

On Feb. 2, 2000, the Government issued Resolution 03/2000/NQ-CP on the farm economy. This is the first law document defining the role and position of the farm economy in the agricultural development in Vietnam under the socialism-oriented market economy. According to this Resolution, the Government set forth eight policies on farm land, taxes on farms, credits for farms, farm labor, scientific, technological and environmental matters relating to farms, markets for farm products, protec-

On Jan. 2, 2001, the PM made Decision 02/2001/QĐ-TTg on the support from the Fund for Development for projects to produce exports and develop the agriculture. Article 4 of the Decision states: "Investors could use properties bought with loan capital as a guarantee and they must't transfer, sell, give, mortgage or pawn the properties to get another loan from other lenders". The Article presenting the policy on credit for farms of the Resolution 03/2000/NQ-CP states: "Farm owners could use properties bought with loan capital

Sciences, HCMC Service of Agriculture and Economic Boards under the VCP Provincial Units of Binh Duong, Bà Rịa-Vũng Tàu, Vĩnh Long, Đồng Nai, Lâm Đồng, Tây Ninh, Bình Phước, Long An, An Giang, etc. and realities of HCMC farms, we suggest the following definition of farm economy in the South:

The farm economy in the South is a form of production and trade in farm products by a household under the market economy with the following criteria:

(i) The gross sales of a farm

MEASURES TO ACCELERATE THE DEVELOPMENT OF FARM ECONOMY

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tion for property invested in farms and obligations of farmers.

After implementing this Resolution for 18 months, such governmental bodies as Ministry of Finance, Ministry of Agriculture and Rural Development, State Bank of Vietnam, General Department of Statistics and Land Registry have issued many guidelines.

On June 23, 2000, the Interdepartmental Circular 69/2000/TTLT/BNN-TCTK about criteria for defining a farm was issued by the Ministry of Agriculture and Rural Development and the General Department of Statistics.

On Sep. 22, 2000, the SVB Governor issued Decision 423/2000/QĐ-NHNN1 (effective from Oct. 7, 2000) on the lending policy for farms.

as a guarantee when getting a loan." This means that farm owners are considered as local investors who are eligible to get soft loans from the Fund for Development and state-run commercial banks.

These are measures taken by the Government to develop farms but they seem unable to stimulate the development of farms in the South. After examining the development of farms in the South under new mechanism, we think the following problems should be solved.

1. Criteria for defining a farm in the South

From results of various researches done by Hà Nội Economics University, HCMC Economics University, HCMC Institute of Social

should reach somewhere between VND100 - 149 million a year. Of this sum, value of farm products accounts for at least 85%. The net profit is at least two times higher than the interest rate offered by local agricultural banks at the time when the sales are made.

(ii) The labor force includes family members and some five farm hands who work full-time or part-time (the ratio of working days in a year to the working days by farm hands should be equal to or greater than 5).

(iii) Farm owners should apply successfully certain technical advances to the management of his business.

(iv) A farm should have an area of at least 0.5 hectare.

This definition and these criteria are suitable to the nature and development level of farms in the South, in agreement with the Interdepartmental Circular 69/2000/TTLT/BNN-TCTK and they also reflect characteristics of a zone where the commercial farming has developed to the highest level as compared with other zones in Vietnam.

According to the definition and criteria, all farms in the South could be seen as developed family businesses. They don't constitute an independent sector of the economy but they operate like private businesses that cooperate and compete with one another at different levels according to market economic laws. So they



should be regulated by the Civil Code instead of the Companies Law.

Farms that develop higher than these criteria could be seen as private businesses, limited companies or joint stock companies that are regulated by the Companies Law. The so-called farms that fail to meet these criteria will be considered as family businesses.

2. Farm land

A farm in the South should have a minimum area of 0.5 hectare. At present, however, areas of many farms have exceeded the land limit because farm owners rented land from state farms, bought from peasants or reclaimed by their own. Local governments should re-examine this situation, regulate it according to the Land Law and grant the land use certificates in order to help farm owners feel sure of their business and investment. The following solutions are feasible:

- As for coastal areas or waste land (in Đồng Tháp Mười, Long Xuyên Trapezoid for example), local governments had better allow farm owners to exploit land they have reclaimed. They could pay a nominal rental for the area beyond the land limit and exploit it for a long period (from 10 to 50 years for example). Farm owners should plant trees according to the master plan for the province. Local governments could pay compensation when retrieving the land before the rent contract comes due.

- As for land in the Eastern South and the Mekong Delta, farm owners will pay some rental and surtaxes for the area beyond the land limit if their business is successful and harmless to the environment. Necessary measures should be taken to prevent impoverishment when poor peasants have to sell their land and encourage cooperation between farm owners and peasants (good examples of this cooperation could be found in Tân Trường Cooperative in Bình Dương Province and Cooperative of District 3 in HCMC) in carrying out intensive farming; supplying agricultural services and introducing new strains of animals and plants.

- As for farms renting land from large -scale development projects, farm owners could be allowed to pay rental for the land according to the Land Law. Similarly, farms renting land from state farms and succeeding in developing their business could receive the same treatment.

- As for farm owners who succeed in applying technical advances and

developing well their business, local governments could give incentives in forms of tax reduction or renewal of rent contracts.

3. Farm labor

Farm owners have to work as a manual laborer and a manager so they could be seen as a key factor in the rural modernization. They play an active role in applying and popularizing scientific and technical advances, therefore they could affect greatly the agricultural extension program. Local governments had better help them by supplying short-term training courses, technical assistance and information about market demand.

In the South, many VCP members have been among pioneers in developing modern farms. The most worrying problem with farms run by VCP members is whether there is exploitation of hired labor or not. The difference between an ordinary farm owner and VCP member in using hired labor is in the protection for interests of the laborer. The Ministries of Agriculture and Rural Development and of Labor, War Invalid and Social Affairs had better cooperate with local governments to work out regulations on the use of hired labor in farms with a view to ensuring interests of laborers.

4. Capital for farms

At present, most farms lack capital and couldn't carry out long-term development projects. On Sep. 22, 2000, the SVB Governor issued Decision 423/2000/QĐ-NHNN on credits for farms which is effective from Oct. 7, 2000. This Decision offers a 30% cut in the interest rate to farms in the Sector 3 (mountainous areas, islands and areas where are populated by Khmer minority) and a 15% cut to farms in mountainous areas. The short-term loan is repayable in 12 months, the medium-term one varies from 12 to 60 months and the long-term one is for projects lasting for over five years.

When borrowing a loan of under VND50 million, farm owners need not mortgage their assets but they must produce a feasible business plan and the land use certificate or a legal document certified by local governments proving that there is no dispute over the land they are exploiting.

On Jan. 2, 2001, the PM made Decision 02/2001/QĐ-TTg on the support from the Fund for Development for projects to produce exports and farm products. The Government has also made plan to allot US\$1,149

million to the Fund for Agriculture and Rural Development for the years 2001-2010. The use of this sum is as follows:

- US\$770 million for agricultural production,
- US\$195 million for agro-industry,
- US\$124 million for warehouses, transport and package, and
- US\$60 million for researches, training courses, price support and other services.

5. Market for farm products

According to the Center for Information and Transfer of Biological Advances, the central government has made plans to develop foreign markets for local farm products by encouraging foreign traders to place orders to local farms, helping local traders to market farm products to foreign buyers, organizing trade fairs for farm products and workshops on farm products and forming commodity exchange centers dealing in farm products.

With this support, farm owners, and peasants as well, could decide on their production business instead of being directed by local governments. In addition, the central government had better take various measures to encourage the development of farms, such as:

- Cooperating with farm owners to develop system for crops protection, farm products processing and marketing, and formation of reserves needed for regulating prices of farm products.

- Forming an information network extending to villages to supply information about market demand and scientific and technical advances to peasants and get feedback from farm owners.

- Encouraging farm owners with good facilities and resources to export processed farm products directly to foreign markets.

6. Management by the state

The legal infrastructure for the farm economy includes only the Resolution 03/2000/NQ-CP. This infrastructure should be enhanced by an act or ordinance made by the National Assembly that defines and recognizes the position, role and orientation of the farm economy in order to make farm owners feel sure of their long-term development plans and help local governments deal properly with this new development of the mixed economy under the state management. ■