INTRODUCTION

Agriculture has played and continues to play a central role in poverty reduction in Vietnam. The current transformation of the agricultural sector will create both opportunities and risks for poor people. This transformation is being driven or influenced by a range of players, including but not restricted to government agencies, state-owned enterprises (SOEs) and private sector companies. In response, Oxfam initiated a project on Agribusiness Expansion in Vietnam. The aim of this project is to strengthen the livelihoods and enhance the security of small-scale farmers, agricultural workers and poor consumers through maximizing the benefits and minimizing the risks from agribusiness expansion.

To this end, Oxfam has commissioned several studies on agribusiness expansion in Vietnam, including studies on sector expansion policies and targets, community responses to land use conversion, SOE reform and contract farming. The study teams were asked to focus specifically on the impacts of agribusiness expansion on small-scale farmers, especially ethnic minorities and women, and to formulate responses which would maximize benefits and minimize risks for the poor.

These studies were undertaken between November 2011 and March 2012. The study teams presented their findings at a National Workshop on Agribusiness in Vietnam which was held at the Press Club on 27 March 2012. The workshop brought together 69 participants from Oxfam, other INGOs, local NGOs, consultants, research institutes, government agencies, UN agencies, the media and the private sector.

This report provides a summary of the presentations and ensuing discussion in each of the four areas of inquiry outlined above. Copies of the presentations, summaries of each of the studies and the minutes of the workshop are available on request by sending an email to oxfamhk@ohk.org.vn.

The views reflected in this report are those of the research teams and other workshop participants. They do not necessarily represent the view of Oxfam in Vietnam.
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This study focused on the impact of sector expansion policies and targets on small-scale farmers. The study team included Dr. Nguyen Trung Kien (team leader) and Ms. Nguyen Thuy Hang (team member). The team used a combination of desk research, policy mapping and case studies on the coffee sector in Dak Lak and the cassava sector in Yen Bai.

The study team identified three overarching policies and plans which will guide agricultural and rural development in Vietnam over the next two decades:

- the “Tam Nong” Policy
- the National Target Program on New Rural Development (NTP-NRD)
- the Master Plan for Agriculture and the Restructure of Agricultural Production

The overarching objective of these policies and plans is to speed up industrialization and modernization in rural areas and in the agricultural sector and to promote inclusive development. The policies and plans place a particular emphasis on increasing value-added production, improving living standards, enhancing environmental protection, preserving Vietnamese culture and enhancing capacity to prevent, control and mitigate natural disasters.

Through desk research and the case studies, the study identified developments in six key policy areas which were negatively affecting small-scale farmers. The key concerns that were identified by the study team and raised in plenary discussion during the workshop in each of these policy areas are summarized below.

**Land use planning and restructure of agricultural production**

These policies aim to optimize agricultural production on dedicated agricultural land, maximize comparative advantages and support the application of technological innovation for enhancing quality and productivity. In practice, land use planning focuses on specific commodities and areas. For both coffee and cassava, the government is planning to reduce the area under cultivation whilst at the same time improving the volume and the quality of production from the remaining area. In the case of coffee, this will require replanting of coffee trees and greater use of intensive farming techniques. The replanted trees will take three years to bear fruit which will have a significant impact on the livelihoods of small-scale farmers who do not have alternative means of generating a comparable income during this period.

In addition, the time-bound nature of agricultural land use rights (typically 20 years, with many expiring in the coming years) acts as a disincentive for producers when they are considering whether to invest in agricultural improvement. In the case of cassava, the focus on reducing the area under cultivation and shifting to sustainable cultivation is undercut by the concomitant promotion of cassava roots for bio-fuel production. This will drive up the price of cassava and - in the absence of increased investment in technological innovation and extension services - will lead to the spontaneous and unsustainable expansion of cassava production. As noted in the discussion, land is central to agricultural production and land use planning must respect and enhance farmer’s land use rights, promote environmental protection and ensure equitable access to land resources.

**Credit assistance**

The number of people accessing credit is increasing but is still insufficient, amongst small-scale farmers in general and ethnic minorities in particular. This is due to the low level of awareness about credit services amongst the rural poor, the wide-spread requirement for land use certificates as collateral for loans, complicated application procedures and relatively high interest rates. This marginalizes small-scale farmers and facilitates elite capture of credit services. As noted in the discussion, ensuring access to credit and that
the credit is used to buy productive assets such as seeds, is of particular importance for ethnic minority people.

**Infrastructure investment**
The policies aim to support growth in the agricultural sector through public spending on public goods such as irrigation systems, roads and markets. However, the limited scale of this investment to date and the low quality of the resulting infrastructure acts as a brake on private sector investment in the agricultural sector.

This is inconsistent with the government’s emphasis on value-adding and quality improvement in both the cassava and coffee sector. As noted in the discussion, ensuring people’s participation in the design, construction and maintenance of infrastructure is of critical importance.

**Research and development and technology transfer**
These policies are designed to increase production and quality through the introduction of high-yielding varieties, customizing breeds and production techniques to local conditions and promoting sustainability.

However, the level of investment in research and development and technology transfer is insufficient overall, limited to specific commodities and products, primarily focused on increasing production rather than quality and sustainability and, in the case of coffee, focused on realizing national quality standards that are lower than internationally certified coffee production standards.

As noted in the discussion, the extension system in Vietnam is very weak, policies and decrees are poorly communicated. Greater investment is required in technological innovation and improving access to new technologies, such as technologies for the sustainable production of cassava on sloping land.

**Marketing policies**
The policies are designed to support access to new markets, mobilizing resources from the private sector and facilitating trade promotion. However, these policies do not pay sufficient attention to the protection and promotion of local brands and geographical indication.¹

**Fostering partnership among stakeholders**
These policies are designed to foster collaboration between value chain actors, support services, researchers and government bodies and to ensure an enabling regulatory environment in terms of credit, access to information, and so on.

However, small-scale farmers themselves, civil society organizations and industry associations are either absent or functioning inefficiently in these purportedly multi-stakeholder partnerships.

The resulting power imbalances can lead to decisions which have a negative impact on small-scale farmers in particular. In the coffee and cassava sectors, value chain actors are avoiding using contracts because the incentive or disincentive structures were not created, shared and sustained by all chain actors and the rights and obligations of contracted parties are not being enforced.

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¹ A name or sign used on certain products which corresponds to a specific geographical location or origin (for example a town, region, or country). The use of a geographical indication may act as a certification that the product possesses certain qualities, is made according to traditional methods, or enjoys a certain reputation, due to its geographical origin.
Based on this problem analysis, the study team made the following recommendations:

**To national and provincial governments**
- Enhance participation of small-scale producers in land use planning.
- Enhance the competitiveness of agro-commodities in international markets through improving quality and value-adding.
- Increase the incentives for producers to engage in quality improvement and value-adding.
- Align national quality standards with emerging international standards and market demands.
- Improve mechanisms supporting transactional assurance for all value chain actors.
- Improve access to and quality of credit services.
- Improve investment in research and development and infrastructure.
- Strengthen partnership mechanisms.

**To civil society, NGOs and producer associations**
- Facilitate the integration of small-scale producers into high quality value chains in a sustainable and competitive way.
- Facilitate the formation of producer groups and horizontal coordination between these groups.
- Facilitate partnerships and information sharing between stakeholders in value chains.
- Facilitate access by small-scale producers to medium-term financing.

**To private sector actors, including producers**
- Improve market information sharing.
- Create and sustain incentives for producers and traders engaged in high value and sustainable production.
- Strengthen horizontal coordination amongst producers to enhance quality and cost effectiveness.
COMMUNITY AND GRASSROOTS ORGANIZATIONS AND ACTION IN RELATION TO THE DEFENSE OF ACCESS, USE AND CONTROL OF LAND

This study focused on the drivers, processes and poverty impacts of agribusiness related land use conversion and how some - but not all - communities have been able to resist agribusiness expansion on their household and communal lands.

The study was undertaken by a team made up of Bryn Tucknott (team leader), Pham Quang Trung (project manager) and Doan Thi Thu Thuy (research assistant/translator). The team used qualitative techniques to research three cases of land use conversion, one each in Quang Tri, Quang Binh and Nghe An Provinces.

CASE STUDY 1
The first case study focused on community resistance to land grabs in Rali Village, Huong Son Commune in Quang Tri Province. Between 1999 and 2011, 300 ha of communal land in Rali Village had been reallocated to agribusiness companies for coffee and cassava plantations with little or no compensation. This problem was addressed with the support of ACEP, a local NGO. ACEP’s initial strategy focused on land use certification. However, this proved complicated, costly and time consuming. Moreover, it did not, on its own, prevent the reallocation of village land although it did ensure that villagers received higher compensation than they would have otherwise. As a result, ACEP decided to stop working on land use certification and instead focus on empowering communities so that they were more able to defend themselves from external threats. ACEP’s new strategy included organizing farmers and the wider community, enhancing representation of marginalized groups and strengthening participatory decision making at the village level, legal and rights awareness raising, participatory land use planning and optimizing local use of communal and public land. As a result, the village has successfully refused subsequent requests from agribusiness companies for additional land.

CASE STUDY 2
The second case study focused on community resistance to land grabs in Cao Quang Commune in Quang Binh Province. With the support of local NGO CIRD, the communities in this commune had been developing participatory land use plans and improving land use practice since 2000. Following the allocation by Quang Binh Province of 10,000 ha of village and commune land to Cao Quang State Forest Enterprise in 2002, CIRD decided to focus on community-based advocacy. Like ACEP, CIRD’s strategy included awareness raising, community mobilization, capacity building for community representatives on legal positions and processes, advocacy and communication. As a result, the communities were able to mount a successful campaign for the return, and ultimately the expansion, of their village and communal lands and the reinstatement of their land use plans.
**CASE STUDY 3**

The third case study focused on the impact of land use conversion due to expansion of large-scale commercial dairy operations in Nghia Dan District in Nghe An Province. To date, the province has reallocated 2,500 ha of SOE land to TH Milk. This land had previously been worked by small-scale farmers who were leasing the land from the SOE and using it to grow high value crops such as oranges and rubber. Despite this, farmers were forced to sign forms that stated they were using the land inefficiently. Farmers were unable to refuse the reallocation because the dairy project was defined as being in the national interest. As the farmers were leasing the land from state farms, they only received compensation based on how the land was being used rather than for the land itself. In many cases, this was less than two years of household income from the land. Over the last two years, the majority of the dispossessed farmers have been unable to access alternative land or develop viable livelihood alternatives.

As a result, farmers have spent the majority of their compensation payments on living costs whilst waiting for a relocation strategy to be put in place by the district. The large-scale dairy operation is also causing negative environmental impacts through the depletion of local water resources, animal waste, and so on. TH Milk plans to acquire a further 8,500 ha of land over the next 10 years and expand the dairy herd from the current 24,000 cows to 135,000 cows. However, this will only be possible if farmers are willing to surrender red-book land. Whilst no doubt contributing to food security at the national level, the loss of land, environmental degradation, inadequate compensation and delays in finalizing the relocation plans are leading to growing anger and frustration amongst local people and contributing to poverty and vulnerability at the local level. Moreover, the capacity of the local government to manage the land recovery, compensation and relocation processes associated with the proposed expansion is very limited.

Some of the key findings and lessons arising from the case studies that were presented at the workshop or discussed in plenary included:

**Land use conversion is a significant problem for small-scale farmers and must be addressed**

As noted in the discussion, “the promotion of the agribusiness sector as a vehicle for boosting the rural economy has been at the expense of farmer’s interests, especially in regard to land”. This has led to “dramatic situations” and “if agribusiness continues to grab land from farmers then this will create social chaos”. Agribusiness investors must play a more active role in ensuring that farmers are no worse off and that their incomes improve over time. The current revision of the land law provides an ideal opportunity to address these problems.

**Empowered communities can resist land use conversion**

Communities themselves have played a critical role in resisting land use conversion. With the support of local NGOs and drawing on progressive provisions within existing land law and grass roots democracy decrees, empowered communities have, in some cases, been able to either gain improved compensation or resist further land use conversion. As noted in the discussion, empowered farmers are also better able to negotiate terms and conditions in contract farming arrangements (see also further on in this report).

**Support from local NGOs is critical to empowering communities**

Local NGOs have played a key role in empowering communities. Successful strategies have included rights and legal awareness raising, community organizing, strengthening participatory decision making at the village level, capacity building for community representatives in areas such as planning, negotiation, communication and advocacy, facilitating linkages between community representatives and other
stakeholders, and so on. As noted in the discussion, the provision of legal assistance to farmers affected by land use conversion is of particular importance.

**Participatory land use planning and maximizing local use of village communal land can prevent or reduce land use conversion**

Participatory land use planning and increasing the utilization of village and commune land by small-scale farmers has led to a number of positive outcomes, including: (i) increased community awareness and cohesion; (ii) enhanced value of communal land in the eyes of villagers through creating new income generating opportunities; and (iii) demonstrated to government that villagers can manage this land as well as or better than SOEs or other commercial entities and established villager’s rights to be consulted on and to provide their consent to any proposed conversion of land covered by approved land use plans and receive appropriate compensation if and when land use conversion does occur.

**Land use certification enhances tenure security and increases compensation**

70 to 80 percent of small-scale farmers in Vietnam now have formal land use certificates (red books) which specify both how the land can be used and the duration of their tenure. Red books enhance tenure security but the government can still revoke these and approve land use conversion if land is required in the national or public interest. However, when land use conversion is approved under these circumstances then it does ensure higher levels of compensation.

**Better use can be made of production forests**

Production forests are designated into three types (T1, T2 and T3). Before any forest is used for timber harvesting or planting it must first be surveyed and permission must be granted by the authorities. The use of T3 rich forest has been frozen since 2011 because it was being intentionally degraded before surveying to allow greater exploitation at T1 or T2 forests. The use of T2 forests has also been frozen in Quang Binh because of a lack of legal clarity following the end of the 2006-2010 Forest Development Strategy and the high cost of forest surveys which cannot be met from current resources allocated to the province. T1 forests can be exploited or planted in accordance with agreed zone plans. As noted in the discussion, the allocation of green books in Quang Binh Province is still relatively low and needs to be strengthened. Greater investment by the central government is required for surveying and for reforestation programmes which can create jobs and improve environmental services.

**Revocation in the national interest is problematic at present**

As noted in the presentation and subsequent discussion, article 39 of the Land Law (1994) allows the revocation of land use certificates and changes in land use plans for the purposes of national defense, national security and national economic interests. However, the “national interest” is not clearly defined and several ministries can revoke current land use arrangements. Revocation in the “national economic interest” has proved to be particularly problematic with this now being addressed through the on-going revision of the Law on Land.

**Standards and processes for compensation, relocation and alternative livelihoods must be improved**

The current standards for compensation and relocation are inadequate and the capacity of local government to manage and resource these processes are very limited, particularly in regard to projects involving large-scale land use conversion. This raises enormous challenges in regard to managing environmental degradation, the loss of farm-based livelihoods for those displaced, inadequate agricultural land available for resettlement sites, the lack of suitable off-farm employment and inadequate investment in vocational training that is suitable for small-scale farmers. Compensation and relocation for farmers displaced from SOE owned land is particularly problematic.

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2 Type 1: Poor forest, treeless scrub land or highly degraded; Type 2: Average forest, with < 50M³/ha of timber; and, Type 3: Rich forest, which has a > 50M³/ha of timber.
Sector plans and targets can have a negative impact on small-scale farmers
National programs, such as expansion policies, give rise to provincial targets and district sector plans. As most usable land has already been allocated to households, villages or communes, these targets can only be met through contract farming arrangements or land use conversion to allow large-scale plantations.

The key recommendations that were either made by the study team or raised during the discussion at the workshop included:

To civil society
- Expand and deepen support to NGO programs which focus on community organization, representation, legal and rights awareness raising, the provision of legal assistance and participatory land use planning.
- Promote and support the establishment of an independent advisory service which can assist farmers with negotiating contracts, provide advice to farmers and communities on the law and their rights and responsibilities and assist farmers should disputes occur.

To government
- Ensure that the compensation that is paid to small-scale farmers, who have had to reallocate land to private sector interests, is based on free market prices rather than being set by the state.
- Improve compensation to farmers who lose access to land that they have been leasing from SOEs, particularly those who have no other land holding or income opportunities.
- Establish an independent body or ombudsman to review complaints on land issues. As noted in the discussion, this can focus on problems with the formulation of policy and laws as well as problems with implementation.
- Clarify what constitutes National or Public Interest in the Land Law. As noted in the discussion, this a key focus in the coming revision of the law.
- Ensure relocation plans which take into account cultural diversity as well as material replacement are in place and ready to be implemented as soon as land is reclaimed by the state.
- Establish mechanisms for independent monitoring of relocation schemes to ensure that the criteria for “equivalent or better” are met.
- As noted in the discussion, government must improve monitoring of implementation of the existing land law, including strengthening the role of communities and civil society in the M&E system rather than relying solely on reporting by government agencies.
CASE STUDIES OF AGRI-SOE REFORM AND ITS IMPACTS ON COMMUNITIES

This study focused on the drivers, processes and poverty impacts of the reform of state-owned enterprises (SOEs) in the agricultural sector in Vietnam and the implications for government policy. The study was undertaken by Nhat Nguyen Duc (team leader) and four team members (Huong Nguyen Minh, Duc Ho Hoang, Mai Truong Thanh and Tuan Bui Van).

The team used qualitative techniques to research three cases of agri-SOE reform, supplemented by a literature review, archival analysis and interviews with researchers and policy makers in Hanoi. In each of the case studies, the study team sought to assess the impact of reform on job creation, the income of contracted households, land use, tax revenue, public benefits and local manufacturing.

As noted by the study team, there are two main streams to the reform of agri-SOEs in Vietnam: (i) the reform of their institutional arrangements for land use, and (ii) the reform of their ownership and governance structures. The legal basis for these reforms lies in a number of decrees and resolutions on SOE reform which were promulgated between 1995 and 2010. The total number of enterprises in Vietnam has increased from 42,000 to 288,000 between 2000 and 2010. Over the same period, the total number of SOEs has dropped from 29,201 to 3,241. As a result, SOEs made up only 1 percent of all enterprises in 2010, down from 69 percent in 2000.

In contrast, the number of agri-SOEs only fell from 371 to 257 between 2005 and 2010 and the number of agri-SOEs as a proportion of all agri-enterprises only fell from 55 to 19 percent over the same period. This data indicates that SOE reform has slowed in the last five years both overall and in the agricultural sector in particular. In the agricultural sector, the predominant approach has been one of gradual reform characterized by experimentation rather than step change. This is generating significant debate in policy circles in Vietnam, particularly in regard to the pace of reform, balancing competitiveness and equity demands and addressing conventional market failure. This debate is influenced as much, if not more, by ideology and vested interests as it is by evidence.
All of the cases investigated by the study team were of large SOEs located in the central part of Vietnam, each of which now has a different ownership structure. Each of the cases is described in more detail below.

**CASE STUDY 1**
The first case study focused on a state farm that remains under full public ownership and operates as a limited liability company under the supervision of the local government. Of the three cases, this company has the largest land holdings (2500 ha), the largest number of contracted households (1800) and the second largest number of employees (736). Difficulties encountered during the reform process fell under three broad headings: (i) land management, (ii) financing constraints and (iii) market pressures. Land management problems arose from the confusing legal framework for reallocating SOE land to small-scale farmers, the small size of the resulting farm plots and the absence of land use rights certification. Financing problems included insufficient investment from the state which the SOE could not address through raising funds from the private banking system due to uncertainties over the use of land which has been leased to farmers as collateral for loans. Marketing problems included competition from other producers and from private traders and local buyers. The study team identified a number of poverty impacts including an overall reduction in the number of employees due to overstaffing in the pre-reform period, improved economic performance and enhanced production and access to markets for local households which is on par with that achieved by the equitised SOE which was the subject of the second case study (see below). This suggests that in the medium term, this SOE may perform as well or better from a pro-poor perspective than the SOE which features in the second case study.

**CASE STUDY 2**
The second case study focused on an almost completely equitised SOE in which the state only retains 10 percent equity whilst the remaining 90 percent is held by the private sector. Of the three companies, this has the second largest land holding (1288 ha), the second largest number of contracted households (950) and the largest number of employees (1072). The key drivers of the reform process were the provincial government, senior management in the SOE and private investors. The study team identified a number of difficulties encountered during the reform process. During the early stages, these included the negative attitudes of workers and local households towards reform, limited participation by local households in the reform process due to their low economic status and a lack of transparency and low levels of confidence in the capacity of the local community on the part of the company. During the current stage of reform, the main difficulties encountered include a lack of clarity in the legal framework and policy of the government, limited public confidence in private sector led reform, continuing tensions between those advocating monopoly and those advocating competition and weak linkages between the company and the community. The study team identified a number of poverty impacts arising from the reform process, including that most employees and contracted households were economically better off after the reform, redundant workers were re-employed as a result of business expansion and contracted farmers were protected from market risks/volatility although the benefits to producers may be reduced in the longer term as the company is now exhibiting cartel-like behavior. On balance, this has been the most successful to date of the reformed SOEs from a pro-poor perspective.
CASE STUDY 3
The third case study focused on an SOE which has been transformed into a joint stock company where government still maintains a 75 percent share holding with the balance sold to local people. Oversight is undertaken by State Capital Investment Corporation (SCIC). Of the three companies, this has the smallest land holding (400ha), the smallest number of contracted households (230) and the smallest number of employees (25). In this case the driving forces for equalization were the company itself, local government and an international NGO which provided support with capacity building. The central government played a largely passive role whilst workers and contracted households were largely ignored in the process. Difficulties encountered during the reform process included poor land management practices which led to the illegal transfer of land, and conflicts between those who wanted to maintain state assets and those who preferred to transfer assets to the local community. The impacts of the reform process included a return to profitability, large-scale redundancies, leading to a more streamlined workforce but also a higher unemployment rate, marginalization of farmers and workers who could not afford to buy shares in the enterprise and relatively low dividends for those who could afford to buy shares. This has led to growing unrest amongst farmers and workers. On balance, this was the least successful of the reformed SOEs from a pro-poor people perspective.

Based on cross-case comparisons and archival analysis, the study team identified a number of findings which are common to all of the case studies.

Improved economic performance post reform
In all of the case studies, reform has led to reductions in staffing, lower costs, improved productivity and enhanced governance and management. Although this has been less than expected in some instances due to weak performance incentives for senior management, inadequate access to resources, limited management autonomy and continued protection from competition.

The potentially contradictory roles played by government in the reform process
Although one of the key objectives of SOE reform is to enhance corporate efficiency and effectiveness by providing greater autonomy and exposing SOEs to competition, the government has continued to play a key role in the reform process albeit with mixed motives and results. Whilst varying from case to case, the government: (i) continues to exert varying degrees of influence over SOE operations through retaining different levels of ownership in the reformed SOEs; (ii) continues to appoint the leaders of the reformed entities in some cases; (iii) continues to be involved in the development and operationalization of business strategy through legal and administrative means which control the pace, scope and nature of the reform process and by controlling the allocation of public finances.

The government also exerts influence through restricting access to loans from the private sector because, in the absence of land use certificates, the SOEs are unable to use land under their supervision as collateral. Local government is thought to have played a more positive role in the reform process because they are forced to address crises in the province and to respond to issues raised through monitoring by local people.

Continuing uncertainty over land use rights
The SOEs in the case studies still control large areas of land which is now being leased to small-scale farmers. The typically fragmented land holdings are used for both subsistence and cash cropping but without the security of tenure provided by land use rights certificates. As a result, small-scale farmers are - in some but not all cases - reluctant to invest in agricultural improvement. It also means that the government, the SOE and small-scale farmers all have interests in the land. Farmers are relatively powerless in this “triangle of interests” because they cannot match the resources and influence of the SOEs or the monopoly power of the government.
Moreover, the government’s role in social and economic planning and corporate regulation is diminished in favor of maximizing returns on investment. Taken together, this creates incentives for land grabbing by companies, private speculators and politically supported groups.

**Distributional consequences of reform**
The distributional consequences of reform are context and case specific. That said, the reform of SOEs has typically involved large-scale redundancies, although in the second case study those made redundant have since been re-employed as a result of business expansion.

Previously, SOEs paid relatively low salaries but provided subsidized or free access to services and infrastructure. With the advent of reform, the salaries of the remaining employees have remained low in comparison to the market, but access to services has been severely reduced or stopped altogether.

In the first and second case studies, local households have benefited overall from the reform process although this may decline due to cartel-like behavior exhibited by the company involved in the second case study. As illustrated by the third case study, the under-pricing of SOE assets, power imbalances between the stakeholders and weak oversight has resulted in the large-scale transfer of assets to politically and economically powerful groups in some instances.

As a result, large areas of land in both of the provinces under study are now owned by a small number of people which has led to growing landlessness. A problem compounded by large-scale redundancies and increasing unemployment. This delegitimizes the reform process, reduces the effectiveness of the reformed SOEs and risks the creation of social unrest and instability.

**Policy Implications**
The study team identified a number of policy implications arising from the case studies, literature survey and interviews with key informants in Hanoi. Both the policy implications and the resulting feedback from participants at the workshop are listed below.

**Clarify and commit to a SOE reform strategy**
The research demonstrates the variety of approaches to SOE reform that are currently being used in Vietnam. This variation reflects differences in leadership capacity and ideology, the power of vested interests, the pragmatism of policy makers who recognize that there is more than one way to make SOEs more pro-poor, concerns about the distributional consequences of shock-therapy and complete privatization, and a predominant preference in Vietnamese policy making for experimentation and incremental reform. As a result, the study team favors a continuation of the gradualist approach and context-specific experimentation which they believe is consistent with the current capacity of the Vietnamese state and which could inform more evidence-based policy making in the medium term.

This approach may or may not lead to a more unified approach in the medium term as decentralized and context-specific reform strategies may emerge as the preferred model. This preference was challenged in the discussion by those who favor shock-therapy because of the slow pace of reform, the purported inherent inefficiency of SOEs, the problems the SOEs are creating for the wider economy, the power of vested interests which will frustrate attempts at incremental reform and the problems associated with decentralized approaches because of weak local government capacity and low levels of accountability to their constituencies. In their view, the key issue is to quickly reduce the number of agri-SOEs and to redistribute land currently managed by those SOEs to communities and households.

**Reform of land use policy**
The study team argued for the reform of land use policy in ways which balance efficiency and equity considerations allows for the development of context-specific solutions and increases land tenure security for small-scale farmers whether through the provision of long-term leases or land use certificates.
Enhance policy coordination
The study team argued that the reform of land use policies should be undertaken as part of an integrated policy reform package which would also (i) improve social security, (ii) enhance education and training for redundant workers, and (iii) increase access to credit for small-scale farmers. The latter would enable households to purchase stocks in equitised companies and thereby enhance their commitment to the reform process.

Enhance support to small-scale farmers
The study team called for greater investment by NGOs in activities which enhance community knowledge of markets and of government policy, increase community capacity for collective action, improve the negotiating power of small-scale farmers and workers in the development of contracts, facilitate producer access to legal services and increase the number of households with land use rights certificates. The team also called on government to create an enabling environment for international donors to invest in the agri-SOE reform process.

Greater investment in services for redundant workers
The study team called for greater investment in training and support to workers made redundant as a consequence of SOE reform, although as noted in the discussion, job reductions in the SOEs themselves may be offset by job creation in community-based or private sector enterprises.

Enhanced investment in corporate social responsibility
The study team called on agribusiness enterprises to improve their corporate social responsibility and for donors and INGOs such as Oxfam to raise enterprise awareness and capacity in CSR practices.
CASE STUDIES ON CONTRACT FARMING MODELS AND THEIR IMPACTS ON SMALL-SCALE FARMERS

This study focused on the poverty impact of contract farming models used by companies operating in the peanut, cassava and cotton sectors in three provinces in Vietnam and the implications for policy makers, NGOs, companies and farmers themselves. These commodities were chosen because they are being grown using the most popular contract farming methods in Vietnam, the strategic relevance of the commodities to small-scale farmers and their potential to improve the livelihoods of the poor.

Contract farming is defined as “an agreement between farmers and processing or marketing firms for the production and supply of agricultural products under forward agreements, frequently at pre-determined prices”. Contract farming schemes can be categorized according to (i) the nature of the contract (including whether, how and to what extent the contract prescribes the provision of inputs, production techniques and supply arrangements), and (ii) the way stakeholders are organized within the scheme. The latter varies according to the nature of the product, the resources of the processors and the intensity of the relationship required between farmers and processors, for instance, in regard to quality control and delivery regimes.

The cases studied by the research team included a centralized model used by the Tay Nguyen Cotton Company in the cotton sector in Dak Nong, a multi-partite model used both by the Huong Hoa Tapioca Starch Company in the cassava sector in Quang Tri and by the Sy Thang Company in the peanut kernel sub-sector in Nghe An and a centralized model used by the Agrimex Company in the peanut seed sub-sector in Nghe An which is now moving towards an intermediary model.

In the centralized model, the agribusiness company provides agricultural inputs, credit, extension services and transport to farmers via village leaders or buying stations. The company makes contracts with the village leaders and buying stations rather than with the farmers themselves. In the multipartite model, the company uses one or more intermediaries to provide inputs, credit, extension services and transport. In this model, the company may contract with (i) the intermediaries who in turn contract with the cooperatives or village leaders or (ii) both the intermediaries and the cooperatives or village leaders. In all cases, the cooperatives, buying stations or village leaders - rather than companies themselves - enter into agreements with small-scale farmers.

The study was undertaken by Nham Phong Tuan (team leader) and Tran Thi Hai, Vu Van Anh and Pham Thi Bich Diep (team members). The study team used qualitative techniques and analyzed the resulting data from a governance and institutional perspective (rules and regulations, enforcement and support services) and a pro-poor people perspective (inclusion of small-scale farmers, cost and benefit distribution and risk sharing).

A comparative analysis of the case studies highlighted the following points:

**Farmers and companies have different reasons for entering into contract farming schemes**

For companies, contract farming can: (i) ensure a stable supply of raw material which reduces the costs involved in large-scale production (for instance cotton) and reduces the risks associated with large up-front investments; (ii) enhance the quality of supply through standard setting and the provision of technical inputs; (iii) facilitate the introduction of new product lines through improved access to and interaction with farmers, and (iv) enhance long-term business planning through entering into long-term partnerships with farmers. It can also allow companies to attract government subsidies (for instance for extension services and transportation) which reduce costs and risks.

For example, government subsidies for extension services and acquiring new seeds prompted Agrimex to start contract farming in the peanut seed sub-sector and government assistance with arranging exclusive buying rights and subsidies for extension services prompted Tay Nguyen Cotton to extend its contract farming scheme to more farmers.
For farmers, the introduction of contract farming enhanced access to technical support and to agricultural inputs such as seeds, fertilizers and pesticides which reduced farmer's transaction costs and increased yields. In some instances, companies provided inputs at lower-than-market prices and delivered services which were not available through other providers. Contract farming can also increase access to credit although this did not actually occur in any of the cases under study. Contracts also assured farmers that they would be able to sell all of their products even though there was - in most cases - no corresponding guarantee on price (see below). This created incentives which bound farmers to the contract growing schemes, although, as noted in the discussion, contracted farmers still chose to opportunistically sell their products to other buyers who were offering higher prices in some cases.

**Farmer organization benefits both farmers and companies**

Evidence from the case studies suggests that farmer organization can benefit both farmers and companies. As highlighted in both the case studies and subsequent discussion, farmer organizations enable farmers to share labor and other assets, achieve economies of scale and negotiate better prices on inputs and outputs. For companies, dealing with farmer organizations rather than individual farmers minimizes the number of contracts required, simplifies the delivery of inputs and the collection of outputs, facilitates timely problem solving and reduces the likelihood of opportunistic selling. Companies which invested in farmer organization and capacity building were generally more successful than those that relied solely on working through village leaders.

**Maintaining effective relationships with farmers as a key success factor**

Building trust and investing in long-term relationships with farmers was critical to the success of the contract farming schemes in most cases. The relationships between company representatives and the farmers were critically important in expanding the number of people involved in the contract farming schemes as well as in the early identification and effective resolution of problems. Furthermore, the Huong Ha Company case study suggests that trust building was more important than the contract itself in preventing opportunistic selling to other buyers. This has implications for both the number and the attitudes and skills of front-line staff that agribusiness companies are willing to deploy.

**Contract terms and conditions tend to favor companies**

Farmers were generally under-represented in price setting processes and even when they were represented they had less power than the companies. This included choosing when prices were set as well as choosing a benchmark price. Most of the contracts studied included the market price at the time of delivery. One contract also included a floor price, although whether this was fair to farmers in light of their production costs was debatable. Interestingly, farmers interviewed for these case studies insisted on using a market price and opposed the use of a floor price in most cases for fear that the floor price would take precedence even if the market price was higher. Government agencies were not involved in negotiating better prices for farmers in any of the cases under study.

Only some of the contracts included provisions covering crop loss and natural disasters with most farmers continuing to rely on support from government in the event of disasters. According to the study team, this indicates that farmers have not, as yet, taken full advantage of the protection that contract farming can offer against market volatility. As noted during the discussion at our workshop, there are many factors other than contracts which affect the distribution of costs and benefits in value chains.

**Weak enforcement of contracts**

Neither the rights of farmers nor the rights of companies were protected in practice in the cases under study. The government was not involved in negotiating better prices for farmers and was unwilling or unable to prevent contracted farmers from opportunistically selling their produce to other buyers.

**Limited impact on participation**

In all cases, the adoption of contract farming made little or no difference to the level of participation by small-scale and poor farmers. For specialized products such as peanut seeds, the introduction of contract farming may in fact privilege farmers with greater endowments such as more fertile land and better skills and knowledge.
Mixed impact on household incomes
In all of the cases under study, the introduction of contract farming schemes had little or no impact on farm-gate prices. Contracted farmers in Nghe An and Quang Tri increased their household incomes but this was because of higher yields rather than higher farm-gate prices. The production of cotton provided a stable source of income rather than improving incomes overall. As noted in the discussion, more quantitative information on the distribution of costs, benefits and risks along the value chain would lead to a better understanding of poverty impacts overall.

Based on these findings, the study team identified key success factors for increasing benefits to farmers in contract farming operations. These included:

- Choosing the right commodity. Contract farming appears to work best for commodities which have significant value added further along the chain or which must meet specific delivery or quality standards at the farm gate.
- The use of intermediaries in multipartite contract farming schemes which helps bridge the capacity gap between companies and farmers and improves the negotiating power of farmers.
- Farmer organization, capacity building and networking.
- Information sharing, communication and shared problem solving which helps build trust and strengthen relationships between chain actors over time.
- Operating modalities which respond the needs of both farmers and companies.
- Incentives which bind farmers to contract farming schemes such as access to credit and ongoing technical support, insurance mechanisms, and so on.
- Inclusive, fair and transparent price setting mechanisms which remain responsive to market conditions.
- An activist approach by government, including involvement in sector development, bringing together stakeholders involved in specific value chains, ensuring the provision of support services, assisting farmers in price negotiation, certifying contracts and ensuring effective enforcement of contracts where necessary. As noted in the discussion, this means that government agencies will need to engage staff who not only have agricultural extension skills but can also work with farmer groups on group formation, business development and contracting mechanisms.

The study team and workshop participants identified a number of recommendations which are outlined below.

To government

- Make decision 80/CP-2002 on promotion of contract farming mandatory rather than a guide as current.
- Better integrate contract farming into government planning and budget allocations at the provincial level and create an enabling regulatory environment for the emergence of pro-poor contract farming.
- Establish price setting mechanisms for contract farming operations which include farmer representation but which remain responsive to market signals. As noted in the discussion, direct government involvement in price setting may be unrealistic but government can certainly play a role in monitoring contracts.
- Establish arbitration and dispute resolution mechanisms to protect the rights of farmers and, as noted in the discussion, the rights of companies as well.
- Facilitate access to credit for companies engaged in contract farming. As noted in the discussion, credit should also be extended to farmers in ways which enable them to make informed choices about crop selection rather than steering farmers towards a particular crop.
- Improve agricultural extension services to farmers, including promoting group formation and introducing a stronger focus on marketing of agricultural produce. As noted in the discussion, this will require extension workers who are able to engage with farmer groups and provide a wider range of supports than present.
To development agencies

The key role of development agencies should be to ensure that farmers are well represented and protected in contract farming operations.

To this end, development agencies such as Oxfam could:

- Lobby government to modify Decision 80/CP-2002 in ways which reflect field experience and successful case studies.
- Promote the incorporation of contract farming in sector, provincial and district plans.
- Raise awareness in local government of the costs and benefits of contract farming for small-scale farmers and enhance the capacity of local government to undertake value chain and market analysis and to effectively oversee contract farming operations.
- Support group formation amongst farmers and build the capacity of farmer organizations and farmers in understanding contract farming models, market analysis, negotiation skills, understanding contracts, and so on.
- Provide capacity building to companies to enhance their ability to engage effectively with farmers, farmers groups and other intermediaries.
WAYS FORWARD

When asked to identify ways forward, participants made the following points:

- The workshop has identified some of the fundamental problems faced by small-scale farmers. Oxfam should provide long term support to farmers, including through supporting farmer organizing and empowerment, strengthening farmer access to and control over land, improving farmer knowledge, attitudes and skills, facilitating linkages between farmers and businesses and enabling farmers to exploit marketing opportunities.

- Oxfam should also support private businesses, including those involved in production, not just those involved in post-harvest distribution. Improving production will make it easier to keep land in the hands of farmers.

- The government needs to develop a more comprehensive approach to the reform of agri-SOEs which have large land holdings but limited production and low efficiency. The land which is being ineffectively managed by SOEs should be handed over to farmers and communities. Otherwise there is a risk that land will be captured by interest groups during complex processes of equitisation. Farmer cooperatives can then engage with businesses to provide capital and technology.

- Oxfam can work closely with government agencies such as MARD, the Ministry of Labor, to improve access to credit, provide training to farmers, support the development of farmer’s enterprises and small-scale rural businesses (which helps reduce out-migration), and facilitate linkages between these enterprises and business support services.
CONCLUSIONS

In his closing remarks, Bert Maerten, Oxfam Associate Country Director, thanked the participants for their inputs and suggestions which have generated a rich set of ideas, policy propositions and strategies. He noted that Oxfam is only a small actor with limited voice and influence.

As a matter of principle, Oxfam wants to work with others - particularly local organizations - to advance the rights of poor people. He hopes that this workshop represents the beginning of a continuing conversation, exchanges and collaboration.

As an immediate next step, Oxfam will finalize the studies based on inputs and comments received at the workshop and disseminate the final versions to a wider audience.

Following this, we will work at two interlinked levels:

At the local level, Oxfam will continue to work with communities, small-scale farmers and workers to promote sustainable livelihoods and to make markets work for the poor. This will build on Oxfam’s existing value chain work, including working with the private sector where possible and appropriate. We recognize that much needs to be done to improve policy implementation and that strengthening the rights and voice of the poor people will be central to addressing many of the issues raised during this workshop. Oxfam will aim to strengthen collaborative action amongst farmers, the private sector and government, and use this to develop successful models for replication and scale up.

At the policy level, Oxfam will take advantage of “windows of opportunity” to address a number of key issues, including land, SOE reform and New Rural Areas. Oxfam will also continue to work on “long-standing” challenges, including women’s rights, credit and extension services. Our contribution will be through research, developing models based on our field experience and evidence-based advocacy which will be undertaken in collaboration with those who have other local organizations.

Oxfam’s perspective will always be that of the poor and vulnerable people - particularly small-scale farmers - and we will continue to strengthen voices and defend rights when necessary.

Oxfam invites participants to continue the conversation on these important matters.

In closing, Bert Maerten thanked the presenters and research teams, discussants and all participants. He also expressed high appreciation for the Oxfam team who organized this event.
<table>
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<tr>
<th>Time</th>
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<tbody>
<tr>
<td>9.00-9.15</td>
<td>Welcome by Andy Baker and Bert Maerten (Oxfam)</td>
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| 09.15-10.15| **Session 1: Review of Key Sector Expansion Targets and Policies in Agribusiness Commodities**  
Presentation (30 min), Discussant (10 min)  
Nguyen Trung Kien & Nguyen Thuy Hang  
Mr. Luu Duc Khai (Head, Department of Agriculture and Rural Development Policy, CIEM)  
Plenary discussion (30 min) |
| 10.15-10.45| Coffee break                                                         |
| 10.45-12.00| **Session 2: Community and Grassroots Organizations and Action in Relation to the Defense of Access, Use and Control of Land**  
Presentation (30 min), Discussant (10 min)  
Bryn Tucknott  
Mr. Dang Hung Vo (Former Vice Minister, MONRE)  
Plenary discussion (30 min) |
| 12.00-13.30| Lunch                                                                |
| 13.30-14.45| **Session 3: Case Studies of Agri-SOE Reform and Its Impacts on Communities**  
Presentation (30 min), Discussant (10 min)  
Nguyen Duc Nhat  
Mrs. Pham Chi Lan (Former Vice Chairwoman, VCCI)  
Plenary discussion (30 min) |
| 14.45-16.00| **Session 4: Case Studies of Contract Farming Models and Their Impacts on Incomes and Livelihoods of Small-scale Farmers**  
Presentation (30 min), Discussant (10 min)  
Nham Tuan Phong & Tran Thi Hai  
Mr. Dao The Anh (Director, CASRAD)  
Plenary discussion (30 min) |
| 16.00-16.30| Coffee break                                                         |
| 16.30-17.00| Going forward  
Discussion and debate                                                |
| 17.00-17.30| Closing by Bert Maerten (Oxfam)                                       |