develop the impact assessment framework of cooperation and linkage. The four groups were: (1) The effects of production organization; (2) the economic effects; (3) the social effects; and (4) the environmental effects.





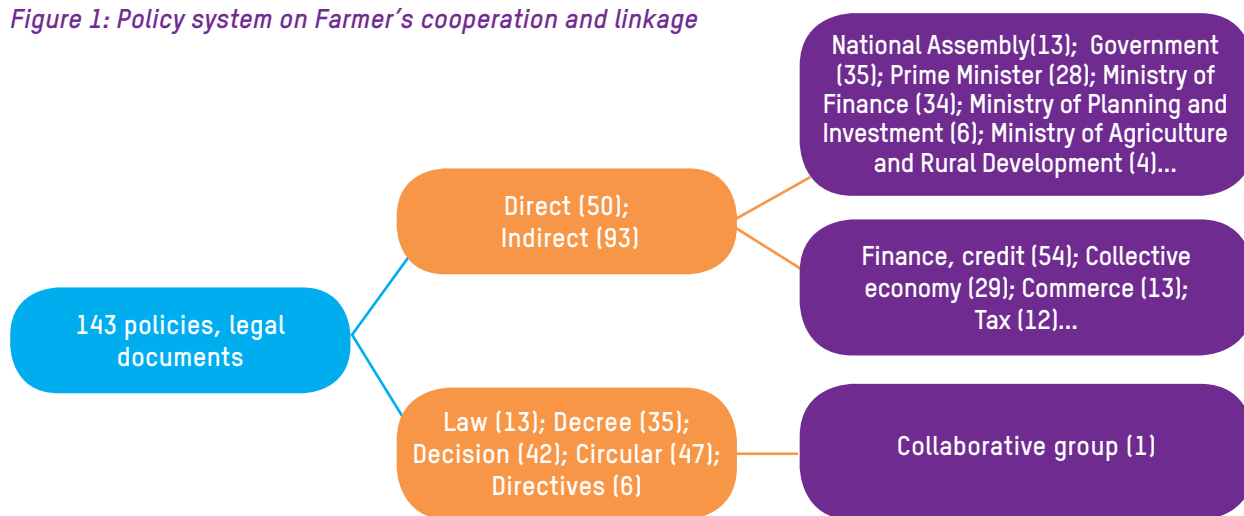
KEY FINDINGS

DEVELOPMENT OF A COOPERATIVE ECONOMY: MAJOR POLICY, BUT DIFFICULT IMPLEMENTATION

Developing a cooperative economy has been a major policy issue in Vietnam since the 1950s. In addition to three cooperative laws (enacted in 1996, 2003 and 2012), there have been hundreds of policies issued since 2003. These policies have formed a legal framework for the introduction and development of cooperation and linkage models.

Incomplete statistics show that, since the introduction of the Cooperative Act 2003, there have been at least **143 policies and legal documents on collective economy enacted**. Of these documents and policies, around 50 were directly related to collective economy, with the remaining documents coming from many different fields, and indirectly related to this topic. In regards to the hierarchy of legal documents, since 2003, 13 laws, 35 decrees, 42 decisions, 47 circulars and six directives have been issued. In addition to two cooperative laws, the development of a cooperative economy and cooperatives also involve, and are governed by, 11 different laws including the Land Law, Environmental Protection Law, Construction Law, and Commercial Law. Regarding the 143 specified policies and legal documents, there is a clear focus on the financial sector, with the issue of credit being the focus of 54 documents and policies, which was almost double that of direct policies on collective economy (29 policies and documents). Additionally, there were 13 policies and documents related to trade and 12 focused on taxation. The following sectors each have between two to six rural development policies related to this topic: agriculture, forestry and fishery (two policies), transport (six policies), labor and insurance (six policies), and vocational training (five policies) (Figure 1).

Figure 1: Policy system on Farmer's cooperation and linkage



These policies generally include the following three characteristics:

- (1) **Concepts and policies are still limited, and have not yet promoted the proper nature and role of farmer's organizations as an independent partner in development. They are also biased in promoting the role of cooperatives over collaborative groups.**

A cooperation and linkage to develop production and improve living standards is one of the basic needs of farmers and enterprises. However, despite this, the following perspectives are commonly represented: (1) cooperatives are considered a form of business with biased economic goals, (2) cooperation and linkages are being "assigned" (unofficially but regularly) the role of social organizations and "socio-political" organizations to mobilize, organize and regulate community activities, and (3) the role of production organizations and market participation, as independent agents, have not been given adequate attention. Current policies have not shown a clear distinction as to whether a cooperative is an enterprise, an interdependent economic unit, or a social enterprise. Applying legal provisions for a cooperative as an enterprise, while requiring them to operate as a social organization (a form of social enterprise) is a contradiction between the policies and the development of cooperatives in practice.

There remains a lack of policies directed toward promoting the nature and roles of farmer's organizations, such as policies to build and develop stable human resources, and policies and training programs to improve their capacity. The policy analysis showed that despite the number of policies, the focus was mainly on issues related to administration and management, and supply and allocation, rather than supporting policies that build capacity internally within organizations. This can be attributed to insufficient recognition of the nature of cooperation and linkages and interdependent economies: although these organizations contain non-economic objectives (social objectives), the principle of autonomy of management and operation has not been guaranteed.

The bias clearly demonstrates that when policies focus only on the development of cooperatives, collaborative groups, despite having grown remarkably, do not receive enough policy support. In the 143 policy and legal documents previously discussed, only one provides separate regulations directed toward collaborative groups as the object (*Decree No. 151/2007/ND-CP*). Other provisions are indirect, and integrated within policies on developing market economies and cooperatives.

(2) Overlap, contradiction and inefficiency in implementing process

Among the 143 documents, the overlap of relevant policies in developing collective economies is clear. Many policies stop at the written provisions or they are ineffective, making it difficult for linkages to capitalize on their capacity in production and trading. The report on the implementation of the Law on Cooperatives in 2003, together with Statement No. 99/TTr-CP dated 03/05/2012 of the Government, show a common trend in which one issue involves many documents and regulations, lacks evaluation and feedback and leads to overlap, slow improvements, and a lack of strategic integration and policy tool connections. For example, the cooperative production and consumption of rice in the "large fields" model was not tied to *Decree 109/ND-CP* (rice export business), *Decision 80/2002/QĐ-TTg* (encouraging the consumption of agricultural products through contracts), or *Decisions 63/2010/QĐ-TTg* and *65/2011/QĐ-TTg* (support mechanisms and policies to reduce losses after harvest for agriculture or aquaculture products, or supporting mechanisms for financing and providing credit to build agricultural value chains). Another example demonstrating the inefficiency and difficulty of implementation when several documents refer to one policy: *Clause 1, Article 8 of Decree No. 88/2005/ND-CP* regulates that cooperatives with new investment projects, such as investments to expand production and business capacity, can receive credit capital investment loans from the development assistance fund under the provision of Government *Decree No. 106/2004/ND-CP* on developing the investment credit capital of the State, and Government *Decree No. 20/2005/ND-CP* on additional lists of projects borrowing the development investment credit of the State. However, according to *Decree No. 151/2006/ND-CP*, which replaced *Decrees No.106/2004/ND-CP* and *No.20/2005/ND-CP*, the projects that are eligible for loans on investment development credit are mostly those requiring large capital and long return periods. Meanwhile, cooperatives with limited financial, technological, and management capability find it difficult to access development credit loans from the State.

Similar situations can occur when regulations supporting human resource training under *Decrees No. 88/2005/ND-CP* and *No.60/2003/ND-CP* reveal an overlap between the role of the Ministry of Planning and Investment and the Ministry of Finance in calculating demand and allocating training funds. In addition to this overlap, the system of related policies also show a significant lack of depth, without clear objectives. This creates difficulty for both cooperatives and government agencies. This can be a result of too few documents and policy guidelines being jointly issued by the involved ministries and offices. Among the 143 legal documents, there are 47 circulars, of which only 11 have been collaborative publications. Therefore, to receive a bonus, cooperatives are sometimes required to apply simultaneously to four or five different policies. This usually exceeds the capacity of the executive management in the majority of cooperatives.

Although the policy system is relatively large, there are still practical restraints and the impacts of these policies are often limited. Many macro-level supports are still "pending implementation" which means they cannot be implemented due to a lack of specific policies from local authorities. For example, the policy on agricultural products consumption through contracts is specified in *Decision 80/2002/QĐ-TTg*, in which the terms and conditions to support farmer's production outputs are relatively sufficient (on land, credit capital, and the transfer of scientific technology etc.). However, this *Decision* stops at the level of "creating favorable conditions" for farmers and enterprises. In 2013 the *Decision* was replaced by *Decision 62/2013/AD-TTg* to encourage the development of cooperation, cooperative production associated with product consumption, and the building of large fields. The lack of sanctions and the inefficient implementation of policy also lead to legally ineffective product consumption contracts between cooperatives/collaborative groups and enterprises, and contract cancellations are common practice. Many regulations for supporting the development of cooperative models are not based on existing resources and can lead to the low practicality. Regulations on land support are

typical examples.² Many localities do not have public land so they are unable to allocate land for cooperatives. Therefore, at the present time, cooperatives without a head office are common issues. Credit policy is another example. Although there are many credit related policies, access to credit continues to be highlighted as a key challenge for cooperatives. The main barrier to this is in the mortgage and legal status of the cooperatives. Because of this, some cooperatives have established an enterprise model to access funds from these credit policies. Tax policies have a similar application for cooperatives, which can impact their accessibility to, and benefits from, these policies.

(3) Lack of policy “leverage”, slow to catch up with development practices, and a lack of consistency and innovation.

In addition to Decision 62 being in its implementation stage, policies are generally evaluated as lacking innovation, leverage to foster real cooperation with sustainability, and enforcement. Preferential policies and support, which are expected to generate momentum for models, are often slow to be implemented. After introducing National Resolution 5 in early 2002, the Cooperative Law was issued in 2003 (effective July 2004). However, a Government Decree to support and encourage the development of cooperatives was only issued in July 2005 (*Decree 88/2005/ND-CP*), and in February 2006, this new policy began to be implemented, at the same time the Ministry of Planning and Investment issued Circular No. 02/2006/TT-BKH.

The preferential and support policies are often those with the most limited enforcement, and are slow to align with reality and development changes. In regard to cooperatives, the difficulty of not having a head office is a challenge across many cities and provinces; however, the situation is more common in Lam Dong and Dong Thap. In Dong Thap, over 50% of cooperatives do not have a head office. This affects the administration and operation of cooperatives, and also impacts their accessibility to preferential policies on credit or services launching, for example product processing. These cooperatives, particularly those working on rice in Dong Thap, rely heavily on warehouses to complete the service model in their cooperative. For specialized cooperatives, it is even harder to access land.

In regard to policies on accessing capital and credit, *Decree No. 41/2010/ND-CP*³ has been unable to offer cooperatives opportunities for business expansion. Very few cooperatives have access to capital, and due to complicated procedures and low loan limits, it is increasingly more difficult for cooperatives to get access to these sources. Some cooperatives need to establish enterprises, and some will use private assets to borrow capital. This situation distorts the nature, the operation and the development principles of cooperative models.

In addition to the aforementioned issues, and due to the lack of support, close monitoring and evaluation processes/procedures, current policies have not solved the problem that when a cooperative has been established there is great difficulty in terminating their activities if the organisation does not succeed. Many cooperatives that stop operating or are poorly-executed continue to exist; however, they slow down the development of other cooperatives and affect the perspective of external stakeholders reviewing the model. Their slow growth and delays also reflect negatively on the model transformation process. This will continue to be one of the main policy obstacles to the development of cooperation and linkage models. Having a clear set of criteria and methods to evaluate the model, especially cooperatives, is very important. It shows a consistent view on the nature, role and diversity of farmer’s cooperation and linkage models, and helps to foster real and meaningful cooperative relationships.



² Point a, Clause 1, Article 5: Decree No. 88/2005/ND-CP on land policy with agricultural cooperatives: Cooperatives wishing to use land for the construction of offices, warehouses, drying areas, service establishments directly serving cooperative members in agriculture, forestry, aquaculture and salt production but have not been allocated should follow the procedures for land allocation. Provincial People’s Committee, considering the current situation of public land, makes decisions on the allocation of land without collecting land fees and issues certificate on the rights of land usage for the cooperative.

³ The Government has issued Decree No. 55/2015/ND-CP to replace this Decree.

FARMER'S COOPERATION AND LINKAGE - A PERSPECTIVE OF REALITY

The trend of cooperation through farmer's organizations has been increasingly popular: the growth of farmer's cooperation and linkages is a trend carrying a lot of potential to help address the future demands of farmers, enterprises, and the market. **Compared to direct collaborative linkages between farmers and enterprises through economic contracts, a cooperation and linkage through a farmer's organizations is a better choice to ensure the rights, voices and choices of farmers.** Collaborative group models have significantly increased in quantity⁴ and have been a popular choice for many farmers wanting to collaborate. The model is more suited to the capacity and demands of farmers, and it shares the mutual values and ensures the fundamental principles of voluntary, independent, self-reliant, and efficient expectations of farmers are upheld. Regarding the role of a "community institution" in rural areas, it is certain that, with or without the support and promotion of development projects, enterprises and local authorities, the rise in quantity of collaborative groups is a consequence of the objective of linking flexible cooperation and linkage among small-holder farmers. This form of cooperation targets structural changes in market power; improvement in access to resources, inputs for production, and public services; fulfillment of community functions; improvement in community resistance and risk sharing; the rise in the voice of farmers, increase in social capital for poor/disadvantaged groups; and increase in community-based social security. The major difference between the legal status of collaborative groups and cooperatives normally carries a psychological impact on enterprises rather than the assurance of contract compliance and an increase in dispute resolution, especially with small-scale contracts and alliances. The cooperative linkage is successful when farmers have a high demand for cooperative production, supply quality products, and achieve mutual benefit and risk sharing (Box 1).

Box 1: Risk sharing and support mechanisms in production at the Suoi Thong B2 collaborative group

At the Suoi Thong B2 collaborative group, households use the Vietgap process to grow vegetables and supply the Metro supermarket. Of the 20 households that are part of the collaborative group, not all can produce the same amount or quality of product at the same time. They also may not use the same fertilizer or pesticides. Therefore, the packaging and quality of the product may vary between households. Everyday, the cooperation and linkage transfers the vegetable products of each household to the Metro buying station, using specifically assigned codes in the tray of each family. Once the products are received, Metro will transfer payments to the separate accounts of each household, depending on product weight and quality. Despite farming the same product, the income of each family in the collaborative group can be very different. Therefore, in order to support each other in production and to share the risks among members, Suoi Thong B2 collaborative group have set a principle that is applied to all members. This means that if a family asks about the types of pesticides, fertilizers or the farming methods used to achieve similar qualities these families are required to share their information to support the family.

This mechanism appears to be a simple solution, and it has been shown to have increasingly positive effects. It not only increases the spirit of support and cohesion among members, regarding the production process, it has also helped the collaborative group avoid mutual risk during their eight years supplying vegetables to Metro. Assisting on production techniques to increase productivity and quality for families that fall behind, based on well-performed families, is also a way to avoid producing substandard vegetables, according to the Vietgap standards of Suoi Thong B2 collaborative group.

4 According to MARD (2013), there were 61,571 agricultural collaborative groups with an average increase of 3.3%/year. Of these, 46,343 collaborative groups in the agricultural service sector and production. Most of them are located in the North Central region (39%), and Mekong Delta region (24%).

Rights, responsibilities, benefits and risk sharing from the linkage/farmer cooperation should be viewed beyond the economic aspects: In general, the implementation of rights, and the shared responsibility of farmers, as well as the benefits and risk sharing of linkages observed in this study is positive and relatively even.

According to the farmers participating in this study, the majority of general principles used to help ensure the rights of the members, especially the principles of self-reliance, openness and transparency are clear and well defined, and are performed well (Table 1).

Table 1: Principles and implementation processes in forming cooperation and linkage

Unit: %

Principles	Assigned principles	Application of principles				
		Very weak	Weak	Neutral	Good	Very good
All members voluntarily join/leave the linkage	98,1	0,3	1,4	9,7	62,8	25,9
Linkage is open to all members	89,1	0	1,9	10,9	66,5	20,8
All members are equal, and have an equal voice in voting processes regardless of capital contribution	93,3	0	0,3	7,5	66,0	26,3
All members have to abide by the service contract and regulations	83,3	0	0,7	10,7	65,6	23,1
Ensure a fair division of benefits	80,8	0,7	1,0	13,1	66,2	19,0
All members are required to share risks	79,7	1,7	2,4	14,3	63,3	18,2
Ensure information transparent/disclosed	88,0	0,3	2,5	8,2	63,0	25,9

Provisions on the rights of cooperative members are often mentioned when the cooperative is established or during general meetings, therefore many are unable to remember their specific membership rights, especially in agricultural service cooperatives. Many farmers tend to remember the benefits that are fulfilled on a regular basis. **Benefits in this case are understood broadly, including the economic benefits and the benefits to minimizing cost and risks. Results from the study showed that the right to receive cooperative incentives is notably high (74.2%)** in the overall picture regarding the provisions and implementation of the guaranteed rights for participating farmers (Table 2).



Table 2: Regulated rights and the rights guaranteed for farmers participating in cooperation and linkages

Unit: %

Rights	Regulated rights	Implementation of rights				
		Very bad	Bad	Neutral	Good	Very good
Connection to supply products and services following service contracts	68,1	0,8	2,9	14,0	65,8	16,5
Allocation of income following laws and regulations	53,9	1,0	2,6	21,4	66,1	8,9
Receiving incentives from the linkage	74,2	0,8	2,7	16,0	66,8	13,7
Attending or voting for a delegation	77,8	1,1	1,8	8,6	64,4	24,1
Right to vote	74,7	0	2,6	9,0	64,4	24,0
To stand for election or nominate candidates to the supervisory board	75,3	0,4	2,6	13,8	59,9	23,4
Petitions, inquiries for explanations	74,4	0	2,7	11,8	67,7	17,9
Receive information on activities	69,7	0,8	4,1	11,8	63,8	19,5
Receive capacity training	58,1	1,0	4,4	15,5	58,7	20,4
Ability to leave linkage	50,6	0,6	5,6	12,3	54,7	26,8
Getting capital refund when leaving linkage	39,7	0	3,6	11,5	71,2	13,7
Remaining property and value after tax	31,1	0	7,2	18,0	68,5	6,3
Legally filing complaints, reports, suing	52,8	0	2,2	15,7	66,5	15,7

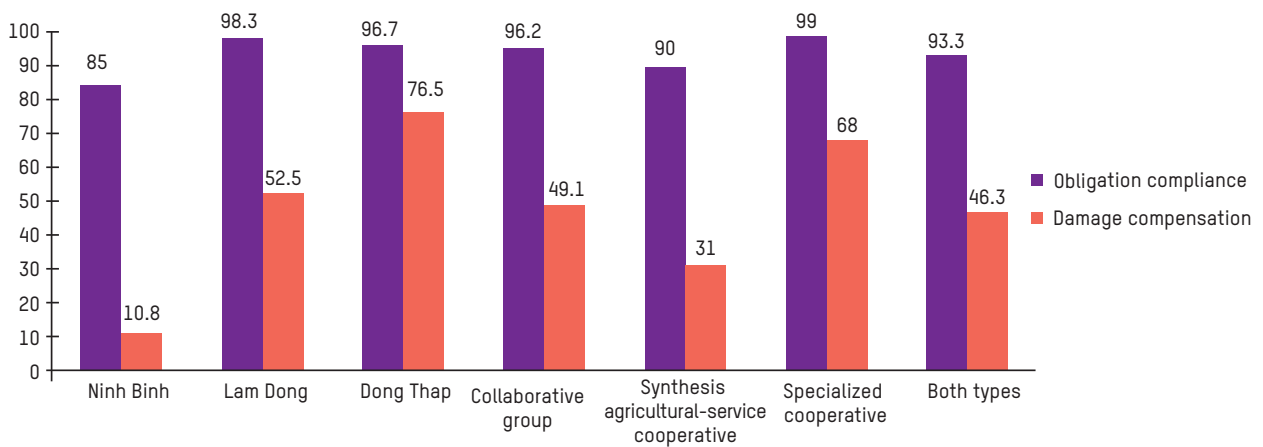
Obligation compliance is very diverse, and includes compensation for damages. Notably, the level of obligation compliance associated with the professionalism of cooperation and linkages tends to be regional, while reflecting the central goal of the cooperative linkage. The regions with clearer market advantages and

market-orientation often have a higher level of responsibility and professionalism when complying with their obligations and fulfilling their responsibilities. Specialized cooperatives have the highest level of compliance and damage compensation (99% and 68% respectively), although this gap is not as large as, that of collaborative groups (96.1% and 49.1%), while this ratio is the lowest among cooperatives with a synthesis between agricultural services (90% and 31%) (Figure 2).



Figure 2: Obligation compliance and damage compensation: differences in models and regions

Unit: %



The study results also show that it is not the legal factors that are strong enough to ensure farmers' compliance with the provisions of cooperation and linkages. **The awareness of long-term benefits and the thinking of market associations are the two leading factors contributing to discipline and cohesion within cooperative linkages.** In rural areas, especially in the North, there is still a need for community organizations to deliver public, semi-public and essential services in the area - this work can be done through contracts with cooperatives, in an agreement that is independent of the main production function to serve the needs of the cooperative members, or through a rural community organization. The key point here is that economic functions need to be separate from the other functions of cooperatives and collaborative groups, if these organizations are selected to be community service providers. The possible policy solution is to build a policy framework that separate the two systematic functions of cooperatives: (1) community services where a cooperative can be the provider, which requires further policy and sanctions; or, (2) market service activities - this segment needs to develop independently in the business plan of the cooperative, and operate on the principle of a cooperative-economic organization.

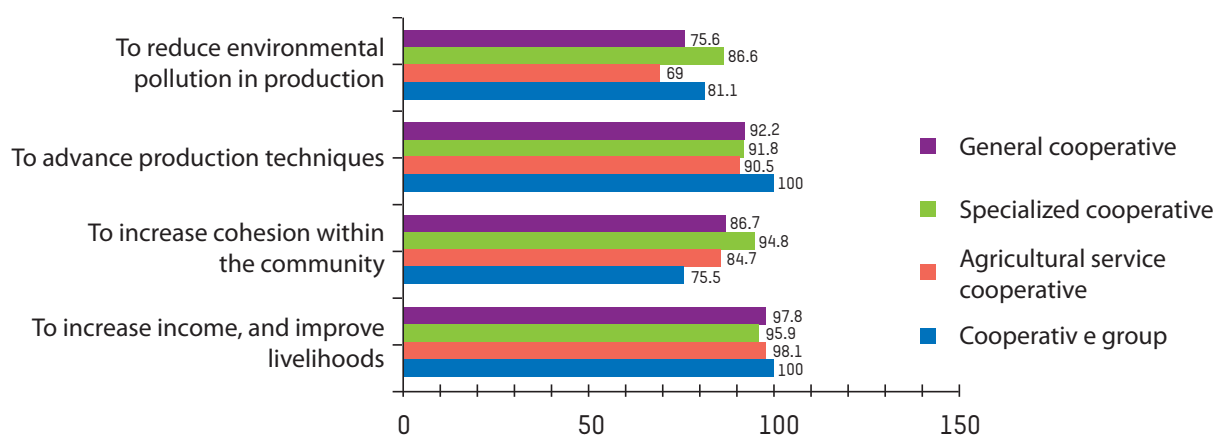


FACTORS AFFECTING THE FORMATION OF COOPERATIVE LINKAGE

Farmers' needs from reality: Although the roles of policy systems and implementation agencies are critical, an in-depth analysis of the successes and failures of the models show that the decisive factor for the sustainability and efficiency of the linkage is the needs of farmers, starting from the realities of production, to life and livelihoods. In other words, farmers' needs decide which linkage is most appropriate, as well as which governance method is most effective (Figure 3).

Figure 3: Farmers' motivations to join categorized cooperative linkages

Unit: %



Farmers' motivations to join cooperation and linkages are diverse and they are influenced by economic, social, environmental and health-related factors. Although economic factors are dominant, farmers are concerned about other needs including improving productivity, enhancing community solidarity and reducing pollution, with relatively few differences. This means farmers have begun to pay attention to non-economic collaboration. They also now understand that the role of farmers' associations and collaborations are not limited to financial issues and the improvement of incomes, which have long been the traditional approach (Table 3).



Table 3: Motivations and level of importance for farmers to participate in cooperation and linkage forms

Motivations	Frequency	Rate (%)	Level of Importance (%)		
			Little important	Important	Very important
Products sold at a high price	323	89,7	5,9	25,8	68,3
Low cost of raw materials	288	80,0	6,3	38,8	54,9
Increase product competitiveness/branding	224	62,2	10,8	48,4	40,8
Market insurance	254	70,6	7,5	40,9	51,6
Apply new technology in production	299	72,5	2,0	43,3	54,7
Improve working conditions	261	72,5	4,6	53,8	41,5
Decrease production costs	297	82,5	3,1	43,7	53,2
Reduce risks in production	274	76,1	5,1	52,2	42,6
Increase productivity and product quantity	300	83,3	2,7	42,5	54,8
Increase agricultural product quality	277	76,9	4,4	41,2	54,4
Reduce environmental pollution	265	73,6	8,4	49,6	42,0
Improve health conditions	243	67,5	10,8	51,9	37,3
Improve neighborhood relationships	283	78,6	9,0	49,8	41,2
Maintain traditional agricultural products	175	48,6	20,3	50,0	29,7
Replication of participant behavior	162	45,0	32,5	39,5	28,0
Suggestion of participation from the Government	130	36,1	50,8	36,7	12,5

The need to share values is more important than capital contribution: Capital contribution is a popular first step for many models of farmer’s cooperation and linkages (it constitutes 42.2%, compared to product contribution - 37.2% and other types of contribution - 13.6%). Unlike cooperatives, the collaborative group model is not built on capital contribution so its management method is less complicated. However, funding is often limited, especially in agriculture service cooperatives where the contribution of cooperative members is

Box 2: Capital contribution is not the basis for binding members

Compared to other families, the income of those planting vegetables in the Suoi Thong B2 collaborative group are relatively high. Many non-member families want to join this collaborative group. However, since the group was first established, the number of members has not changed very much, even though the group is open to other families wishing to join. Some families, soon after joining the group, ask to leave because they do not meet the production requirements of Vietgap. The biggest obstacle for these farmers when participating in the model is not technical difficulty but mostly changes in habits. The fact that they have to strictly follow production procedures is a big challenge. Meanwhile, when the farmers overcome this challenge, they tend to bond and support each other more closely. They do not have a mutual economic base to attach to but they do share mutual values in production and interdependence when problems arise.

around 500,000 VND/head. Such a small amount does not contribute to uniting the members. The strength of the relationship amongst members, in many cases, relies on shared goals and values, such as production processes, product quality and the market value of products. In many cases these issues can better unite farmers with the cooperative than the contributed capital (Box 2).

The need to sell products and introduce them to the market: The level of success in the marketing of products is closely related to unity among members, law-abiding activities and the ability to meet market demand. These findings are important to the planning and implementation of regulations in the future. The development of a cooperation and linkage needs to start from a realistic base, with the conditions, needs, aspiration and the various cooperation and linkage abilities of farmers considered (Box 3).

Box 3: Is providing output service a mandatory direction for having a good cooperation and linkage model among farmers?

Bo Sua Cau Sat dairy cooperative is a typical model of cooperation and linkage in Lam Dong. The model started with support from the regional Agriculture Competitiveness Project (ACP) in the Middle and Central Highland regions. The people involved in the model receive subsidies to purchase dairy cows, and access to technical support and marketing. In this project, there is a specific focus on the training component of governance capability for a key group of farmer cooperatives. However, the role of cooperatives for the production of cooperative members, especially in the provision of output services, is very limited. A representative from the cooperative Executive Board also expressed the hope to offer full-package services, to maximize benefits for all its members. However, in the current context, this is not feasible, as the cost of investment to provide these services is too high. Additionally, the risks associated with preserving and transporting fresh milk is also very high. However, the crux of the problem lies in the current state of the local dairy market, where demand always exceeds supply and farmers, as well as the members of the cooperative, can supply/sell milk to up to three dairy companies. Milk is packaged in large cans/bottles then transferred directly to the buying station of the company. Therefore, in this case, providing output services for the cooperative is not necessary. Residents said that cooperatives should focus on their role of negotiating milk prices and related support to prevent price squeeze for the farmers.

Local characteristics, conditions for cultivation and the outlook and determination of local authorities influence on the characteristics, diversity and quality of cooperation and linkage activities: Results of the completed survey across three provinces show that local authorities have different policies to support economic and cooperative models in agriculture. However, due to differences in determination and implementation, as well as the awareness of agriculture's role in local strategic development⁵ and local characteristics. The cooperation models are also different. For example, Ninh Binh is a province that has little association with the market. Its collaborative group models are seasonal with little justifiable data, and they have few specialized cooperatives. Most cooperatives in Ninh Binh are agricultural service cooperatives, and were established a long time ago. Meanwhile, those in Lam Dong and Dong Thap are more diverse. In these two provinces, the number of cooperatives and the amount of cooperative members are increasing rapidly, and can grow faster than the number of cooperatives. The large number of certified collaborative groups reflects the high needs/demands and ability to participate in the value chain with the enterprises. This has posed new demands for the supplement and adjustment of support policies for collaborative groups (Table 4).

5 Ninh Binh (2013): Agricultural sector occupied 14.24% of GDP; Lam Dong (2013): Agricultural sector occupied 42.1% GDP; Dong Thap (2013): Agricultural sector occupied 58.59% GDP

Table 4: Farmer cooperative models under organizational forms: difference between localities

Criteria	Ninh Binh		Lam Dong		Dong Thap	
	Cooperative	Collaborative group	Cooperative	Collaborative group	Cooperative	Collaborative group
Unit quantity	267	500	86 ⁶	240	175 ⁶	1.010 ⁸
Number of members	236.914		6.048	5.816	-	-
Average sales (thousand VND)	696.723		-		-	
Cooperatives receiving interest	72,0%		-		75,5%	
Total average interest (million VND/cooperative)	35,2 ⁹		-		-	
Number of certified collaborative groups		-		-		64,7%

The market is the main driver and the necessary condition to help with promotion and specialization of production; however, “exemplary” enterprise is a sufficient condition, a factor that helps maintain sustainability for the cooperative linkage. Companies wanting to effectively engage with a cooperation and linkage need to consider improving professionalism, stability in production and business, and attitudes of goodwill and long-term cooperation, especially paying more attention to the profit and risk sharing plans, and setting a more transparent and appropriate pricing plan to encourage the commitment of farmers (Box 4).

Box 4: Information disclosure and transparency are key factors ensuring success for the Suoi Thong B2 collaborative group

At Suoi Thong B2 collaborative group, there is a public email for all members to access. Everyday, Metro supermarket sends information on the types of agricultural products, and desired quantities, for the next day. Based on that email, and on the capacity of each member, the collaborative group will coordinate to collect the crops based on the quantity that is suitable for each family. The crop supply of each household will be made public to other members in the collaborative group. Members know what other households are planting, and their supply quantities so that they can avoid the problem of mixing poor quality products to increase supply capacity. Members with various types of products will be prioritized to sell larger quantity and vice versa. Metro also monitor the process through technical staff worked within the collaborative group and at the buying station. The order and delivery processes are agreed upon by all members. The buying price is kept stable so it avoids competitiveness among families to supplying products during certain time periods. After receiving the products, Metro will transfer payments to the individual accounts of each household member, based on the approved quantity and quality.

Internal good governance makes a difference in farmer’s cooperation and linkage: From a governance perspective of the cooperation and linkage, the capacity of the management team, operating mechanisms and rules of information transparency are the three most important factors. Farmers are most concerned with competence, qualifications and experience in governance:

“staff are not trained and are not qualified to do business for the cooperative but they can still be elected; they can be selected in this period but not a later one. The most important factors are the skills and the capacity of the leader” - (interview in Ninh Binh).

6. According to Lam Dong Rural Development Branch, there are two alliances of cooperatives, 86 cooperatives in the province (15 cooperatives stopped operating).
7. According to Dong Thap Cooperative Alliance, there are 210 cooperatives with 54,100 members in the province.
8. There are 4,800 collaborative groups with over 146,000 members in Dong Thap.
9. Survey of 258 cooperatives, some cooperatives have complete data.

Additionally, the market thinking/mindset of members in farmer’s organizations and farmers in cooperation and linkages is the guiding direction deciding product quality and the adaptability of linkages. Companies may share and support farmers and farmer’s organizations through shared visions, and finding a common voice through negotiations, sharing benefits, building trust and a solid cohesion for sustainable cooperation and mutual benefits (Table 5).

Table 5: Perspective on factors impacting the effects of linkage

Unit: %

Factors	Ratio	Level of Importance				
		Very unimportant	Unimportant	Neutral	Important	Very Important
Qualifications of management staff/supervisor	91,6	0	0,6	3,4	41,8	54,3
Capacity of management staff/supervisor	97,5	0	0,3	2,0	49,0	48,7
Experience of management staff/supervisor	91,3	0	0,6	2,4	49,2	47,7
Cooperative capital contribution	70,1	0,8	2,8	10,8	56,2	29,5
Capacity in finance mobilization of the cooperative	68,4	1,2	1,2	11,4	51,4	34,7
Information disclosure, transparency	91,1	0,3	0,3	6,1	57,1	36,2
Profit/risk sharing in the linkage	73,7	0,8	0,8	6,4	59,5	32,6



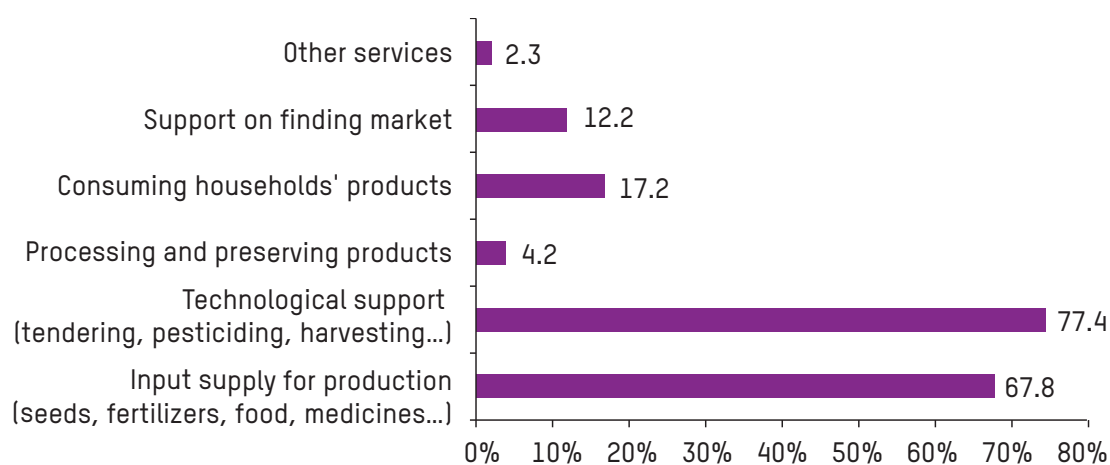
EFFECTIVE COOPERATION AND LINKAGE IN PRACTICE

The evaluation of the effectiveness of farmer's cooperative linkages should be based on a multi-dimensional approach, consisting of four major criteria groups: (1) effects of production operation; (2) economic effects; (3) social effects; and (4) environmental effects.

Effects of production operation: Survey results show that households have basically approached and utilised supplying services through cooperation and linkage, especially by improving input factors and technical support in the production process (67.8% and 74.4% respectively) (Figure 4). Related services for selling farmer's products, including processing, preserving and consuming agricultural products, as well as supporting on finding markets, have not been properly adopted by most cooperatives and collaborative groups, notably when post-harvesting services often require much investment along with many risks.

Figure 4: Services utilized by farmers in cooperation and linkage models in three surveyed provinces

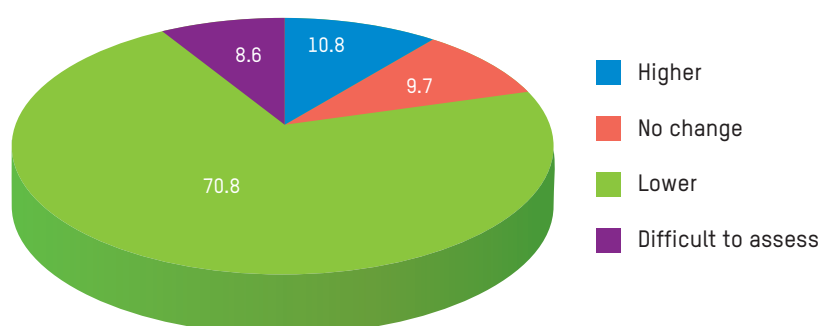
Unit: %



The linkage models also benefit members in terms of risk mitigation: 70.8% said that their awareness of management and risk mitigation was better when participating in the linkage, while only 10.8% said that risks were higher after joining the cooperation and linkage model (Figure 5).

Figure 5: Compare the risks within linkages to the risks without linkages

Unit: %



Farmers also highly appreciate the commercial conditions (prices, debit purchases, late payments, good quality products/a qualified source of origin, and exchange) that come with participating in a cooperation and linkage (Table 6).

Table 6: Farmers' assessment on materials provided within the linkage, compared to materials provided outside the linkage

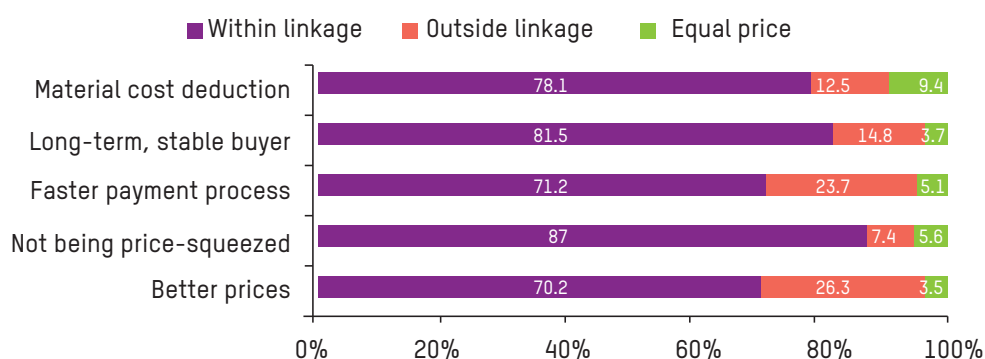
Unit: %

Comparative factors	Within Linkage	Outside Linkage	Equal	Not appropriate
Better prices	78,5	6,6	14,0	0,8
More convenient in debit purchases/late payments	88,1	5,5	5,1	1,3
Better quality/prevention of fake products	81,6	7,1	10,0	1,3
Higher availability	64,4	23,6	10,2	1,8
Diverse selection	53,5	35,1	9,6	1,8
Clear source of origin	86,0	4,8	7,0	2,2
More convenient in exchange/transport	72,2	16,9	2,5	8,4

Farmers' rights and choices in selling their outputs through cooperation and linkages are better guaranteed than when selling products outside. Specifically, on price selection, stable markets avoiding price squeeze and capital pressures, and investment capital loans are significantly improved. An important discovery from the study highlighted, from the farmers' perspective, the most important factors for participating in a cooperation and linkage are the prevention of price squeeze (87%), stability in selling their products (81.5%), and higher prices (70.2%) (Figure 6).

Figure 6: Farmers' feedback on the buying costs from the linkage compared to those from outside the linkage

Unit: %



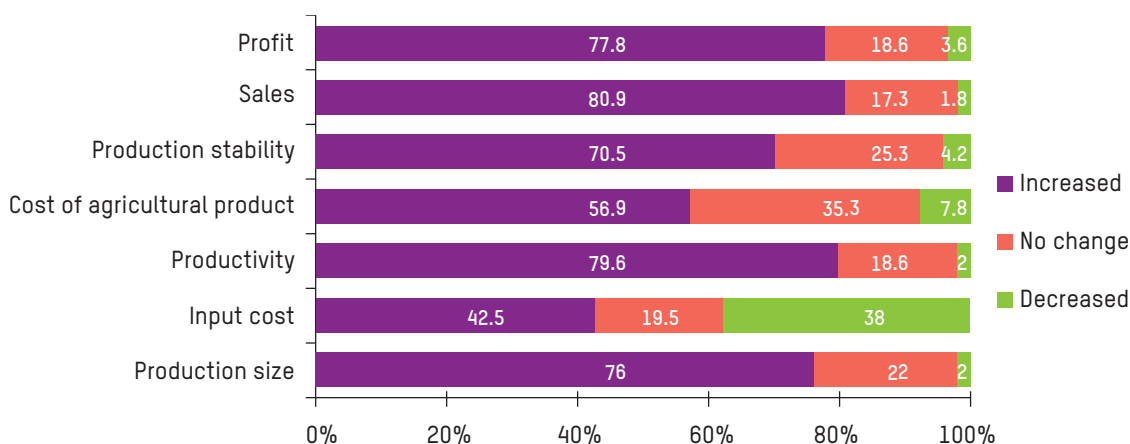
The stabilization of factors for production and risk mitigation need to be improved, especially in the service sector, for commodity and large-scale production.

Economic effects: According to the survey respondents, there are many positive changes on household economics when participating in these models, in the aspects of revenue (80.9%), profit (77.8%), improving productivity (79.6%), production scale increases (76%), and stable production (70.5%) (Figure 7). According to Dong Thap Department of Industry and Trade, the model linking farmers to enterprises, as in the case of Tan Hong Branch of MTV Company Limited, helps farmers increase their profits over 3.7 million VND/ha/year, compared to the areas outside project zone. Likewise, the model planting organic vegetables at the Suoi Thong B2 collaborative group, household member' profit is approximately 250 to 300 million VND/ha/year, 40% higher than non-member families. The agricultural product valuation for companies, such as Vo Thi Thu Ha or Cam Nguyen, for cooperation and linkage products is 200 VND/kg higher than the market price. In the case of Vo Thi Thu Ha enterprise, if farmer members/cooperatives can ship their products to the buying station, their refunded shipping fee is set to be higher than that of independent traders. According to a representative from Vo Thi Thu Ha enterprise: "Our commitment to offering 200 VND/kg higher than the market rice price not only increases farmers' profits in the project zone but also helps stabilize the market price within the industry, and

avoid price squeeze from traders (as previously happened) to farmers who are outside the project zone or do not have a contract with the company” (Dong Thap Department of Industry and Trade, 2014).

Figure 7: Economic changes of farmers participating in cooperatives

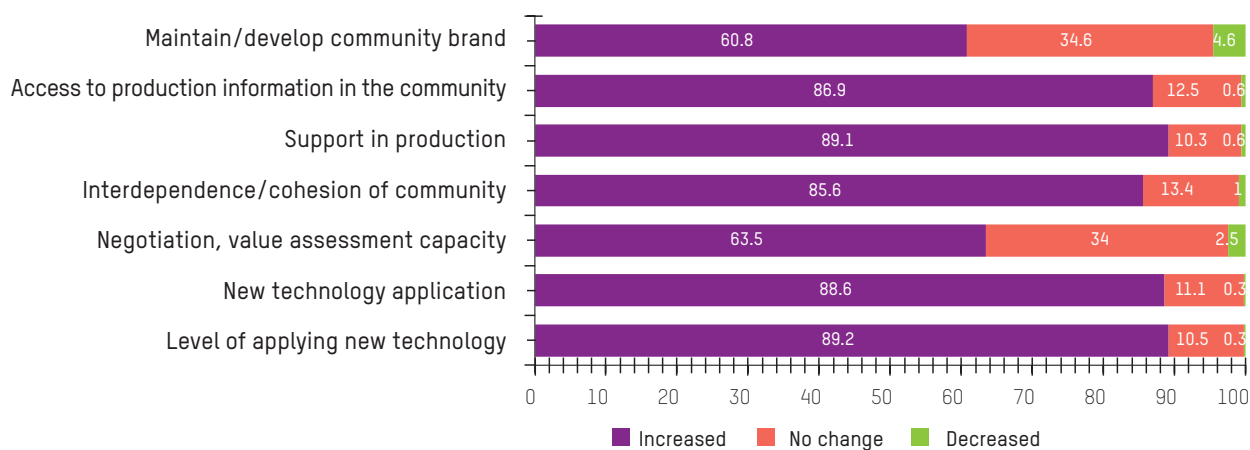
Unit: %



Social effects: 85.6% of respondents confirmed that forms of cooperation and linkage helped to **enhance solidarity and cohesion in the community, reduce the risk of unfair competition, self-lowering of prices** and mutual devaluation, and improve negotiating capacity, in both cooperatives and collaborative groups. It is better in this form of cooperative linkage than in linkages with few members, or through associations of agricultural consumption through contracts (Figure 8). Positive social changes are also reflected in the high rate of technical application (89.2%); application of new scientific knowledge (88.6%), production support (89.1%) and access to production information (86.9%). Despite the community branding concept still being new, the feedback was positive (60.8%) showing that people have begun to pay attention.

Figure 8: Social, communal changes in cooperation and linkage

Unit: %



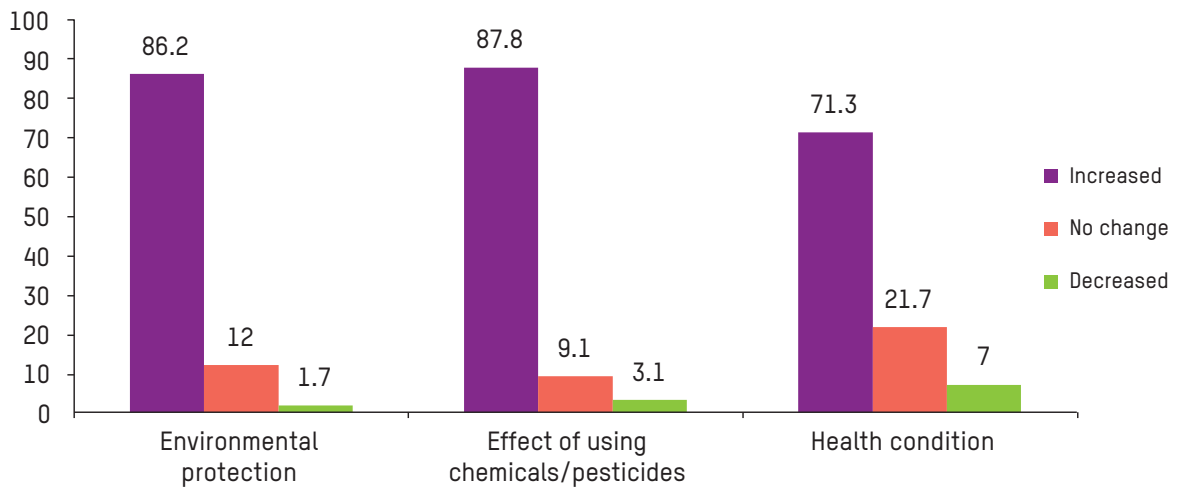
Farmers’ cooperative linkages fulfill their social responsibility to the community relatively well. Data from Ministry of Agriculture and Rural Development (MARD) also confirms this: “The general statistics across the country show about 53.3% of cooperatives have extracted their accumulated funds to participate in building rural infrastructure, particularly irrigation solidification and upgrading power lines; on average, cooperatives have contributed 12.5% of the total value” (MARD, 2013). Additionally, according to research from the Institute of Co-operative Economy Development (ICED), agricultural cooperatives provide other important contributions to charitable and humanitarian activities: “Regarding donations to support charitable and humanitarian activities, in 2009, each cooperative contributed over 11 million VND on average; however in 2010, this figure dropped by two thirds. In 2011, the average amount contributed by a cooperative for charity and humanitarian activities

increased again to more than five million VND (an increase of approximately two million VND from the previous year). Each cooperative contributed approximately 6.6 million VND per year on average for philanthropy.” (Institute of Cooperative Economic Development, 2013).

Environmental effects: In addition to the economic and social effects of farmer’s cooperation and linkages, there have also been several positive impacts on the environment: Reduced pollution in agricultural production (86.2%), increased effectiveness in using chemicals and pesticides (87.8%), and improved health of farmers (71.3%), with the level depending on the conditions of the cooperative and other production requirements (Figure 9).

Figure 9: Changes in the environmental factors

Unit: %



TRENDS OF COOPERATIVE ECONOMIES AND FARMER'S COOPERATION/ORGANIZATION IN AGRICULTURE

Considering the trends of cooperative economy forms and linkages in rural agriculture, from the approach of game theory, show the steady growth of cooperation and linkages primarily through farmer's organizations and the dominant role of the Government and enterprises. Farmer's cooperation and linkage future trends are summarized below:

First, at the macro level, policies relating to agricultural sector restructuring and new countryside development, together with the Cooperative Law 2012, provide an important legal framework, and lay the foundation for reforms and significant adjustments in three rural issues:

agriculture, farmers, and rural areas. Conversely, rural and agricultural development programs will prove their effectiveness and success if farmer's cooperation and linkages are established and strongly developed. Specific policy guidelines on the implementation of the Cooperative Law 2012, and other related policies, should consider the recommendations made in this report. Challenges in international integration make ensuring farmers' benefits from decisions related to farmer's cooperation and linkage a matter of survival.

Second, cooperation and linkages and farmer's organizations, including collaborative groups, cooperatives and other voluntary cooperative forms under other rural community organizations, will significantly grow in both quantity and quality. Regarding quantity, collaborative groups may thrive and continue to develop over time, while cooperatives may flourish within a certain period of time but, in the long run, will need to grow to their optimal size to improve the quality and benefits that cooperatives and collaborative groups bring to their members. Although the mutual interest of all the stakeholders is to construct and develop quality and sustainable linkages, ineffective linkages will continue to exist for some time.

Third, regarding nature, providing a link between enterprises and farmers is an inevitable trend, but market laws should clearly show the roles of management, domination, and decision-making in the acts, and the cooperative results of the actors involved. A reality of free trade is that there will be a lot of foreign enterprises participating in domestic markets, and domestic companies expanding to overseas markets. In both cases, companies will want to connect to farmers through farmer's organizations rather than directly to individual farmers. State-owned enterprises and private enterprises in-country are important actors with a mission beyond business functions. They act as a "conductor", connecting components of the value chain, while large-scale foreign enterprises help to pull the cooperative economy of Vietnam into the global value chain. The motivation of the three business groups are profitability, stable supply, and solid quality, and how they lead to market expansion and advantages from the direct and indirect investment policies of the Government, to help reduce production and transaction costs, thanks in part to the cooperation with farmer's organizations. **Enterprises will tend to choose cooperative linkages with good production and management capacity, solidarity, mutual support, and a stable operation.** There are competitive opportunities to obtain market shares of some strong agricultural products – the strength and potential of Vietnam will increase. There are also possibilities that some enterprises will participate more actively in the production process to "fill the gap" of farmer's organizations in some areas, in order to improve the value chain.

Fourth, the adjustment of macroeconomic policies is a necessary condition, and the role of local government is a sufficient condition, for the development of cooperation and linkages and farmer's organizations. The development of local agricultural production has close links with management and governance capacity with effective solutions



for the problems of each local farmer's cooperation and linkage. The general principle is to develop, support, and foster the environment of cooperation and linkages based on strengths and comparative advantages. Development planning should be strategic, and it should effectively attract public and private investment for potential areas for cooperatives. Local policies should optimize the conditions of their localities to create incentives and practical, innovative support to "meet market needs", while at the same time preparing solutions for risk management, and promoting the non-economic supportive functions of the linkage to address challenges of integration. Reinforcement for support sanctions and enterprises working on processing and exporting agricultural products should be prioritized in policy development. These linkages, which are based on demand, capacity, responsiveness, initiation, and the independence of farmers, in compliance with local conditions and farming customs, will be successful and sustainable, while those that do not follow these principles will fail to develop.

Fifth, farmers will continue to participate more actively in voluntary groups and associations, including farmer's organization and cooperation and linkages, provided that they have autonomy and are able to realize practical benefits. The policy adjustments related to enterprises are also linked to market demands, making cooperative linkages more substantial, more professional and promoting positive changes in the attitude and professionalism of farmers in cooperation and linkages. There will be two major trends: discipline and professionalism will continue to improve more through the links along the value chain, with the industry and production sectors targetting the market; and, this movement is slower in forming linkages which mainly serve the needs of the community relating to public and semi-public services. The reason for the slow progress of the second form of cooperation and linkage is due to shortcomings in resources (especially financial resources), and slow changes in the policy mechanism and service operations of the Government and local authorities at all levels regarding these types of services. This does not create strong enough motivation to promote this form of cooperation and linkage and it is not because of farmers' attitudes and participation that have led to this slow change. Although the Government has paid a lot of attention to the development of public private partnerships, in the short term, there are difficulties in the implementation of such programs.

Although the path toward developing sustainable, professional farmer's cooperation and linkages and farmer's organizations is considered to be indispensable, the journey has only recently begun. There are many fundamental challenges ahead, including (1) adjusting the strategic orientation of agricultural management and development, in regard to strengthening benefits and sustainable livelihoods for small-scale farmers under the pretext that there are still difficulties in developing large-scale agriculture due to obstacles in land policy; the low possibility of withdrawing labor from agricultural production; the large proportion of small-holder farmers and opinions supporting large-scale agriculture only; (2) the psychological barriers regarding trust and building collaborative spirit among actors, after an extended period of time where cooperation and linkages did not display their value and effectiveness; (3) new challenges in development and integration, including competitions for land, and laborers in industrial zones; and (4) the legitimate and efficient role of farmers in planning, monitoring and evaluating the implementation of policies related to farmers and farmer's organizations.





POLICY RECOMMENDATIONS

Ensuring the promotion of a favorable environment for the farmer's cooperation and linkage is the responsibility of many stakeholders, of which the most important role to deliver support, regulation, and judgement belongs to the Government and local authorities. Based on extensive data collection and analysis, this report offers 16 recommendations. Specifically, the recommendations aim to provide a clear, comprehensive and harmonious perspective on constructing and supporting cooperation and linkages among farmers in agricultural production (seven recommendations), as well as solutions on administration, policy making and implementation; strategies to develop cooperation and linkages for government and other State actors (seven recommendations), and improving the role of farmers, farmer's organizations and enterprises in participation in constructing, supporting and fostering a cooperation and linkage (two recommendations).

I. RECOMMENDATIONS ON IDENTIFYING, CONSTRUCTING AND SUPPORTING COOPERATION AND LINKAGES IN AGRICULTURAL PRODUCTION (SEVEN RECOMMENDATIONS)

RECOMMENDATION NO. 1: The State should recognize the diverse nature of the cooperation and linkages of farmers. Development of cooperation and linkages should be based on the basic function of the linkage to optimize the value and potential of cooperation and linkage activities.

The State should clearly identify the nature, role and establishment principles of cooperative linkages to ensure their activities develop efficiently and sustainably. Cooperation and linkages of farmers are diverse and abundant, and they hold different missions, roles, and functions. They each carry unique value and are under the influence of different internal and external factors such as: the influence of locality on production, markets, governance and policy. There is no model that perfectly fits the requirements, or is ideal for all regions to deliver the same result in different areas. The State should encourage diversity in farmer's cooperative linkage models, they should prefer quality of linkage over quantity, and they should ensure the macro stability of the agricultural production activities of farmers and enterprise activities.

RECOMMENDATION NO. 2: The State should not focus only on developing cooperatives but also on creating a favorable environment for the diversity of other models of cooperative economy. The State should clarify the position of collaborative groups and farmer's organizations in legal documents as a characteristic of rural areas, and enhance the policy accessibility of these forms of farmer's organizations.

The State should ensure future policies are unbiased and not only focused on cooperative development. They should create supportive development environments for collaborative groups, and enhance the policy accessibility of collaborative groups and other self-organized groups, as cooperative-economic organizations that meet the current needs, qualifications, conditions and customs of the majority of small-scale farmers.

The amendment of the Civil Law, the Draft Law on Associations, and national and local policies, programs and projects needs adjustments, should be checked and synchronized in order to foster the development of collaborative groups and other self-organized models of cooperative economy.

- (1) The Draft Law on Associations: Acknowledge the role of professional farmer's organizations under the form of cooperative economic associations;
- (2) Amendment of the Civil Law:
 - Remove provisions referring to collaborative groups being the actor of civil and legal relationships;
 - Remove provisions on the legal status of collaborative groups. Consider them instead as a "legal entity" and define that they may engage in civil transactions through representatives.

RECOMMENDATION NO. 3: The State should change its approach to dealing with cooperatives and farmer's organizations, and should create a conducive environment of institutional policy directed toward direct and equitable benefits and justice for farmers and farmer's organizations.

The State need to adjust their policy making approach, ensuring (1) the imposition and intervention of government on personnel and the operations of cooperatives is minimized, especially for those cooperatives established before the amendments to the Cooperative Law in 2012; (2) the management practices and behavior of state agencies and local governments need to change from administrative orders and behavior controls, to the role of promoting, supporting, and cooperating for public benefits.

The State should enact policies toward promoting the role of judgment, promotion and partnership support between farmer's organizations and state-owned enterprises at all levels, ensuring:

- the maintainance of the basic principles of farmer's organizations;
- farmers and farmer's organizations receive direct and equitable benefits in rights and risk sharing;
- classification in policy making and administration;
- innovation and practicality, promotion of policy enforcement and effectiveness, as well as the diverse development of sustainable cooperation and linkages under specific local conditions.

RECOMMENDATION NO. 4: The State should trust the power of farmer's organizations, and should consider them a key actor in solving the problem of markets for agricultural products.

The State should aim to develop the independence and autonomy of farmer's organizations as the center of cooperation and linkage development. Developing farmer's organizations will provide a stronger contribution to protecting the rights, voices and choices of farmers, especially small-scale farmers. Cooperation and linkages formed through farmer's organizations are easy to replicate and have increasingly been shown to meet the needs of business and the market expansion of enterprises. Challenges in agricultural product quality, including food safety standards and the competitiveness of Vietnamese agricultural products can be solved if with the keen participation of farmer's organizations in value chains. The State needs to foster regional farmer's organizations in the form of associations, within the model of collaborative groups and cooperatives, to participate in market negotiations and policy making.

RECOMMENDATION NO. 5: The State should separate the economic and welfare functions of providing services in rural areas, and ensure the autonomy and efficiency of farmer's organizations, particularly cooperatives, in current policies relating to converting cooperatives under the Cooperative Law 2012, and any future policies that promote efficient cooperative development.

Forms of service delivery in rural areas are very diverse; however, there are common functions among them: (1) supporting its members and coordinating for social and economic welfare; and, (2) undertaking social and communal responsibilities. The State should enact and implement policy solutions to help create the independence and self-reliance of farmer's organizations and cooperatives, particularly agricultural-service cooperatives. They should also ensure that the role of management, support and promotion from local authorities is satisfactory for each service delivery system. These solutions include:

- (1) Ensure the separation of cooperative service systems for members of the linkage, and the community service system for the community in the provision of services in the community and within cooperative activities;
- (2) Develop a legal framework that clearly defines the contractual agreements between government and cooperatives in the provision of community services. This should be accompanied by guidelines for transferring assets and infrastructure to the cooperatives to manage.

RECOMMENDATION NO. 6: The State should prioritise farmers' needs for cooperation and linkage, and should promote supportive environments for the establishment of cooperatives, to avoid inefficient and unrealistic actions in the process of completing legal frameworks and public services for cooperatives.

The State must consider farmer's demands for cooperation and linkages in policies focusing on developing cooperation and linkages, cooperatives, and collaborative groups. The needs of farmers do not only contain economic motivations but also non-economic benefits (social, environmental and health). Farmers' needs for cooperation and linkage should be strongly considered in the following policies and issues:

- Complete the legal framework and conversion of cooperative activities under the Amendment of the Cooperative Law: the State needs to ensure conformity in the level of production, capacity and other conditions of farmers and farmer's organizations, and should avoid converting only how they present themselves and not addressing how they operate. The State should also promote social investment for effective linkages. These policy instructions should be specific and detailed to guarantee a fast transition, and should include detailed provisions on the dissolution of cooperatives that cease operations or have not operated effectively. They should clearly define the functions of each government agency, to help households and the executive boards of farmer's organizations ensure that procedures are completed in a timely manner.
- Establish new cooperatives: avoid mushrooming development, lack of strategy, and a lack of sustainability, for the purposes of meeting objectives. The development of member and production scales, if necessary, should be based on practical needs and the governance capacity of farmers.
- Build a supportive environment: the State should enhance the administrative environment, consulting services and professional training, and it should encourage diverse choices in forms of cooperation and linkages for farmers. The State should also consult on the establishment and management of cooperation and linkages, cooperatives, and associations with one-stop principle.

RECOMMENDATION NO. 7: Add and clarify the concept of a collective economy in policy guidelines, while at the same time renewing cooperation and linkage management methods, and constructing evaluation methodologies for the purpose of farmer's cooperation and linkage models, in order to improve the quality of farmer's organizations.

Regarding its concept and perspective, collective economy needs to be understood as:

- a group of people and social capital, not purely an aggregation of capital;
- with the prioritization of cooperative members' benefits, and support and the fulfillment of members' socio-economic demands over profit optimization, as the mission.
- consider the economic impacts on members, and the ability to provide business assistance for participating households as a measure of success.

Regarding government management in agricultural cooperatives, there should first be clarification on the management responsibilities of ministries and departments, from the national to local/commune level. The process of transferring management power to authorities at the district level should also be clarified. Next, the State should shift its agricultural cooperative management focus from monitoring and supervising, to fostering and support. In order to do that, government agencies responsible for administering agricultural cooperatives need to fulfill the requirements of government stated in the Cooperative Law. In addition to this, the State should change the method of evaluation and the classification of cooperatives, based on the regulated criteria in Circular 01/2006/TT-BKH, which includes measures on:

- i) The level of democracy and participation of members in constructing and implementing cooperative regulations;
- ii) The level of completion on production objectives and business goals set in the resolution of the cooperative general meeting;
- iii) The level of satisfaction in the economic activities and life of members;
- iv) The level of trust members have in the cooperative;
- v) The total welfare the cooperative creates for its members;
- vi) The level of solidarity and cooperation among members toward the development of the cooperative community.

If these principles are implemented and ensured, the financial activities of the cooperative will also be more secure. Additionally, cooperative linkages at the provincial level need to foster internal audits for members to support and build the management capacity of each cooperative. Government agencies should also provide

more tools to help cooperatives better fulfill their roles in supporting the household economy, representation and the protection of small-scale farmers' rights.



RECOMMENDATIONS ON POLICY SOLUTIONS (SEVEN RECOMMENDATIONS)

2.1. REGARDING THE STATE AND GOVERNMENT AT THE NATIONAL LEVEL (FOUR RECOMMENDATIONS)

RECOMMENDATION NO. 8: Adjust policies on cooperative and farmer's organization personnel, respect members' choices, and support through training and consulting.

- **Regarding personnel and human resources policy:** the interference of local authorities in the appointment of management staff and work assignments should be reduced. Instead, the State should pass responsibilities on to local authorities to attract skilled laborers in agriculture, and to create a base for farmer's cooperation and linkage personnel.
- **For capacity building programs:** the State needs to build strategies, long-term national management programs, and business and market training for management staff who are managing farmer's organizations. They should also provide capacity building for local government employees. Content should include knowledge and skills in management, adhering to world standard and practices in agricultural production, value chain management, industry, business knowledge, and market access, etc. This should be combined with media promotion and effective information sharing between farmers and enterprises, and support and consultation in legal and contractual agreements.

RECOMMENDATION NO. 9: Modify policy on land access with farmer's organizations (cooperatives, collaborative groups, and associations).

The State should review existing policy and add updated land policies to better facilitate the accessibility of farmers' cooperative organizations. Specifically, they should promote the leasing of land so that cooperatives can expand their areas to better meet farmers' needs. This will also help farmers be proactive in production,

based on their existing capabilities, and will help to transfer to high added value crops. This will create a shift of farmer's cooperation and linkages into specialized agricultural clusters with market orientation to help reduce the pressure of urbanization.

RECOMMENDATION NO. 10: The State needs to modify credit policies toward encouraging the accessibility of farmer's organizations and cooperatives.

Policies on finance and credit should be modified to foster cooperation and linkages and the development of farmer's organizations, specifically:

- Encourage the diversity of credit forms for farmer's organizations to increase their credit accessibility. For example, previous economic contracts can be used for credit loan approvals.
- Foster reinvestment from taxes collected from farmer's organizations.
- Consider preferential policies in industry or production scales to help indirectly speed up the forming of raw material zones.

RECOMMENDATION NO. 11: The State should add timely policy to leverage the market.

The State needs to modify, add and strengthen the influence of leverage policies as detailed below:

- Add detailed regulations to contracts for agricultural products, and sanctions for handling violations;
- Complete and effectively operate the market information system (output analysis), nationally and internationally, to inform the cooperative economy unit;
- Policy supporting small and medium enterprises to invest in production technology associated with long-term and sustainable farmer's cooperation and linkages.

2.2. REGARDING LOCAL AUTHORITIES AT ALL LEVELS (THREE RECOMMENDATIONS)

RECOMMENDATION NO. 12: Local authorities should foster public services to assist the market activities of farmer's organizations and cooperatives.

Local governments should implement programs to disseminate information, knowledge, capacity building and support to farmer's organizations on issues relating to market access (negotiation, bargaining, contracting). They should also provide advanced legal knowledge, legal aid, construction, development and governance for farmer's organizations, and technical assistance and technical training for farmers.

RECOMMENDATION NO. 13: Strengthen the management capacity of government at the local level for cooperatives and farmer's organizations.

Strengthen government management and assist the development of farmer's organizations at the local level, including:

Ensure appropriate personnel are represented on the cooperative economy management at the provincial level, and especially at the district level.

Form one-stop service to assist cooperatives and other forms of farmer's organizations.

Actively carry out research and link findings toward providing effective solutions that match local strengths.

Promote non-economic and communal measures towards changing farmers' behavior. Increase and promote the strength of "social capital" – as the link among community members – and help promote business culture and a fair environment for cooperation and linkage to ensure strong partnerships with stakeholders.

RECOMMENDATION NO. 14: Promote the role of the local authority in connecting enterprises and farmer's organizations.

- Local authorities should uphold their role in connecting enterprises with farmer’s organizations, to ensure:
- Fostering the market promotion of local products fast and efficiently, linking farmer’s organizations with suitable markets.
- Connecting reliable enterprises with strategic and potential farmer’s organizations .

III. RECOMMENDATIONS ON THE ROLES OF FARMERS, FARMER’S ORGANIZATIONS AND ENTERPRISES (TWO RECOMMENDATIONS)

3.1. REGARDING FARMERS AND FARMER’S ORGANIZATIONS (ONE RECOMMENDATION)

RECOMMENDATION NO. 15: Farmer’s organizations need to be proactive and innovative in building and developing sustainable cooperation and linkages, through a chain of six solutions and adjustments as follows:

1. Apply basic principles to build and develop cooperation, particularly focusing on the following values:
 - **EQUALITY** in benefits and risk sharing needs to be fostered, to minimize the difference in members’ benefits without being dependent on capital contribution or position.
 - **TRANSPARENCY** in sharing information and important decisions need to be guaranteed so that members’ voices are heard and autonomy toward challenges and solutions is strengthened.
 - **BUILDING TRUST AND RELIABILITY** in transactions and partner relationships, gradually change farmers’ perspectives toward the production of goods for markets in suitable areas.
2. Perspective on collaboration and competitiveness: Seek to change the perspective of competitiveness among households in the same community, to encourage cooperation in order to compete with those in different regions and nations.
3. Possess proactive attitudes for developing cooperation and linkages: Ensure a balance between service delivery objectives for members and production; proactively search and consult with partners to diversify cooperative relationships and market access, and to avoid dependence on enterprises.
4. Develop organizations, expand membership: Prioritize the improvement of management capacity in farmer’s organizations, in a transparent way that attracts members; increases the connections among members, between cooperatives/collaborative groups and members; and attracts partners.
5. Consolidate and build capacity for a management team focused on business and markets: frequently update information, ensure orientation in management is compliant with the market, improve market searching capabilities and maintain partner relationships.
6. Build effective solutions and risk management capacity in cooperation and linkages.

3.2. REGARDING ENTERPRISES (ONE RECOMMENDATION)

RECOMMENDATION NO. 16: Enterprises need to change their strategies to cooperate with farmer’s organizations in building a sustainable value chain.

Enterprises need to have investment strategies for farmer’s cooperation and linkages based on the principles of co-existence and mutual development in order to build a quality value chain that is focused on long-term business, stability, professionalism, the role of enterprise in the market, and exchange technologies (including effective management solutions).

Enterprises should develop a reasonable pricing solution, and they should practice benefit and risk sharing more often. This should be done under the principles of partnership, equality, mutual benefit, the spirit of negotiation, and bargaining and should consider it a key factor in stabilizing and developing cooperation with farmers.



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