

Measures to Spur Development of New Cooperatives in the Mekong Delta

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1. Necessity of cooperatives in the Mekong Delta

In the market economy, the competition is increasingly severe. Especially for fruit growers in the Mekong Delta, it is hard to harvest bumper crops but harder to sell their products. The problem is thus extremely important to the development of a country where 80% of its population lives on farming.

Farmers are facing thorny problems in finding their customers due to subjective and objective reasons. The lessons from the developed countries show cooperatives are crucial bridges linking farmers with markets and helping them to survive in the global economy. In the former centrally planned economy, farmers had been forced to join cooperatives. These organizations were then step by step disbanded due to their inef-

fective operations. Even new-style cooperatives are not attractive to the public because the following reasons:

- Procedures, policies and the Law on Cooperatives have not really created favorable conditions for expansion of this model.

- The Government has not yet given full attention to and removed obstacles to cooperatives.

- The local government agencies' supports are insignificant and impractical.

- The loss of cooperatives has caused doubts to the public.

- Farmers have insufficient information and knowledge about the feature and importance of cooperatives in their production and business.

- The educational attainment and trained skill of farmers are not high.

Nevertheless, nobody can deny the importance and strategic fea-

tures of this model in the national integration in the global economy.

2. Facts of the Delta cooperatives' performance from 1995 to 2003

The Delta's number of cooperatives accounted for 10% of the country's total. According to a survey of the Cần Thơ University's Economics Faculty in 2003, farm cooperatives met 88.2% of members' demand in irrigation, 53.75% in processing, and 41.92% in supply of plant varieties. However, they satisfied only 20% of members' demand in selling farm products. These figures reveal poor activities of the Delta cooperatives, they focus their efforts only on supply of production inputs and neglect other services such as post-harvest services. Furthermore, their production and business performance remains low and not compatible with the region's potentialities. In fact,

Table 1: Cooperatives in the Mekong Delta until June 2003

Provinces	Total number of cooperatives	Industry							
		Farming	Trade-service	Credit	Industry and handicraft	Transport	Construction	Fisheries	Others
1 An Giang	190	113	1	25	15	22	7	7	0
2 Bạc Liêu	74	26	3	5	6	7	7	15	5
3 Bến Tre	49	14	2	2	14	9	4	4	0
4 Cà Mau	124	23	4	2	6	12	1	76	0
5 Cần Thơ	255	107	20	0	40	33	50	5	0
6 Đồng Tháp	150	104	2	16	4	12	12	0	0
7 Kiên Giang	129	55	2	38	1	13	19	1	
8 Sóc Trăng	178	124	2	13	6	6	10	17	0
9 Tiền Giang	90	36	15	14	12	10	3	0	0
10 Trà Vinh	106	35	4	15	17	10	21	4	0
11 Vĩnh Long	53	17	1	2	10	12	10	1	0
The Delta number/the country's total	1,398/ 14,207	654/ 8,349	56/ 570	132/ 927	131/ 2,069	146/ 1,072	144/ 481	130/ 583	5/ 156

Source: Vietnam Union of Cooperatives

the Delta cooperatives' competitive edges are dull, so they are not attractive to the public.

The facilities and technologies of cooperatives are still obsolete and not innovated to promote production and business in the harsh competition. Their managers' skill and knowledge are not updated and not in accordance with the market mechanism. In the meanwhile, the output value of non-farming cooperatives soared to 11.7% in 2003 from 5.27% in 1997, offering permanent jobs to workers. The cooperatives have met partly labor demand in rural areas and helped restructure farm production actively. Nevertheless, the collective economy has faced a lot of restrictions and not really become a firm foundation for the national economy.

One of important reasons is lack of capital and policy for them to get access to loans. As a result, giving loans to this sector is essential to exploit their available potentials of capital, land, labor, and traditional handicraft for their development. According to the Vietnam Union of Cooperatives, 40.1% of cooperatives are good, 45% medium, and 14.9% poor until mid-2004 (the respective figures are 25%, 35% and 40% in 1999).

3. Measures to boost development of the Delta cooperatives

1. Promising signs of cooperatives in the new era

The Law on Cooperatives was passed by the National Assembly, term XI, fourth session on November 26, 2003 and effective from July 1, 2004 and the Government Decree 177 was issued on October 22, 2004, regulating that cooperatives have rights to establish their one-member limited companies. These legal documents have facilitated cooperatives' expansion. So far, there are 9,255 farm, forestry and fishery cooperatives across the country, offering jobs to 250,000 workers and including 1,595 co-operatives providing services of plowing; 4,559 of plant varieties; 6,848 of irrigation; 4,923 of plant protection; 950 of services; 3,950 of materials supply; and 538 of product sales. They currently have significant contributions to growth and development of Vietnam's agriculture and rural areas on the whole, and the Mekong Delta in particular.

According to the evaluations of Vietnam Union of Cooperatives, the partnership among cooperatives, between cooperatives and other businesses have been increasingly strengthened. For example, foreign

companies sign contracts with cooperatives to provide materials for cooperatives' production and buy up their products. Other businesses cooperate with cooperatives in production and supply of plant varieties, materials, products, capital, etc. The process of cooperation has generated favorable conditions for cooperatives to enhance their capacity and production following the planned targets. In addition, they also reduce production costs and promote their competitiveness. Prices are stable even in the early stage of crops, helping cooperatives and farmers estimate their possible profits. Many small cooperatives have been combined into large ones to consolidate their strengths for evolution.

2. Major measures to boost the Delta cooperatives

To date, cooperatives have made positive and firm changes to implement the strategy for socio-economic development in the 2000-2010 period, the resolution of the Vietnam Communist Party's ninth congress and especially the resolution of the Party Central Committee's fifth plenum on the collective economy. The following are suggestions for rural development on the whole and the Mekong Delta in particular:

(1) The Government should soon promulgate guidelines to implement the Law on Cooperatives which has been recently passed.

(2) Relevant ministries and agencies are required to create more conditions for cooperatives to trade in necessary goods for farm production including fertilizer, machinery and

petroleum...; for example, to cut off value added tax as compared to other businesses (experience from Malaysia and Thailand) with a view to reducing input costs and thus increasing competitive strength for farm produce.

(3) Cooperatives' organization and operation cannot be limited to scale and geographic location. They should be given autonomy in production and business. They will also have rights to distribute profits on the basis of working performance and shareholding and use economic gains as levers but at the same time respect social interests.

(4) Cooperatives' members include individuals and entities, showing the partnership between all economic sectors on the basis of voluntariness, fairness, and mutual benefits.

(5) The Government shall continue perfecting its farm land policies, and soon plan large areas specialized in growing fruits which are able to apply technological advances to production.

(6) Cooperatives shall be encouraged to carry out economic links with other sectors.

(7) Cooperatives will cooperate with regional universities to train managers for cooperatives.

(8) Technologies in farm production will be transferred to farmers; farm production and processing combined.

At the same time, cooperatives are required to give attention to the following points:

(1) They should not collectivize all capital goods of members, but depend on collective and private ownership;

(2) They must abide by applicable laws on enterprises, commerce, etc.;

(3) The functions of the cooperative head and the management board must be distinguished;

(4) The cooperative head may be a member or hired;

(5) Profit distribution must depend on working performance and shareholding.

(6) Interests of the cooperative member and social community shall be prioritized.

(7) Cooperatives' policies are in accordance with local features.

The central and local governments' supports are essential to cooperatives' effective operations. The role of cooperatives' managers is crucially important, so their professional skills and ethic practices must be promoted for cooperatives' sustainable development. ■

