

AN OUTLINE OF NON-FARMING BUSINESSES IN TRÀ VINH

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Like other provinces in the Mekong Delta, Trà Vinh authorities consider development of subsidiary occupations, or non-crop-farming businesses, as the most feasible way to deal with poverty because most potentials for these businesses haven't been tapped fully. The agriculture accounts for 66.21% of the provincial gross products and its annual growth rate is only 4.16%. That is why the development of non-farming businesses is so meaningful and important to the provincial economic life. On the way to this target, however, there are too many difficulties. A survey of non-

non-farming businesses shows that 90% of them aren't trained in any vocational schools; only 1.8% of the labor force have engineer's degree; 3.6% are from technical secondary schools and 0.9% are technical workers.

Of these businesses, the one that producing shrimp younglings has the biggest number of trained laborers: 14.3% of them are graduates from technical secondary schools; 7.1% are engineers and 3.6% are technical workers.

Generally, proportion of untrained laborers in Trà Vinh is higher than the national average.

tained profit into new investment instead of depending on bank loan. Moreover, most concerns are built on the owners' land and they didn't consider the land as fixed assets.

b. Machinery and equipment: Most concerns employ manual labor with only a few simple machines. Many concerns are in need of new equipment and machines, especially ones that process food and aquatic products. The total investment in fixed assets by an average concern varies between VND10 million and 40 million. The volume of investment differs over businesses.

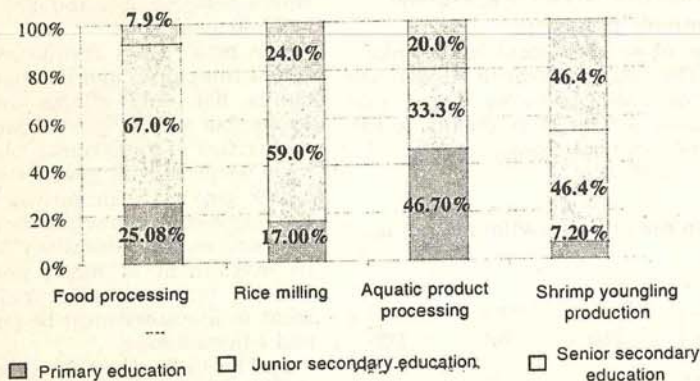
3. Supply of raw materials

The supply of raw material is still lacking and unreliable because there is no close relation between suppliers and processing concerns. As for aquatic product processing and animal feed businesses, the raw materials come from either producers or traders in Trà Vinh only. Most rice mills can only meet local demand because their working capital is too small to produce high-quality rice. Shrimp youngling farms are meeting with difficulty in securing new strains of shrimp because there is no shrimp breeding farm in Trà Vinh. To solve this problem, shrimp farmers have to buy shrimps of first generation from Central Vietnam (53.6%) or Vũng Tàu (14.3%). In recent years, production of raw materials for non-farming businesses has started to increase and the supplier-producer relation has become better.

4. Market

Some 93% of produce from non-farming businesses is supplied to local markets, that is, they can only meet the demand of the province and can't sell their products to other provinces. The main reason is high production cost (because of poor communications, obsolete techniques and machine, and dependence on trader for raw materials). Most business owners have no idea of marketing or distribution network. To improve their production and business performance, they have to deal with a lot of problems.

Figure 1: Laborers' education



farming businesses reveals that there are four businesses with potential for further development. They are production of animal feed, rice milling, aquatic product processing and production of shrimp younglings.

1. Laborers' education

Most laborers in non-farming businesses (51.2%) have got only junior secondary education (finishing grade 7 or 8); 24.6% have senior secondary education and 24.2% have only primary education or suffer illiteracy. Poor education makes it difficult for them to apply new techniques.

Our survey of technical knowledge of both owners and laborers in

The proportion of well-trained laborers is only 1% as compared with the national average of 3%.

2. Working capital and fixed assets

a. Capital: Most business owners (51.15%) didn't use bank loans and they are ready to get loans of high interest rate from private lenders. Aquatic product processing is the business where most concerns use loan capital (33.3%).

The payback period is rather short (from two to four years). Up to now, some 53.4% of non-farming concerns have paid off all debts. The short payback period is due to small investment. Most owners turned re-

Figure 2: Demand for capital

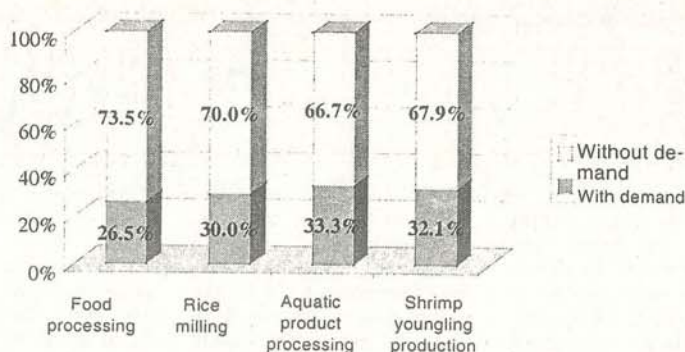


Figure 3: Average investment in a concern

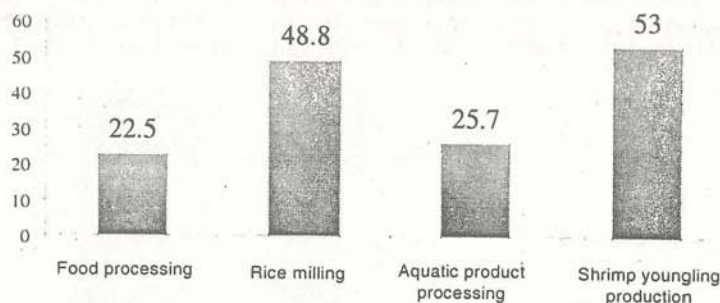
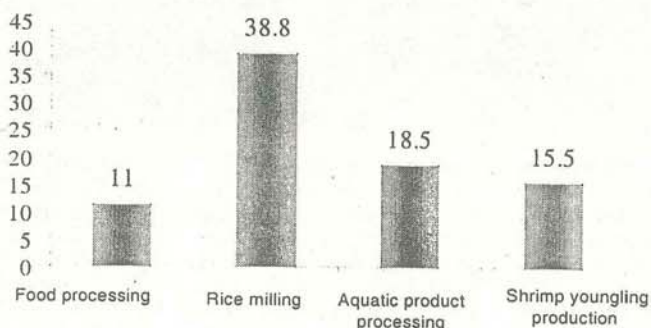


Figure 4: Investment in machinery



5. Business performance

Non-farming businesses in Trà Vinh are still considered as subsidiary occupation that helps improve the living standard of the owners'

families. The rice milling and animal feed processing businesses seem to make no progress and limit themselves to the provincial market because their working capital is too small to make the best use of abundant sources of raw materials and untapped market.

Aquatic product processing and shrimp breeding businesses have better prospects. The area of shrimp farms is on the increase: it was 21,250 hectares in 2000 and is expected to rise to 26,030 hectares by 2005. The output of aquatic product in Trà Vinh in 2000 was 92,000 tonnes and it is to rise to 110,000 tonnes by 2005. With increases in their retained profits, those two businesses could expand their production and market in the coming years.

6. Problems to solve

- Education and technical knowledge of laborers is limited. The proportion of skilled laborers to the labor force is small (33 as compared with the national average of 127).

- Most concerns lack capital needed for installing new production lines and increasing their working capital. Bank procedures are complicated and the short loan terms aren't suitable to their businesses.

- Most machines are obsolete, which makes the product quality poor. The situation is particularly serious in rice milling and animal feed processing businesses.

- Most concerns have no network for purchasing raw materials although the supplying source is abundant. And as a result, the production cost becomes higher because owners have to depend on private traders.

- Poor quality and high production cost make it difficult for processing concerns to market their products. The product quality is affected by bad raw materials, obsolete machines and techniques, and lack of storing facilities. In addition, most business owners didn't know how to gather necessary business information, organize distribution network and launch marketing campaigns. ■

ERRATUM

In last EDR issue (No 93 – May 2002), the author of the article "Prospects for E-Business in Vietnam" is Trần Đoàn Dũng, MBA, not MBA. Đoàn Trần Dũng as misprinted.

We hope the author and readers accept our apology for this mistake.

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