

Some Economic Issues in New Rural Development in Vietnam at Present

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Abstract: Economic development is one of the key contents in the program on new rural development in Vietnam. Of the national criteria for new rural development, economic development is an important component, which 9 out of 19 criteria are related directly to. This article talks about some economic issues in new rural development in Vietnam, focusing on 3 major aspects involved directly with farmers' economic activities, which the author considers pressing at present. Those issues will cause a lot of impacts on new rural development in the coming time. They consist of: land-use and accumulation of farmland; consumption of agricultural products and linkage with farmers.

Key words: Economic development; new rural development; agriculture; farmers; rural areas.

1. Land-use and accumulation of farmland

Farmland is a fundamental means of production in agriculture. It is also viewed as an important indicator to differentiate agriculture and farmers from other economic fields and labor strata. Ones cannot be true farmers, if they are not attached with farmland, in the true sense of this category. Besides efforts and achievements, however, there are still burning problems relating to farmland and land-use in Vietnam; inadequacies in management of new rural development have resulted in a lot of negative corollaries for present and future.

Generally, farmers are facing two big problems involved with farmland - a fundamental means of production - including: the cultivated area has been getting smaller; and smaller and land quality has been getting worse and worse.

Reduction in the area of agricultural land is inevitable and is seen as a general law of development, due to urbanization and industrialization. Noticeably, industrialization

and urbanization have been taking place vigorously and rapidly, dominating and sometimes preventing agricultural and rural development as well as causing negative influence on farmers' life, as reported a lot in the mass media for the past years. Agriculture - rural development and farmers haven't adapted to what is taking place around, which makes direct impacts on them. Farmers seem to be astonished by rapid changes in their villages, when they find a range of industrial zones, economic parks, golf courses, towns and urban areas being built very fast. Due to construction of those industrial and urban areas, farmland is acquired to be used as non-agricultural land. For many farmers, this means that

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they will have to do non-agricultural work afterwards. For the rural, this means that the cultivated area will reduce. According to the reports from 49 cities/provinces, nearly 750 thousands hectares of land were acquired for 29 thousands investment projects during 5 years (2004 – 2009). Of the entire above-mentioned area, over 80% used to be agricultural land. More remarkably, about 50% of the agricultural land is located in focal economic zones with a high density of agricultural population. Statistic data of the Ministry of Agriculture and Rural Development reveal the land acquisition for 5 years (2003 – 2008) caused impacts on life of 627 thousands households with 950 thousands laborers and 2.5 millions people (Mai Thành, 2009). In general, for every household, of which land is acquired, 1.5 laborers became unemployed; for every hectare of agricultural land of acquisition, 13 laborers lose a job or had to change a job (in some local areas particularly, such as Hanoi, the corresponding figure is nearly 20 laborers) (Mai Thành, 2009). Those figures are considerably worried for rural development, when we compare it with the average number of jobs created every year (just over 1 million jobs). Those jobs are just enough for the additional number of laborers resulting from the natural population growth. The reduction in cultivated land leads to a corollary that farmers have to change their means of livelihood, as the cultivated land is acquired. There are two options: (1) leaving agriculture without leaving home (to stop doing agricultural work, but keep staying in the home village); and (2) leaving agriculture and home as well (to stop doing agricultural work and leave the home village). To change the means of livelihood in the same place (the

first option) is still considered as the first choice for most farmers. To follow this choice, however, they encounter a lot of difficulties due to their limited capacity and competence. Although they get some compensation from the acquired land, it is quite little, because the cost of compensation is low. For the second option, they will be no longer farmers in reality, as they are not attached with farmland and agricultural production. In China, those, who follow the second option, are named industrial people, of which the number amounts to several tens millions. That's why there are great flows of migration taking place, when they come back to visit the home village on the occasion of Chinese Lunar New Year or other long holidays. Noticeably, most of those who leave the home village to do non-agricultural work are young and strong laborers. As a result, those who remain staying in the home village are old people, women and children. This causes negative influence on rural development activities, including the new rural development program.

There are two causes for the decline in land quality, including: intensive farming and lack of land-fertilizing elements.

Intensive farming is a manifestation of in-depth development in agricultural production. In fact, great achievements have been gained, owing to intensive farming. Yet, it has also resulted in a seriously negative corollary: decline in land quality. At present, the intensive farming in Vietnam is taking place by two ways: increase in the yield with multiple crops; and higher use of chemicals (fertilizers, pesticides etc.). Increase in crops (in many local areas, there are often 3 crops per year) gives land less time to be recovered. In the meanwhile,

higher use of chemicals (managers and scientists have issued a warning about excessive use of chemicals) makes it more difficult to recover the fertility of farmland.

The increasingly higher pollution of the agricultural and rural environment as well as climate change has resulted in lack of land fertilizing elements. Land quality is closely related to the water environment and biodiversity. The water environment is now getting worse, in terms of both water source and water quality. All the national environmental reports have reflected the pollution of land and water, and reduction in biodiversity in rural areas. The National Environmental Report in 2014 (a draft in December 2014) focused on the topic “the rural environment” concludes that “in a lot of rural areas, the environmental pollution has become an urgent issue. There is water, air, land pollutions and pollution of solid waste resulting from farming, breeding, small-scaled production, trade villages, and living activities”. The report also gives a warning that “by now, almost all local areas are facing difficulties in implementing and satisfying the Criteria No.17 on Environment in the National Criteria for New Rural Development” (The National Environment Report, 2014). Creatures not only are closely attached with land for the living environment, but they also play the role as agents to foster and fertilize land. Unfortunately, such creatures have been disappearing more and more.

The reduction in agricultural land area is seen as a necessary tendency in the long-term vision in Vietnam. It requires a sound policy of land-use that must be appropriate with the small-scaled and fragmentary land-use of farming households at present. For

the whole Vietnam, each farming household has about 0.85 hectares of farmland on average (the corresponding figure for the Red River Delta alone is even lower; some households have just 2 or 3 Northern acres of farmland; 1 Northern acre = 360 m²). The farmland of each household is divided into 5 or 7 lots located in different places; the total distance from home to the farmland lots is around 4.7 kilometers (Phạm Việt Dũng, 2013). In such a context, accumulation of farmland is the only way to use farmland effectively and properly. In new rural development, local governments in the whole country have tried to encourage farmers to exchange locations of their farmland lots, aiming at helping them to have all lots in one place to be joined into a larger one. Due to various reasons (such as the land exchanging ratio, the psychology of hesitation, the way to propagandize, etc), however, very few positive results have been achieved. Furthermore, if the work has been successfully done, the total area of farmland for each household will be still little; as a result, the land-use can be improved to a limited extent in the short-term. Land-use in rural areas can be basically improved in the long-term, only when farmland is accumulated at a degree appropriate to the standard of productive forces and relations. Economic theories (herein specifically, the theory of productive scale and economic scales) and international as well as domestic practical experience demonstrate that small-scale production cannot bring high efficiency. The term of “small but beautiful” in economic management is not suitable for the current small-scaled production of rural areas in Vietnam. Indeed, it can be “beautiful”, only when the production

scale is moderately “small”. As mentioned above, the household production scale (the area of cultivated land) is just several hundreds square meters (0.85 hectares) at present; it is not normally small, but it is extremely small. Farmland accumulation, therefore, should be viewed as a top priority. It is necessary to consider the current farmland exchanging campaign in relation to farmland accumulation, due to two following reasons:

Firstly, the above-mentioned farmland exchange is not effective enough to deal with an important and fundamental factor of production, which is to provide a reasonable area of cultivated land for each production unit (farmers’ household economy).

Secondly, after the farmland exchange is done, it is unavoidable that we still have to carry out farmland accumulation in order to get further development; in fact, this (farmland accumulation) is now being implemented.

Thus, we assume that it is necessary to focus more efforts on farmland accumulation than farmland exchange. If the farmland accumulation is designed well, we will no longer have to do farmland exchange. At that time, we just have to carry out activities of farmland accumulation. Our present agricultural and rural development policy is more focused on farmers’ household economy and this has helped us to gain significant achievements. However, it is about time to switch our priority to development of farm economy, based on farmland accumulation. In many places, local governments are encouraging people to set up large fields, but those fields look like production association rather than farmland accumulation. According to economic theories, production accumulation means to

gather more and more means of production into one economic unit. Although farmland exchange helps to gather farmland areas, in nature it just means to gather previous lots together without expanding the total area of household farmland. In the medium and long-term (for at least several decades), the most appropriate economic model in Vietnam is identified as farm economy, based on experience learned from the rise and fall of agriculture for the past years.

Farm economy is a kind of production on the basis of household unit; laborers can be hired to make a fairly big amount of products, compared with individual households. Consequently, the production and trading activities will be done more effectively. The Resolution No.03/2000/NQ-CP on 2 February 2000 issued by the Central Government on farm economy affirms: “Farm economy is a type of commodity production organization in agriculture and rural areas, which aims at expanding the scale and improve the effectiveness of production in crop and animal husbandry, aquaculture and forestry, on the basis of households; production is closely attached with processing and consumption of agricultural, aqua-cultural and forestal products; the size of cultivated land, financial capital, labor force, and income must be higher than those of household economy in the same local area, corresponding to specific careers”. According to the Inter-Ministerial Circular No.69/2000/TTLB/ BNN-TCTK on 23 June 2000 that provides an instruction about the criteria of farm economic identification, a crop-cultivated farm must be at least 2 hectares (for Northern and the Central provinces) and at least 3 hectares large (for Southern and the Central Highlands provinces). It has been

nearly one and a half decade, since the Resolution was promulgated. Yet, development of farm economy still encounters a lot of difficulties.

According to preliminary statistic data, the total number of farms in the whole country is around 113 thousands, of which most are small-sized with “several hectares of land and 4 laborers, who are mainly family members, on average” (Nguyễn Tố, 2015). The development of farm economy remains sluggish, because of many factors. At first, the policy and mechanism on farm economy were promulgated in 2000, but they haven’t been amended at all; in the meanwhile, there have been a lot of significant changes in national development and agricultural production since then. We should think that policies on agriculture and rural development must be focused more on farmland accumulation and development of farm economy in the coming time.

2. Agricultural product consumption

Consumption of agricultural products has been a burning question of the day for years; it is mentioned repeatedly in all harvesting time. In addition to hardships in production, farmers have to worry about selling their products: the price falls down, when they have a good crop; and the price is high, when the crop is poor. Due to such a situation, the living conditions of farmers are improved very slowly. On the one hand, it is hard to sell products. On the other hand, the money they earned from selling their products is just enough to cover production cost and some daily expenses. As a result, they cannot save any or can save very little money for follow-up investment. According to assessments and descriptions made by scientists and management

officials from various perspectives, our farmers have 3 characteristics of “the most” (the most crowded, the poorest, and the most powerless) or 5 characteristics of “the most” (the most crowded, to sacrifice or contribute most, the poorest, to have the most pressing matters, and to benefit the least from the achievements of *Đổi mới*). Consumption of agricultural products is perhaps the greatest weakness in the process of agricultural reproduction in Vietnam at present, for two reasons as below: (1) the stagnation in consumption leads to stagnation in production afterwards; and (2) to have no or just little saving for follow-up development means to have no impulse for development. As Karl Marx argued in “Capital”, the turnover of production (capital) can start and continue, only when it enables to get a certain profit. As farmers earned no or very little profits from agricultural work, many of them started to give farmland back or leave it fallow. According to the preliminary evaluation of the Department of Cooperatives and Rural Development (Ministry of Agriculture and Rural Development), the total area of farmland left by farmers in each province amounts to over 100 hectares on average; in some particular provinces such as Hai Duong and Hung Yen, the corresponding figure is over 200 hectares; furthermore, this figure tends to get higher and higher. Noticeably, the farmland left by farmers is not of bad quality. It is mainly the land, where they cultivated 2 crops of rice or 2 crops of rice and 1 crop of other agro-plant. As evaluated by the Ministry of Agriculture and Rural Development, there are 6 reasons for the fact that farmers give up cultivating farmland, including: (1) lack of labor force or laborers have switched to another job;

(2) the cost of input materials is too expensive; (3) the production cost is high; (4) the cost of agricultural products is too cheap or they cannot be sold, resulting in a low income; (5) to have difficulties in agricultural production (such as lack of irrigation water; land of bad quality; financial constraints; and lack of funding for production); and (6) industrialization, urbanization (resulting in environmental pollution and difficulties in irrigation) and land-use policy (Ngọc Lê, 2013). From the perspective of agricultural production development, the reasons involved with incomes and profits are the key reasons for giving up farmland cultivation among farmers. If there is no measure to deal with those reasons, the situation of giving up farmland cultivation will be more and more common, becoming a popular tendency in the whole country. Statistic data of the Department of Cooperatives and Rural Development show that the cost of input materials for rice production (including fertilizers, labor, and seeds) has increased by 2 – 2.5 times; whereas the price of rice has increased by just 1.2 times. In the Red River Delta, the household income earned from selling rice (without deducting the input cost) is about 22 millions VND per year, but the real profit (after deducting the input cost) is just nearly 13 millions VND a year per household. Thus, the daily income (profit) of a laborer is only 45 thousands VND (on the basis that each laborer works 24 days per month), which is much lower than the average daily income in the same local area.

If the consumption of agricultural products is not improved for farmers, it will be very difficult to get sustainable development in

agricultural production. In general, forms of agricultural production in Vietnam can be described as below (Bùi Quang Dũng and Nguyễn Trung Kiên, 2015): for local areas in the North and the Central, the agriculture mainly consists of subsistence farming; whereas, the agriculture in the South consists of commercial farming. When consumption of agricultural products still remains as a big problem, the agriculture in the North and the Central cannot overcome the state of subsistence farming; at the same time, the commercial farming in the South cannot be more developed.

It is definitely necessary to have more and more discussions about consumption of agricultural products, in order to have proper policies for farmers. In this paper, we just want to raise a measure relating to opportunity provided by international integration, which has been applied effectively in many areas in Vietnam. It is to attach consumption of agricultural products to the product chain.

At first, we are talking about opportunities from international integration. Due to international integration, it is now necessary to show clearly and transparently the origin and quality of products for the entire product chain, “from the field to the table”; production is therefore attached to consumption. This requires businessmen and companies to take interest in farmers, who produce agricultural commodity. In reality, this is shown via a linkage between companies, businessmen and farmers. Specifically, it is the very linkage between production and consumption of agricultural products. The demand involved with agricultural commodity among the both sides helps to connect production activities of farmers with commercial activities of companies and businessmen.

For the past years, the large-field model supported and encouraged by the State and the banks has been applied widely in many areas, especially in Mekong Delta provinces. On 25 October 2013, the Prime Minister issued the Decision No.62/2013/QĐ-TTg about promoting cooperative development, production-consumption linkage, and large-field building. On 29 April 2014, Ministry of Agriculture and Rural Development also promulgated the Circular No.15/2014/TT-BNNPTNT, instructing how to implement some points of the Decision No.62/2013/QĐ-TTg. According to the Circular, “a large field is the way to organize production on the basis of cooperation between farmers and companies, aiming at connecting production with processing and consumption of agricultural products in the same area, where the size of farmland is big”. The size of a large field of rice determined by local governments ranges from several hundreds hectares to a thousand hectare (at the present, the area of each large field in Mekong Delta ranges from 300 to 1,000 hectares); the size of a large field for vegetable, flower and fruit cultivation is smaller, ranging from several hectares to more than 10 hectares (according to the regulations in Ho Chi Minh City, the area of a large field for vegetable and flower cultivation must be at least 5 hectares and for fruit cultivation – at least 10 hectares) (Decision No.12/2015/QĐ-UBND). The duration is 5 years for large field projects of annual plants and 7 years for those of perennial plants. Forms of linkage in production and consumption of agricultural products include: the linkage between purchasing companies/material suppliers and farmers’ representative

organizations/farmers themselves; the production linkage between companies and farmers; the production linkage between companies and farmers’ representative organizations; and the production linkage between farmers’ representative organizations and farmers (the Circular No.15/2014/TT-BNNPTNT).

In addition to farmland accumulation on the basis of farm economic development, the large field projects can be seen as another form of farmland accumulation. Although the duration of such economic projects lasts just from 5 to 7 years, it can be extended afterwards.

3. Connection with farmers

Herein, connections should be set up with farmers; in other words, others should set up a linkage with farmers. According to the approach that views farmers as the key subject in new rural development, which was stated in the Resolution of the 7th Plenum of the 10th Session Central Committee of Communist Party of Vietnam on agriculture, farmers and rural areas, it is necessary to have mechanisms and policies to encourage others (companies, businessmen, investors, and scientists etc.) to take the initiative in setting a linkage with farmers. At that time, farmers no longer have to make a lot of exertion to connect others. This approach also means that those subjects have to bring adequate profits to farmers, when they set up a linkage with farmers. This must be taken into account, when linkage policies (and linkage encouraging policies) are made in the coming time.

Looking at the current mechanisms and policies on investment promotion for agriculture

and rural development, we can realize that we still lack a transparent linkage in economic interests between farmers and those who are encouraged to make an investment, besides significant achievements. Current mechanisms and policies that encourage investments for agriculture and rural development are mainly focused on creating the most favorable conditions for investors within the legal framework. Indeed, they are sound encouragements, leading to positive results. What we would like to mention here is that those mechanisms and policies bring direct economic interests to investors and invested projects, but farmers do not get direct interests; they can get only indirect interests via investors, when they are carrying out invested projects. For invested projects encouraged and supported by the State, economic interests of farmers are shared from those of investors. This can be seen as a “principle” in making policies on investment encouragement for agriculture and rural development in Vietnam at the present. This principle is only appropriate in the fact that the State incentives are provided for those, who can use the incentives to achieve high effects. From the perspective of economic interests for farmers - the key subject in new rural development, however, the principle is no longer appropriate, for two reasons: firstly, the supports and incentives mostly aim at agriculture and rural development; secondly, economic interests of farmers are dependent on the result of invested projects. In many cases, when investors pay excessive attention to the goal of profit maximization; or, when the State’s and social supervision is weak, economic interests of farmers are often disregarded; they sometimes have to suffer

from serious disadvantages. This shortcoming shows that farmers have benefited little from development achievements of renovation (*Đổi mới*); even, some people have argued that farmers are those who benefit the least from development achievements.

The current policies on investment promotion for agriculture and rural development are often addressed privately to particular subjects (companies, farmers, scientists, technologists etc.). However, there are very few policies combining different subjects together. The combination of separate policies is usually done through cooperation of parties involved (the State management institutions and subjects under impact of the policy). This combination is crucially necessary. Nonetheless, the aim of combining interests is often falsified due to influence of the market and profit maximization; as a result, farmers tend to get very few interests. The recent implementation of large fields seems to be a solution to remedy the small-scaled and tattered agricultural production as well as the separation of economic interests between subjects involved. It helps to build more clearly integrated policies, in which supports and advantages provided for each specific subject involved in a project (the large field project) are identified clearly. Particularly, the above-mentioned Decision No.62/2013/QĐ-TTg and the Circular No.15/2014/TT-BNNPTNT have defined specifically advantages and supports provided for companies, farmers’ representative organizations, and farmers, when they take part in a large field project. Although some points of those documents need reviewing and amending, as it has been just a short period since they were promulgated and first implemented (10th December 2013),

they show a new approach in policy-making. The specific mechanisms, guidelines and policies on agricultural production development that aim at linking 4 parties (the State, farmers, companies, and science-technology experts) have provided very few achievements for the past years. The major reason is that we lacked “an adhesive”, which is combination of interests of all the four parties together, although we did have specific policies/mechanisms to provide advantages separately for each of them. In the coming time, we think, it is necessary to promulgate more and more specific mechanisms and policies on agriculture and rural development that combine interests of all parties involved. Perhaps, it is also essential to review the current policies/ mechanisms, aiming at unifying supports and advantages that are now regulated in separate policies/mechanisms (for instance, the above-mentioned policy on farmland accumulation into large fields).

4. Conclusion

The three above-described issues may not cover all economic aspects in new rural development. Yet, they have shown a broad overview of the current situation and have raised the key elements in policy-making appropriately to the viewpoint defined in the Resolution of the 7th Plenum of the 10th Session Central Committee of Communist Party of Vietnam on agriculture, farmers and rural areas, in which the farmers are considered to play a major role in the program on new rural development. Indeed, policies should show more concern about interests of farmers in the relation to other subjects involved. A new policy-making method should aim at dealing with development issues and combining interests of all relevant parties.

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