

Current Situation and prospects of Cooperatives in Vietnam's Agricultural Sector

Nguyen Thi Tan Loc and Ngo Thu Hang
Fruit and Vegetable Research Institute, Vietnam

Email: nguyen.thi.tan.loc@gmail.com, nt.hang04@gmail.com

ABSTRACT

Currently, there are 18,638 existing cooperatives in Vietnam. Of these, 10,204 cooperatives are into agriculture and fishery. The economic cooperation sector and cooperatives have attracted 13 million farmers and small production facilities. The cooperatives have been undergoing a process of restructuring under Cooperative Law 2012. Cooperatives are grouped into three types of models. They are agricultural service cooperatives, agricultural service and integrated business cooperatives and specialized cooperatives (vegetables, fruits and livestock). In particular, the rate of cooperatives supplying agricultural materials is 67.32% and that of cultivation cooperatives is 60.51%. However, their capacity of supplying new products only focus on some products such as rice seeds, animal feeds. For vegetables and fruits, the number of cooperatives is limited. Linking is the current direction of the cooperatives, however, the number of successful cooperatives is very limited, primarily focusing on the model of specialized cooperatives (new type of cooperative model). For other cooperatives (old type of cooperative model), their operation does not bring high efficiency, so their contribution to the country's GDP is small. Can the old type of cooperative model be converted into the new type of cooperative model? Prospects of agriculture cooperatives will not change if there is no breakthrough. Currently, the income of their members is not high despite high biological productivity; there are some existing problems such as large quantity of products, low prices and unstable export of agricultural products is still unstable, so it is necessary to receive some supports from the government, domestic and foreign organizations, especially those working in operation and organization mechanism.

Keywords: Agricultural cooperatives, agricultural products, new type of cooperative model, linkages, prospects.

INTRODUCTION

Vietnam is an agricultural country where 70% of its total population live in the rural area and are engaged in agricultural production. In the development strategy of agriculture and the process of new rural construction in Vietnam today, we see that agricultural cooperatives have an essential role in linking farmers to produce commodities in a large scale, especially for creating the

commodity competitiveness and value chain of agricultural products. From experiences of countries where the cooperative movement have developed such as Japan, Korea, Germany, the US, they confirm that agricultural cooperatives play a key role in the supply of agricultural materials, distribution and marketing of products for farmers.

Agricultural cooperatives in Vietnam are collective economic organizations that play an important role in the period of transition to socialism. They are always cared for by the Party and State in all stages of country development. When the country has entered the period of innovation and the economy has started to operate according to market mechanisms, agricultural cooperatives undergo changes in both content and form of operating under the Cooperative Law (enacted in 1996), in order to adapt to the new environment of business and production. However, one problem that has been there for over 15 years, is that the number of cooperatives operating has declined and the contribution rate of agricultural cooperatives to GDP of the collective economy has been increasingly small. So, while there are lots of supports from the Party and the State, why are activities of the cooperatives still weak and difficult?

In Vietnam, there are two types of cooperative models: the old and new types. Both of them must face many difficulties because their scale of production is small, we also can say that it is the smallest in the world. Their major problems include difficulties in land and lack of capital. Besides, farmers have not mastered the production techniques, so the price of products is high and they always get many difficulties in the distribution of products.

Meanwhile, agricultural enterprises also face many difficulties because of lack of inputs, lack of confidence in the quality of products that are produced by the agricultural cooperatives.

In this context, creating linkages provides good direction. From there, the agricultural cooperatives and processing enterprises can solve their problems. In recent periods, there are only some new types of cooperatives which perform this linking. However, the number of cooperatives which are successful is small. But from this problem, we find some new types of cooperatives which operate more efficiently, leading us to ask: the question remains: should we convert from the old types of cooperatives to the new types? Which form of linkages between agricultural cooperatives, processing enterprises and distributors will promote the success and maintain its sustainability? Those are some problems that should be shared by many organizations to help agricultural cooperatives because the lives of 1.3 million farmer households depend on it.

There is a suggestion that some agricultural cooperatives in countries like Korea, Japan operate very effectively. So what is the direction of these cooperatives?

In this article, we reflect on the situation and prospects of the agricultural cooperatives in Vietnam, and also hope that experts coming from many countries give us good ideas in which are applicable to the today's conditions in Vietnam. From there, they will help to improve the predicament of agricultural cooperatives.

METHODOLOGY

- Collection of the secondary information on the general situation of farmer groups, cooperatives in general and agricultural cooperatives in particular, current situation and

prospects of cooperative models. Organizations providing these information are Vietnam Cooperative Alliance, Cooperative Department belonging to MARD. Therefore, collecting some information from reports, internet and discussing directly with representatives of some cooperative models in order to understand their advantages, disadvantages and expectations.

- Based on information collected, we conducted our analysis and synthesis of the different aspects to reflect current situation of cooperatives in general and agricultural cooperatives in particular as well as to determine their prospects.

-

RESULTS AND DISCUSSION

3.1. Current situation of agricultural cooperatives in Vietnam

3.1.1. Current situation of cooperatives in Vietnam

The economic cooperation sector and cooperatives always play a key role as well as an important position in the development stages of Vietnam. When entering the renovation period and implementing market mechanisms oriented socialism, they have increasingly important positions in many branches and domains of the economy. Recognizing the important role of cooperatives in the development of Vietnam's economy, the Party and the State are always interested in implementing them and getting more innovative forms of organizing production according to these models.

During the late '80s, after the implementation of innovation policies, the sector of economic cooperation and cooperatives had important changes and it could be said that it was the most difficult phase for them. When the mechanism of subsidized centralized management was gradually eliminated, the market mechanism managed by the State was formed and regulated economic relations were made the majority of cooperatives in the branches and domains of the economy faced many difficulties and embarrassments. Many cooperatives of businesses and production lost and they were unprofitable and disintegrated. However, from these difficulties, there were some cooperatives that promptly converted themselves to adapt to the new mechanisms and operated more effectively.

In 1996, the Congress enacted the Law on Cooperatives and was effective from July 01st, 1997 (referred to the Cooperative Law 1996). This is an important legal basis, from which, Vietnam's cooperatives can consolidate, innovate and develop. At the end of 2001, most cooperatives that were established before 1997 were converted and registered under the Cooperative Law 1996.

In 2003, the Congress enacted the Cooperative Law 2003 (replacing for the Cooperative Law 1996), it has many new points and more opening, it creates favorable conditions for the development of cooperatives. Some cooperatives which underwent changes are stable, key members of the staffs are fostered to raise their job skills, they will also be more enthusiastic and operations of these cooperatives are more efficient. Some new cooperatives established under the Cooperative Law 2003 initially meet the basic needs of their members; besides the social activities linked to the development of community and social welfare, economic activities of these cooperatives also receive greater attention.

In 2012, the Congress enacted the Cooperative Law 2012 (replacing for the Cooperative Law 2003). Accordingly, cooperatives that have the duration of 36 months from July 01st, 2013 (when the Cooperative Law 2012 is effective) must organize themselves, so that they can convert and register again under the provisions of the Cooperative Law 2012.

At the end of 2014, there were about 142,800 farmer groups with 1,513,027 members and 18,638 cooperatives, of which, the number of agricultural cooperatives and fishery-agricultural service cooperatives was 10,204. There are 1,425 cooperatives of trade and services; nine hundred forty eight are those cooperatives of construction and production of construction materials; For cooperatives of industry and handicraft industry, it was 2,461; for transportation cooperatives, it was 1,062; for electrical cooperatives, it was 524; the number of People's Credit Funds was 1,146 funds; the number of other cooperatives was 868 [10].

Currently, the sector of economic cooperation and cooperatives in Vietnam attracts about 13 million households, small manufacturing facilities, individuals and workers, especially in the field of agriculture and countryside [10].

3.1.2. Current situation of agricultural cooperatives in Vietnam

3.1.2.1. Number of cooperatives

During this time, along with the industrialization and modernization of the country, the issue regarding the restructuring of agriculture and rural area is also performed. Typically, the number of agricultural cooperatives in Vietnam had increased from 9,628 in 2012 to 10,204 in 2014, accounting for 54.78% of total cooperatives in Vietnam [2]. Total agricultural cooperatives is 10,204, of which, there are about 800 cooperatives in the field of fishery and salt, the remaining part belong to the fields of crops, livestock and poultry [10].

3.1.2.2. Structure of organization and management

In the apparatus of organization and management, in general, the agricultural cooperatives are currently in the process of reorganization under the provisions of the Cooperative Law 2012. Current organization of the apparatus is firstly management (Board of Management) and direction (the Head of cooperative). Besides, establishing some specialized departments, such as accounting, administration, professional teams such as irrigation, field protection, techniques, services in preparing lands, collection and distribution of agricultural products. The agricultural cooperatives often arrange the team leaders in association with the heads of villages and hamlets to reduce the cost of cooperative management.

According to the survey data in 2010 in 39 provinces and cities, out of a total of 5,409 agricultural cooperatives, there are 3,765,434 members, each cooperative has 700 members [10].

3.1.2.3. Capital and assets

Out of a total of 5,364 agricultural cooperatives surveyed, average capital is 1,452,329,000 VND, however, it is mostly in fixed assets (accounting for 67.6%). In these cooperatives, fixed assets with great value include electrical works and irrigation systems, machinery; most of them have no production and processing facilities. For each cooperative, the average capital contributed is about 56 million; average working capital is about 160 million [10]. Therefore, it

is difficult for the cooperatives to actively implement their production and business activities. Currently, the majority of the cooperatives have established two basic funds, they are production development funds and the reservation funds. Some cooperatives have formed the reward and utility funds.

3.1.2.4. Scale

Currently, the scale and scope of agricultural cooperatives are under the communes, towns, for some agricultural cooperatives in South-western provinces, their scale and scope are under hamlets, inter-villages and villages. According to data reported by the Cooperative Alliance of 39 provinces and cities, until to April 30th, 2011, in total of 4,776 cooperatives, there are 1,635 cooperatives with the communal scale (accounting for 34.23%), 1,011 cooperatives with the inter-village scale (accounting for 21.16%), 1,377 cooperatives with the village and hamlet scale (accounting for 28.83%) (especially for some cooperatives in some provinces, they have mostly the village scale, for example, in Bac Ninh province, there are 546 cooperatives, of which, there are 519 cooperatives with the village scale, 7 cooperatives with the inter-village scale and only 20 cooperatives with the communal scale) [10].

3.1.2.5. Operational models

Currently, the agricultural cooperatives operate with three main models, they are:

- Model of agricultural service cooperatives: This model accounts for 70% of total agricultural cooperatives, they mainly perform basic service stages for the production of farmers. In this model, agricultural production is categorized private work with households as members of the cooperatives, they conduct it by themselves. The cooperatives only provide services suitable for their requests, these services include:
 - + Inputs for agricultural production (supplying materials, plant seeds).
 - + Services in stages of agricultural production (preparing lands, irrigation, plant protection, agricultural extension, applying technological advances to production, veterinary).
 - + Outputs for agricultural production (processing and distribution of agricultural products).
- Model of agricultural services and integrated business cooperatives: these cooperatives not only provide services to members, but also raise capital to organize production and integrated business to generate higher profits. Thereby, they conditionally provide better services to their members. Some agricultural cooperatives have tended to expand their operations into other areas, such as commercial businesses; internal credit service; provision of clean water and sanitation; business, market management and exploitation.
- Model of specialized cooperatives: In agricultural sector, there are some cooperatives such as livestock cooperatives, flower and ornamental plant cooperatives, safe vegetable cooperatives, they appear to meet production requirements of markets.

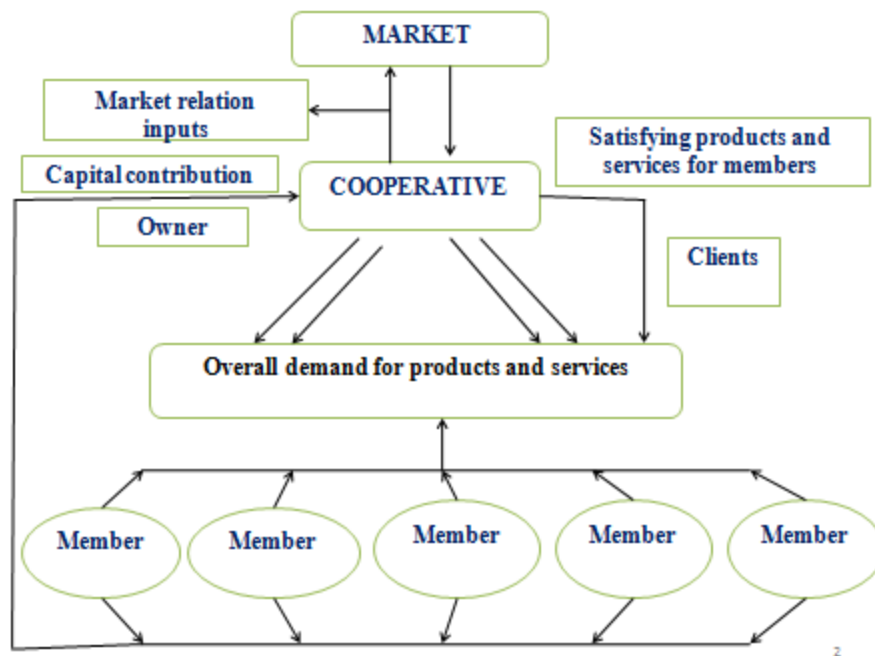
For these models, the major task of agricultural cooperatives is providing essential services to their members, they include:

- Preparing lands, seeds (seeds, plants, animals), fertilizers and plant protection chemicals; technical guidances, methods of preservation, harvesting.

- Organizing the processing and distribution of products (accounting for small rate);
- Supporting funds for their members (internal credit capital, the small amount of loans for 1 time);
- Organizing the production of crafts and other sectors (general services).

In addition to these models, in recent periods, to meet the needs of restructuring the agricultural production and rural area, one cooperative model has just appeared in Vietnam, this is new type of cooperative model.

Diagram 1: New type of cooperative model in Vietnam



Source: Dr. Nguyen Minh Tu – Head of the Cooperative Department - Ministry of Planning and Investment, 2015.

This is the new model of cooperative in Vietnam in recent periods. This model will be piloted first in the Mekong River Delta. It is considered as the biggest agricultural production region in Vietnam and annually produces over 60% of rice, 70% of fruits, 52% of seafoods. It also contributes more than 90% of its total quantity of rice for exports, contributing actively to ensure national food security and export service and create jobs for residents in the rural areas. It is also a dynamic and developed economic region which has already formed many cooperative models to produce commodities, implement the model of big field. The field is associated with the production of rice, fruits and fishery in some localities such as An Giang, Dong Thap, Can Tho. They have brought high values and efficiency. Until to December 31st, 2014, in the Mekong Delta, there are 1,928 agricultural cooperatives operating with 531,299 members. Although the number of cooperatives in the Mekong River Delta is smaller than those in other regions, their quality and effectiveness are relatively clear [9].

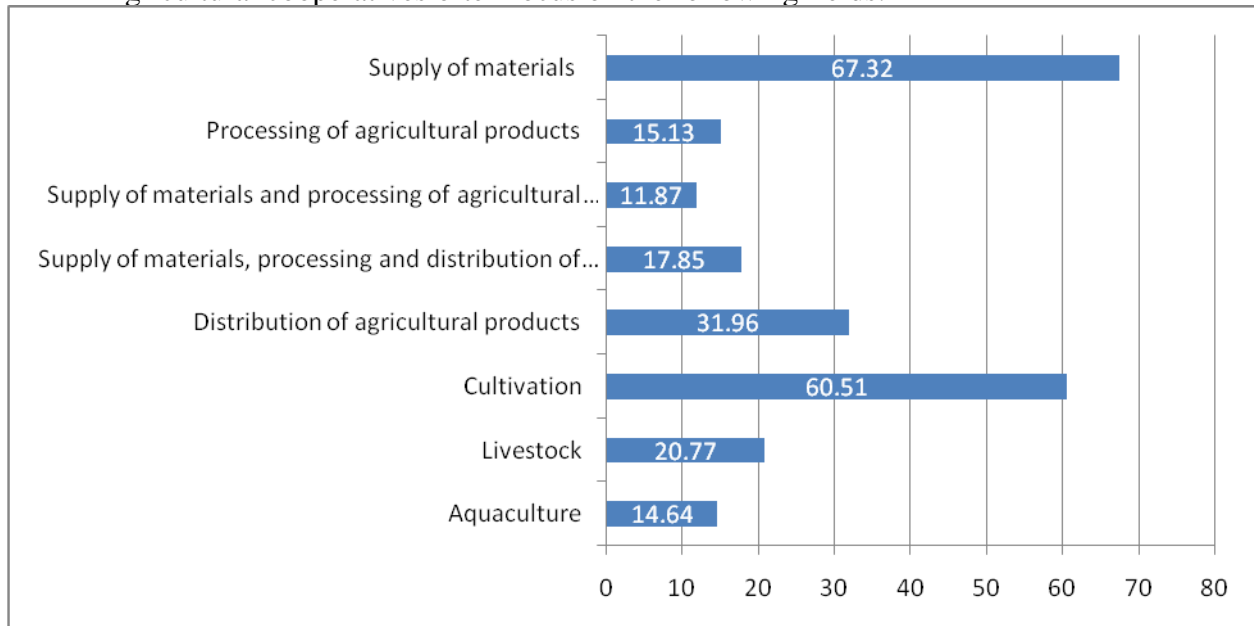
However, the cooperatives in the Mekong River Delta also have their weaknesses. The principles and value of the cooperatives have not fully been understood and practiced for long time; the capacity of the cooperatives' leadership is weak; the support of the promotion organizations and the State are not strong. So, in order to resolve the above situation, the Mekong River Delta should build the economic model of cooperation; organize the production and management of cooperatives under new ways to be consistent with reality. When economic models of cooperation and new type of cooperative model are successfully implemented, especially for three key products of the Mekong River Delta region: rice, seafoods and fruits. These products have been predicted to bring high economic efficiency and have spillover effects in the region's agricultural production.

Vietnam Cooperative Alliance has determined that new type of agricultural cooperative is the only innovative solution in the development of agriculture in the Mekong River Delta. Therefore, the Vietnam Cooperative Alliance has planned that in 2020, it will build about 2,500 models with the spirit of volunteerism and cooperation to create the strength in the market economy, and help farmers in the distribution of products in order to improve farmers' livelihood [9].

Besides, with the new type of cooperative, Vietnam's agriculture is capable of transforming into a new development phase, it will overcome its weaknesses that had existed for 30 years. When this cooperative appears, it may sell products with large scale, commit the quality and brand of products, thereby, stabilizing the price of products. The cooperative associating with enterprises will solve some problems on seasonality, reducing prices which they can request from the State especially in terms of distribution of products.

3.1.2.6. Operation fields of agricultural cooperatives

Agricultural cooperatives often focus on the following fields:



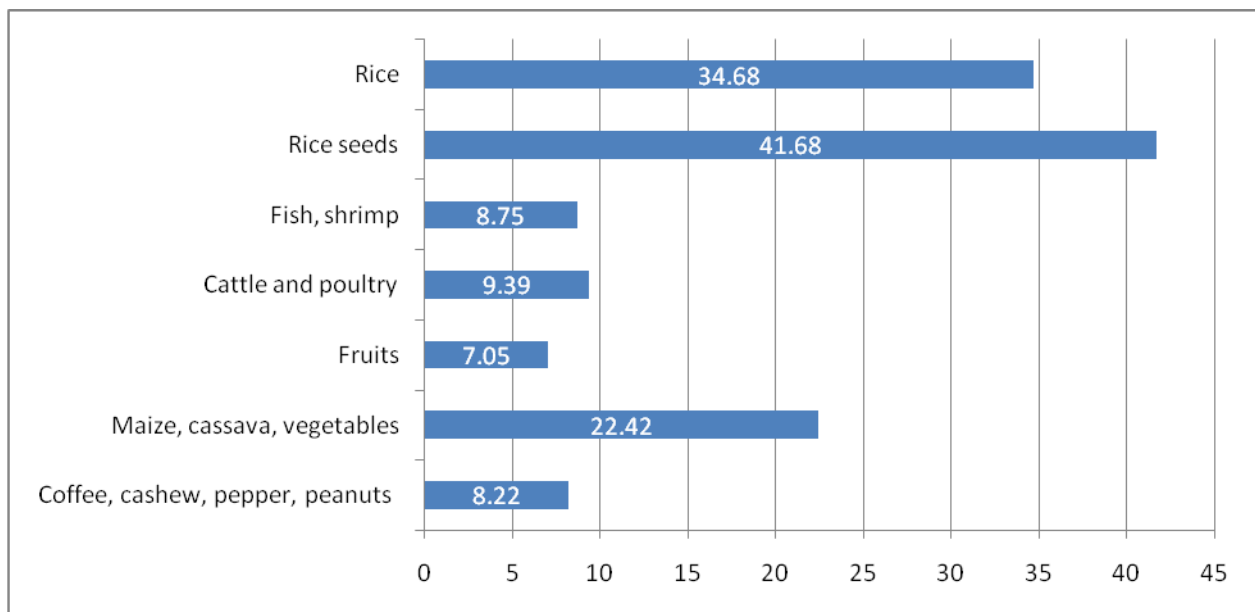
Graph 1: Main operation fields of agricultural cooperatives

Source: Bureau of Economic Cooperation and Rural Development – MARD, 2015.

Looking at the graph above, we see that the agricultural cooperatives in Vietnam mainly operate in the field of supplying agricultural materials (accounting for 67.32%), they include fertilizers, pesticides, animal feeds, veterinary medicines. Next to the rate of cooperatives operating in the field of cultivation (accounting for 60.51%), the remaining part is the rates of cooperatives operating in other fields. They include the distribution of agricultural products; livestock; aquaculture; the supply of materials, processing and distribution of agricultural products; processing of agricultural products; processing of agricultural products and supply of materials. This clearly indicates that the functions and scope of the cooperatives in Vietnam are increasingly diverse, they contribute a large proportion to GDP of the national economy.

3.1.2.7. Capacity of agricultural cooperatives in the distribution of agricultural products

Considering the capacity of the agricultural cooperatives in the distribution of agricultural products, we obtain some results, which are shown in Graph 2.



Graph 2: Capacity of agricultural cooperatives in the distribution of agricultural products
 Source: Bureau of Economic Cooperation and Rural Development – MARD, 2015.

It can be said that the capacity of agricultural cooperatives in Vietnam is huge and diverse, they supply and distribute many types of products in large quantities, especially for rice, one type of main crops in Vietnam.

3.1.2.6. Linkages between agricultural cooperatives

- About economic linking: Existing linkages between agricultural cooperatives with trade and service cooperatives (small quantity), between agricultural cooperatives with enterprises (larger quantity).
- About comprehensive linking (Union of Agricultural Cooperatives) is very fewer [7].
- *3.1.2.7. Some typical agricultural cooperatives in Vietnam today*

- **Phu Thanh Agricultural Cooperative**

Overall, this is a model of new style service cooperative, with results from the service project of spraying plant protection chemicals, Phu Thanh cooperative (Phu Tan, An Giang) is actively involved in environmental protection. Besides, it also reduces costs and increases profits for its members. Significantly, this service project helps the cooperative to confirm the model of new style service cooperative in An Giang province.

In 2005, Phu Thanh cooperative was established through the mержence of three smaller cooperatives. It had 154 members with total capital contribution of 8,620 shares (100,000 VND/share). It only implemented two types of services: irrigation pumping and drying of agricultural products. Until 2013, it was about eight years, Phu Thanh cooperative had developed in difficult circumstances, they were considered to be the most special difficulties of the cooperative sector: personnel and capital. This was the hindrance in the development of this cooperative. Because working capital was low, it did not have capital enough to expand services, including visible services that could bring higher income, such as provision of seeds and agricultural materials or dredging canals. This cooperative could not access to bank capital [4].

In the period from 2007 to 2013, Phu Thanh cooperative increased its number to 174 member with 13,000 shares (1.3 billion VND), creating resources to expand six types of services, including irrigation and drainage pumping, manufacturing and supply of seeds, agricultural materials, drying of agricultural products and internal credit services [4].

Besides, from the results of the members of nominating staff to participate in training courses held in An Giang university and from the support of Provincial Cooperative Alliance and Rural Development Department, this cooperative had more resources to strengthen and consolidate the suitable organization of apparatus from the sector of management and administration to professional groups and service teams.

Until November, 2013, with supporting techniques and total budget of about 220 million VND of the Socodevi international organization (Canada) through Cooperative Alliance in An Giang province, Phu Thanh cooperative conducted the project “Supplying the service of spraying pesticides that environmently henethy on rice field”. Accordingly, this cooperative improved the network of shops supplying materials such as fertilizers and pesticide, established one spraying team with 30 employees and provided full machinery and labor protective clothes [4].

- **Ai Nghia Agricultural Service Cooperative**

Ai Nghia Agricultural Service Cooperative, formerly known as Dai Phuoc agricultural cooperative, was established in 1976. Through the formation of the administrative boundary, there was the mержence of some local areas. In 1997, the cooperative conducted to convert under the law and named itself the Ai Nghia Agricultural Service Cooperative.

Currently, this cooperative has 2,717 members (accounting for 97% of farmers in the town). There are 100% of members using the cooperative’s services. Share contributed by members is 100,000 VND. When converted, total asset of the cooperative was 412 million VND, it increases to 4,129 billion VND at present, of which, total asset that is not shared is 2,577 billion VND

(accounting for 61% of total asset). Annual sales of the cooperative ranges from 4.5 billion VND to 5 billion VND, average profit is 90 million VND/year. Members always receive many benefits when they use services of the cooperative. The Congress has decided that members will not get distributed dividends when accounting at the end of year. Instead, these dividends will be extracted and put into the funds to reinvest and expand production [5].

In winter-spring season of 1998 - 1999, the cooperative signed initially the production contract of three line F1 hybrid rice on an area of 10.5 ha with Hung Nong company. Then, the cooperative has continued to expand the production area of hybrid rice seeds. Until now, besides Hung Nong company, the cooperative also expands the network of partners and signs contracts with some partners such as: Central Seed company, Cuong Tan, Thai Binh, Hai Phong and Bayer. The cooperative produces seasonal commodities, average area that the cooperative has signed production contracts of rice seeds is over 100 ha. It not only acts as a bridge between members with the company, but also organizes the implementation of the contract. Because the production process of F1 hybrid rice is very strict, it actively operates and coordinates closely with its partners and members in the production [5].

For the area of lands where rice seeds are not produced, the cooperative provides some services such as irrigation, land preparation, crop protection to its members. In 2011, level of irrigation fee for members is 60,000 VND/sao and for farmers (not members) is 70,000 VND/sao. The cooperative also provides the service of knitting nets for exports to create incomes for the non-agricultural members and members having much free time [5].

Since 2009, the cooperative has planned a project to build one cattle slaughterhouse designed purposely to have separate areas for confinement and slaughter of cattles and conduct veterinary inspection. The grand aim of course is to ensure food safety, operate medium biogas system to treat environmental pollution and use gas as fuels in the slaughterhouse. Currently, the average number of pigs that the slaughterhouse conducts is 50. At the time of holidays, it increases to 200 pigs. Since the slaughterhouse started to operate, the price of pork sold by members has increased with the market price [5].

Those are some typical cooperatives in Vietnam at present. Besides, there are many other successful cooperatives that have contributed greatly to the development of agricultural production in Vietnam. As the review of Vice President of the Vietnam Cooperative Alliance – Mr. Nguyen Dac Thang said: “Most agricultural cooperatives have complied with the provisions of law, their principles and values are promoted and they operate effectively, they support members to enhance economic efficiency, contributing significantly to the socio-economic development, especially in the national program of building new rural area”.

3.1.4. Role of Agricultural Cooperatives

During the process of formation and development, agricultural cooperatives have experienced many challenges, however, they always play an important role in the development of agriculture, rural areas, farmers and have important contribution in the socio - economic development of Vietnam. Since the implementation of restructuring, the cooperative members gradually shift from the centralized production to provide services including inputs and outputs for members. Besides, they also have some positive impacts on agriculture, rural areas and other farmers:

- Agricultural cooperatives contribute significantly to the supply of materials, processing and distribution of agricultural products. According to survey data in the project “Investigating the capacity of production and business, services and building the cooperative model of supplying materials, processing and distribution of agricultural products”, we can see that there are 18% of cooperatives supplying agricultural materials, 8% of cooperatives distributing agricultural products and 26% of cooperatives conducting both of them. The cooperatives supplying materials, processing and distributing agricultural products meet 65-70% of the demand of rice seeds, cattles, poultry, seafoods, fruits, vegetables and other products for members. From that, the cooperatives help 64.2% of the members and farmers and their price of products is not reduced as before; 57.23% of agricultural products sold faster and up to 31.77% of the members also reduce their debts [3].
- Agricultural cooperatives contribute to promote the development of household economy. They increase competitiveness, exploit the potential sources of capital, labor, techniques for the development and promote the socialization in the production. They play the role as a bridge between members and the State and the State’s economic organizations;
- Agricultural cooperatives help farmers in assessing and applying the advancements of science, technology, modern equipment in the agricultural production and rural development; develop and expand services and some systems of agriculture, forestry, fishery, industry and trade extension; hold some training courses to enhance knowledge and agricultural practices for labors in rural area; implement the popularization of scientific–technical information and market information to communes and villages;
- When agricultural cooperatives develop, they will create many works and contribute to solve employment issues, increase income and ensure a stable life for members and employees, solving many social - economic problems in local, this is an important prerequisite for the implementation of democratization and improving civilization in rural area; they promote the spirit of mutual assistance, charity, solidarity, supporting to overcome poverty, contribute to reduce negative aspects of the market economy and create social stability in the rural area;
- Agricultural cooperatives contribute significantly to the upgrading and development of rural infrastructures, they include: systems of electricity, irrigation, roads, and some social welfare projects, such as kindergartens, creches, cultural houses, schools to serve for members and the community.

3.1.5. Contribution of the cooperative sector to the country's development

Economic sector: In recent years, the cooperative sector has made significant contributions to the GDP growth of the economy. Therefore, the activities of cooperatives really promote the development of household economy, create linkages and cooperation between members, members and other small and medium enterprises, contribute to increase the volume of agriculture, forestry, fishery products and food. From their organization and activities, cooperatives effectively mobilize resources in society to expand production, develop many sectors and conduct economic restructuring towards industrialization and modernization, particularly in agriculture and rural areas. Only considering 100 typical cooperatives that received Gold Cup “Cooperation for a prosperous community” in 2012, we can see that total

working capital reaches 9,314 billion VND, their revenue is 27,960 billion VND, their profit reaches 636 billion VND, they contribute 363 billion VND to the budget, attract 74,791 workers and contribute 22 billion VND for social activities and charity [10].

Social sector: With the nature as economic–social organizations, cooperatives actively participate in the resolution of social problems such as job creation and enhancing income for 13 million people, especially for social objects, helping many families in reducing poverty and having stable life. The cooperatives also are places where the sense of community is enhanced, cultural values, ethics and the spirit of solidarity, mutual assistance, supporting are promoted, they contribute to build the block of national unity. The cooperatives in the regions of the country also demonstrate its positive role in contributing to political stability, maintaining order, national security, political system ... [10].

3.1.6. Advantages and disadvantages of agricultural cooperatives in Vietnam

a) Advantages

- Agricultural cooperatives account for the highest rate in economic sectors in Vietnam (about 60% of total cooperatives in Vietnam), they were formed very soon before the Cooperative Law was promulgated, they have a long tradition. At present, they are converted under the Cooperative Law 2012. From 2012 to present, the number of agricultural cooperatives has increased again.
- Number of their members and capital have tended to increase (from 459 members in 2003 to 685 members in 2010 and 723 members in 2013) [3].
- Number of services is stable, their scale increases, the number of cooperatives involved in distribution and processing of agricultural products increased from 9.5% before 2010 to 32% in 2013 [2].
- They have influenced and helped household economy developing better.
- Number of agricultural cooperatives which has stopped working and has not been dissolved was reduced from over 2,000 cooperatives before 2010 to 720 cooperatives in 2014 [10].
- Models of agricultural cooperatives operating effectively have appeared.
- Thousands of farmer groups in agricultural sector have been formed voluntarily, making the economic sector of pre-cooperatives.
- New cooperative law has made fundamental innovations, it has legalized policies to support for agricultural cooperatives.
- In 2014, there were 990 cooperatives that turned to operate under the Cooperative Law 2012 (= 9.5%) [10].
- Collective economy is one of 19 criteria in the National Program of New Rural Construction, it makes the interest of the whole political system.
- Needs of developing commodities in major production areas increase. The process of restructuring agriculture has created favorable conditions for the development of agricultural cooperatives.
- Organizational models and activities of the cooperatives are consistent with the management level of people.

- They are flexible in providing services, the quality of these services is relatively good, they meet the basic needs of members.
- They are supported by the State in training key officials, trade promotion, market expansion; applying scientific advancements, new techniques and technology; Accessing capital and development funds; participating in targeted national programs of economic – social development; supporting and giving incentives for investment to develop technical infrastructures (offices, drying grounds, warehouses, pre-processing factory, processing factory, systems of power and water, irrigation schemes, markets), policies on supporting capital and seeds when farmers are troubled by natural disasters and epidemics.

b) Disadvantages

Internal disadvantages:

- Agricultural cooperatives' autonomy, self-reliance, dynamism and creativity in activities are not high, because the intervention of local authority is very deep, they are not active in their business and production, especially for general agricultural service cooperatives in the North.
- The participation of their members are not very active.
- Their production scale is small, their area of lands and capital are limited, their capacity of accessing scientific advancements is uneven across regions.
- Number of agricultural cooperatives is large, however, they have small amount of capital and poor business infrastructures.
- Their main activities are providing inputs for agricultural production; number of cooperatives involved in distribution and processing of agricultural products is very fewer (there is only 1/3 of total cooperatives distributing agricultural products and their sales is small) [2].
- Management capacity of leaders is very limited, so they always lack effective business plans, their reports are not transparent, they are still influenced by the former planning mechanism.
- There are around 5,000 cooperatives converted from old style, they are still confused in their operation (mainly in the North), they are cooperatives or organizations providing public services and essential services in rural areas.
- They have signs of achievements, so they operate less effectively in the national program of new rural construction.

External disadvantages:

- Agriculture cooperatives in Vietnam have operated for long time (60 years) under the planning and focused mechanism, from that, it makes enormous inertia of autonomy when converted to the new mechanism.
- For supporting policies and incentives of the State: the cooperatives have not received much.
- Their products must compete with products and services abroad after Vietnam joins the WTO and international integration.
- The legal framework still has many points unsuitable for agricultural cooperatives. There are many policies, however, it is difficult to enforce them and they are less effective (The

organizational apparatus, operating principles and policies on land, credit, tax and personnel are not suitable).

- The State management responsibility on agricultural cooperatives among ministries/sectors from the central level to local levels is unclear. It lacks quantity and quality (there is <1 person in each district).
- Ability to access capital is difficult while the budget to support collective economic sector is very limited.
- Lack of training facilities and good experts to support for activities of the cooperatives.
- Lack of models driven by regions/sectors.
- Business environment is not equal (because the management of market/ tax is weak).
-

3.1.7. The Party and the State's policies supporting for the development of agricultural cooperatives in Vietnam

To further promote the development of agricultural cooperatives, the Party and the State have always been interested and constantly made improvement and innovation policies in the operation of the agricultural cooperatives in Vietnam. Here are some major policies of the Party and the State:

- Developing the legal framework:
 - The Cooperative Law 1996;
 - The Cooperative Law 2003;
 - The Cooperative Law 2012: Clarify the new type cooperative model;
 - Decree No. 151/2007/ND-CP.
- Supporting policies:
 - The Cooperative Law 2003 (Article 3; Decree No.88/2005/ND-CP)
 - The Cooperative Law 2012 (Article 6; Decree No.193/2013/ND-CP, Decision No. 2261/QD-TTg dated on December 15th, 2014)
- The State's management: Registration of cooperatives, inspection of law enforcement and handling violations.

3.1.8. Projects and policies from abroad supporting for the development of agricultural cooperatives in Vietnam

Recognizing the important role of agricultural cooperatives in the development of the economy in general and agricultural production in Vietnam, the advantages and disadvantages that most cooperatives encounters, some projects invested from abroad have been attracted to support them in their restructuring and development in Vietnam. Those are some investment projects as:

- The support of the program: Joining hands to develop cooperatives that is held by Canada International Development Organization (Socodevi) for cooperatives in An Giang province. This program supports the cooperatives in enhancing their operating capacity to meet the requirements in new phase and helps Vietnam in improving the effectiveness of management and operation for 184 cooperatives in the whole country, of which, in An Giang, it supports to build five cooperatives and one cooperative alliance.

- Project “Agricultural Competitiveness” (called ACP project) funded by the World Bank (WB) for three agricultural cooperatives in An Giang province (Duc Thanh cooperative, My Duc commune, Chau Phu district; Thuan Tien cooperative, Vinh Nhuan commune, Chau Thanh district, and Phu Thuong cooperative, Phu Thanh commune, Phu Tan district), total budget is 13.977 billion VND to build one warehouse with its capacity of 1,000 rice tons/season; one oven with its capacity of 40 tons/time plus one house covering the oven; combine harvester machine; field surface leveling machine with laser + tractor [1].

In addition, the project also organizes to train members with the program: “one thing should do, six things should reduce”; training of human resources to improve the competitiveness of the cooperatives mentioned above. This is the grant of the World Bank, to support for their development in the direction of the market and improve the capacity of market access for them; simultaneously, to transfer and apply new technologies into production, support partly essential infrastructures to serve for the production [1].

These are some typical foreign projects in Vietnam. They initially create some significant achievements for the restructuring and development of agricultural cooperatives, contributing positively to the restructuring of the agricultural sector in Vietnam. In the future, we can say that from these achievements, there will be more other foreign investment projects in Vietnam, particularly in the agricultural sector.

3.2. Prospects for the development of agricultural cooperatives in Vietnam

At the seminar on Restructuring the agricultural sector of Vietnam, from policies to practices, Chairman of the Central Committee & Fatherland Front – Mr. Nguyen Thien Nhan affirmed that besides the linkage between farmers and enterprises, cooperatives also plays an important role in the agricultural sector of Vietnam, because the linkage between farmers and enterprises will not be guaranteed to reach ten million households. As for the former Vice Prime Minister – Mr. Nguyen Cong Tan, he said that if the household economy wants to move the production of commodities, cooperatives must exist. The economy grows, the cooperatives will further develop. Restructuring the agricultural sector should be based on farmers, towards their interests. Restructuring the agricultural sector in particular and the economy in general can only be successful if there is the participation of people, thereby, creating consensus in the business cooperation and development.

After 30 years of renovation, Vietnam’s agricultural sector has developed quickly. Many plants and animals have the highest biological productivity over the world, such as pangasius, coffee, pepper, cashew, rubber, tea, rice, coconut. As a country with total area of agricultural land that is not large, Vietnam has exported many products such as pangasius, coffee, pepper, cashew, rice, tea, seafood, rubber, it is in the top list of the five leaders over the world. These results is due to: (1) The dynamism, creativity, hard work of farmers in the mode of household production, they have been allocated the right of land use by the State for long time; (2) Support of the extension system from the central to communes; (3) Support of the State to develop the irrigation system; (4) Application of new varieties imported and domestically produced; (5) System of providing inputs with the industrial and modern nature, such as fertilizers, animal feeds, plant protection drugs, veterinary drugs, tillage machine, harvester machine, pumping

machine, dryer (6) System of private collection covering to each commune; (7) The State and local authority's policies supporting for farmers in borrowing capital to expand and modernize their production, vocational training; (8) Deploying production emulation movements by mass organizations.

Agricultural production system in Vietnam with eight elements mentioned above had operated effectively for 30 years. About five years ago, it continues to grow in quantity, however, almost not on quality. With the model of new type cooperative, Vietnam's agricultural sector is capable of transforming into a new development phase, it has breakthrough nature, because it overcomes the disadvantages lasting for 30 years:

1. Biological productivity increases quickly and highly, however, farmers' income increases slowly and lowly.

For farmers, their income is low when their cost of inputs is high and their price of products is low. The price of inputs that they purchase is high because they buy inputs with small quantity, they can not negotiate to buy them cheaper. Besides, there are not many enterprise selling inputs, so farmers do not have any choice (there are about 7-8 companies providing inputs, they mainly include animal feeds, fertilizers, pesticides, chemicals), so they easily raise the price of their products. Separate farmers have no choice and they must buy inputs with high price. When farmers separately sell their products in the market, they can not negotiate with traders or enterprises. Therefore, the number of enterprises which mainly purchase agricultural products is not large (about 10 big enterprises), so they easily reduce the price of products that they purchase. Currently, monthly average income of one labor in the agricultural sector is three million VND (138 USD), equivalent to 70% of average income of one worker (4.3 million VND) (197.5 USD) and 58% of average income of one service labor (5.2 million VND) (239 USD). If the model of new type cooperative exists, with the volumes of inputs purchased and products sold increasing from 300 to 500 times, they are higher than those of one farmer (according to MARD, there are 660 members in one agricultural cooperative), the ability of negotiation on the price with enterprises will increase, bringing higher incomes for farmers. If the intermediary enterprises raise the price of inputs and reduce the price of products, the cooperatives can link together to order the large volumes of inputs directly in production facilities. From that, the price of inputs purchased will be lower. When they directly sell their products to final clients in the country or abroad, their price will be higher. When separate farmers sell their products, they will not have the brand, the quality of their products is uneven, there is no confirmation of product quality, this is the reason why traders or enterprises purchase them at a low price. If cooperatives exist, they will organize the production of one variety, the quality of products is uniform and they have quality certification, from that, their price will be higher. The cooperatives that have similar characteristics can link together to establish the joint stock company. This company will distribute products for the cooperatives in the same region, overcoming the dependence and oppression of traders or enterprises and increasing farmers' income.

2. Problem that quantity of products is large and their price is very low, requiring the State involved in the distribution of products.

When separate farmers produce, they can not predict the demand for products in local, national and international markets. They only produce following the “movement”, if many people do it, they also do it. So it often leads to an oversupply and the drop in the prices of their products. If they want to solve it, only the model of new type cooperative and the association of cooperatives in the same group of new products can forecast the demand in national and international markets. Then they will give recommendations for the cooperatives and farmers on their scale of production to meet the market demand and not reduce the price of products so much, causing losses to farmers. Another method is selling agricultural products before harvesting in markets. However, if sellers are separate farmers, with the small quantity of products, their quality is not confirmed, their product does not have the brand, the markets will not buy these products. When the cooperatives exist, they can sell products with the large scale, they will commit the quality and brand of products, solving the problem that quantity of products is large and their price is very low, requiring the State involved in the distribution of products.

3. *Price of products for exports is low and uncertain* because they are produced by separate farmers, they have no the brand, their quality and categories are uneven, no traceability and no quality certification under standards accepted by the importers.

When farmers sell products separately, the exporters can not buy them from thousands or ten thousands of farmers, they have not the brand, no traceability, no quality certification, no commitment on the exact delivery time. If they want to participate in international integration through exports, they can only be through the model of new type cooperative or cooperative alliance, then they can sell the same type of products with large-scale, they have the brand, traceability and quality certification.

4. *Support of the State including capital, science and technology, marketing of products to foreign markets, training of human resources, building the brand for farmers and the association of enterprises and farmers* can not be effective when the State has to support directly more than 10 million farmers, each enterprise must sign the contract of selling products and purchasing inputs with ten thousands of farmers.

Because of the forces of extension, vocational training and consulting are limited human resources of the Bank for Policy, the Investment and Development Bank, Agricultural Bank are limited, the State also has no enough instructors on science and technology, vocational training, branding, marketing of products abroad for each farmer in total of more than 10 million farmers, the banks can not manage more than 10 million loans of farmers with small production scale, they will have more risks. When the new type of cooperatives are established, clues contacting with the banks will be reduced from 300 to 500 times, they could build the demonstration of products for their members, they could conduct loans or loan guarantees for their members, thereby, helping the banks in reducing risks, so the size of loans will increase and the interest rate will also decrease. Similarly, if clues of enterprises decrease from 300 to 500 times, they will reduce costs and risks when they sign contracts of selling inputs and purchasing products from farmers.

In summary, the model of new type cooperative will create strong dual motivation to generate groundbreaking in the development of Vietnam's agriculture today, because it has maintained the attention, effort and creativity of farmers (in the sector of crop cultivation, livestock, fishery), they are owners in the agricultural production. Therefore, they also have received efficient support of the cooperative in order to enhance the competitiveness, assess to support of the State, strongly promote linkages with enterprises and meet the requirements of international integration in trade. The model of new type cooperative brings the greater benefits to farmers and the State, it reduces costs and improves the efficiency of the State apparatus. Therefore, it also brings some benefits for enterprises and banks, it makes to reduce costs, risks and benefits for the importers, it strictly complies with the standards of international trade. The model of new type cooperative will create breakthrough for the development of Vietnam's agriculture because it creates interaction orientation with four benefits: the benefit of more than 10 million farmers, the benefit of the State, the benefit of enterprises and the benefit of the countries trading with Vietnam [6].

CONCLUSION

It is found that agricultural cooperatives in Vietnam plays an important role in the development of agriculture in particular and the development of the economy in general, especially for the period when the agricultural sector conducts the process of restructuring agriculture – rural area. Besides some achievements including the growth on their quantity and quality, the appearance of many efficient cooperative models to help the household economy developing better, the flexibility in supplying services, their quality is relatively good, basically meeting the needs of members, agricultural cooperatives also exist some certain limitations. From recognizing these limitations, along with the benefits that the cooperatives bring for the development of agricultural production, the Party and the State always pay attention to the promulgation of policies and practical measures to promote their development in the whole country. Along with supporting policies, the Party and the State have clearly indicated that if we want to develop the cooperatives, we must firstly change our thinkings about the cooperative, the cooperatives must implement synchronous operation and link together, especially for linkages between the cooperatives in each sector, each locality and with other economic sectors. They must operate according to the market mechanism, they are economic subjects who are autonomous, collaborative and competitive in the market economy oriented to socialism, some policies to develop the cooperatives are very good, however, they are not enough. So, the cooperatives must make one full revolution in the form of “Restructuring cooperatives”. At the same time, from recognizing that the prospects of agricultural cooperatives and their contributions in the future are very large, in the process of restructuring the agricultural sector in Vietnam, the Party, the State and local authorities have proposed and implemented the model of new type cooperative. After implementing this model, we can now see many achievements that it brings. It also limits some weaknesses existing in some traditional models of cooperatives. We can say that the model of new type cooperative will create breakthrough in the development of Vietnam's agriculture because it creates interaction orientation together with four other benefits: the benefit of 13

million farmers, the benefit of the State, the benefit of enterprises and the benefit of the countries trading with Vietnam.

REFERENCES

- [1] An Giang online paper (2014), Enhancing the operating capacity for agricultural cooperatives.
- [2] Bureau of Economic Cooperation and Rural Development – MARD (2015), Success and challenges for the development of agricultural cooperatives. The workshop: “Cooperatives and economic organizations in the agricultural sector”.
- [3] ICED (2013), Role of agricultural cooperatives in the value chain of agricultural products.
- [4] Luu Doan (2014), Phu Thanh agriculture cooperative: Model of new type service cooperative.
- [5] Nguyen Dac An (2012), Ai Nghia cooperative: The transition and development.
- [6] Nguyen Thien Nhan (2015), Model of new type cooperative: Breakthrough solution for the development of Vietnam’s agriculture.
- [7] Nguyen Van Thinh (2015), Overview of the development of cooperatives in Vietnam. The workshop “Cooperatives and economic organizations in the agricultural sector”.
- [8] Nguyen Minh Tu (2015), Role of Economic Cooperation in Vietnam and the Government’s efforts to promote the development of economic cooperation. The workshop “Cooperatives and economic organizations in the agricultural sector”.
- [9] Thu Ha (2015), Building the model of new type cooperative in the Mekong River Delta.
- [10] Vietnam Cooperative Alliance (2015), Overview of the development of cooperatives and agricultural cooperatives in Vietnam. The workshop “Cooperatives and economic organizations in the agricultural sector”.

Submitted as a resource paper for the FFTC-NACF International Seminar on Improving Food Marketing Efficiency—the Role of Agricultural Cooperatives, Sept. 14-18, NACF, Seoul, Korea