



Impact of projects initiating group marketing of smallholder farmers—A case study of pig producer marketing groups in Vietnam



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ABSTRACT

In recent years, several projects in Vietnam have focused on establishing farmer groups to link small-scale pig producers to markets in order to improve their livelihoods. To compare the success between different approaches and by contrasting them to individual farmers without joint marketing, data were collected from 286 members of 18 pig marketing groups initiated by seven projects and from 479 non-members in three provinces and the capital of Vietnam. Groups were categorized in Common Interest Groups, Cooperative Groups and Cooperatives. All groups were comparatively described according to member set-up, management, financing and marketing. Propensity score matching was used to evaluate the economic success, as one of the key factors for a long-term operation of farmer groups. Results showed that the intervention projects supporting farmer groups with training and in-kind subsidies seem to have the highest impact on the increase of income of members in comparison with non-members.

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1. Introduction

Small-scale producers in developing countries often have limited opportunities to sell their products in an efficient and profitable manner. In recent years, several intervention projects have focused on linking farmers to markets in order to improve their livelihoods (e.g. [Asia-Pacific Association of Agricultural Research Institutions, 2008](#); [Stringfellow, Coulter, Lucey, McKone, & Hussain, 1997](#)). In 2003, the International Fund for Agricultural Development (IFAD) pointed out that markets and improved market access is critical to rural poor households to overcome their poverty and would thus contribute to achieving the Millennium Development Goals. The World Development Report 2008 ([The World Bank, 2007](#)) also pursued the approach of linking farmers to the market.

Establishing farmer groups or cooperatives is one way to improve access of farmers to markets and increases their bargaining power in marketing interventions (e.g. [Castella & Bouahom, 2014](#); [Fischer & Qaim, 2012](#)). Over the past 25 years, the number of established farmer groups and 'new-style cooperatives' has increased considerably in Vietnam ([Wolz & Duong, 2010](#)). Besides

the efforts of the Vietnamese Government, numerous international organizations are supporting farmers in improving their access to markets. Among those organizations, the Australian Agency for International Development (AusAID), IFAD, the World Bank Group (WB), OxFam, the Catholic Relief Service (CRS) and the SNV Netherlands Development Organization have been involved in establishing farmer groups and linking farmers to markets in Vietnam ([Hoang & Graham, 2006](#); [Rankin & Russel, 2005](#)). Although ample literature is available for farmer groups in Vietnam focusing on coffee, vegetables, fruits and aquaculture (e.g. [Ha, Dijk, Bosma, & Sinh, 2013](#); [Moustier, Tam, Anh, Binh, & Loc, 2010](#); [Rankin, Dunne & Russel, 2008](#); [Sustainable Commodity Assistance Network, 2011](#)), only few publications have analysed livestock farmer groups. Yet, surprisingly, while there are studies on formal groups, such as cooperatives (e.g. [Quach & Kawaguchi, 2003](#); [Binh, Thai, Quang, & Moustier, 2007](#)) and informal ones, such as common interest groups (e.g. [Hoang & Graham, 2006](#)), with different production focus, such as beef (e.g. [Anh, Tuan, & Truong, 2010](#)), there is limited research on pig production groups in Vietnam; although, pig production is an essential source of livelihood for small-scale farmers in Vietnam ([Lemke, Kaufmann, Thuy, Emrich, & Valle Zárate, 2007](#)). With reference to pig production, [Binh et al. \(2007\)](#) showed that members of a pig cooperative were able to increase their income by reducing their transaction costs and ensuring quality products for

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the consumer. Even though this study included a profit calculation comparing members and non-members, to our knowledge, there are no studies yet applying propensity score matching to compare the economic effect of being a member of farmer groups established with the help of intervention projects.

Although it is widely known that collective action can support farmers in increasing their income (e.g. Markelova, Meinzen-Dick, Hellin & Dohrn, 2009), several examples from the past have shown that the establishment of farmer groups or cooperatives has not always been successful (e.g. Cazzuffi & Moradi, 2012; Garrido, 2007; Attwood & Baviskar, 1987). Golovina and Nilsson (2011) showed that top-down established and organized cooperatives in Russia failed due to limited knowledge of the governmental administration about the conditions and needs of the farmers. Following Sexton and Iskow (1988) several studies have analysed the factors for success and failure of farmer groups or cooperatives in different countries. Most of the studies found the root causes for success or failure to be economic (e.g. Bruynis, Goldschmith, Hahn, & Taylor, 2011), attitudinal-behavioral (e.g. Bhuyan, 2007), financing (e.g. Keeling, 2004) and management/operational (e.g. Azadi, Hosseininia, Zarafshani, Heydari, & Witlox, 2010; Mahazril, Hafizah, & Zuraini, 2012) factors. Garnevska, Liu, and Shadbolt (2011) showed that a stable legal environment and appropriate government policies were also important. In Vietnam, the motivation among farmers for the creation of farmer groups might be additionally hampered due to the history of the 'old-style socialist cooperatives' and the established groups may still not be working according to democratic principles (Anh et al., 2012). Quach and Kawaguchi (2003) studied two dairy cooperatives in North and South Vietnam and found a great reluctance among farmers to join a cooperative, because membership benefits were not clearly perceived and farmers rather joined a group because of strong interpersonal and community bonds between villagers.

The aim of this study was to compare different pig production farmer groups (common interest groups, cooperative groups and cooperatives) that have been established by seven different projects in selected areas of North and Central Vietnam, according to their structure and operation as well as their impact on farmer's income. Members of farmer groups are compared to non-members.

2. Background

2.1. Cooperative development in vietnam

During colonialism and until 1953, only a small percentage of French and Vietnamese landlords or rich peasants owned large amounts of land, whereas more than half of the rural populations were either poor farmers or landless workers (Raymond, 2008). In the mid-twentieth century, Vietnam followed the centrally planned, socialist economic system from the Soviet Union and enacted the Land Reform Law. Agricultural production cooperatives (APCs) replaced private farming (Wolz & Duong, 2010). The APCs were state-owned. The management and organizational set-up was bureaucratic, for example, farmers worked in production brigades under the supervision of brigade management committees and the cooperative's committees for management and inspection. Managers awarded workpoints to brigade members for their collective labour which were worth a portion of the cooperative's net harvest (Raymond, 2008).

In response to the economic crisis, the agricultural sector underwent significant reforms since the end of the 1970s. In January 1981, the government introduced the household contracting system (Directive No. 100CT/TW of the Central Committee) and thus, legalized first local market mechanisms. These reforms also allowed farmers to use 5% of their land privately and to sell their surplus on

the market instead of selling it to the state. The changes were finally secured by an additional resolution (Resolution No. 10 NQ/TW) and the Land Law in 1993 (revised in 1998 and 2000).

The reforms recognized family farms as the major source of agricultural production and no longer – as previously – the APCs. Family farming was partly re-established (Cox & Le, 2014; Wolz & Duong, 2010; Dieu, 2006). Since land was then lacking for the APCs, the Vietnamese government supported the transformation from as many APCs or 'old-style cooperatives' as possible into agricultural service cooperatives or 'new-style cooperatives'. Wolz (2000) mentioned that in 1994 about half of the 'old-style cooperatives' were no longer operating and only existed on paper for various reasons. In addition, informal farmer organizations emerged rapidly during this time.

In 1997, the Law on Cooperatives was enacted and then amended in 2012. For more detailed information on the cooperative development in Vietnam, see e.g. Cox and Le (2014), Wolz and Duong, (2010) and Fforde and Huan (2001).

2.2. Farmer groups

Throughout this paper, the term 'farmer group' refers to different stages of farmer organizations in Vietnam. Pig production groups are grouped into common interest groups (CIG), cooperative (or collaborative) groups (CG) and cooperatives.

CIGs are the simplest form of farmer organizations. These groups are self-managed by farmers sharing a common interest. In the pig production sector, CIGs are usually established by farmers of one village, only rarely two or more villages are involved. Live pigs and pork can be sold through the support of the groups, but also individually. The CIGs mostly have a common saving fund, which in turn can be lent to other members. The CIGs are registered through the Commune or Town People's Committee (SCAN, 2011).

A CG requires a more formal structure of at least three individuals and a joint cooperative group contract. The Decree 151/2007/ND-CP, passed by the government of the Socialist Republic of Vietnam in 2007, regulates the organization and operation of a CG. CGs are certified by the People's Committees of the commune, ward or town (SCAN, 2011). They follow common cooperative principles based on the values of self-help, self-administration and self-responsibility (DGRV, 2014). The long-term purpose of a CG is its transformation into a cooperative.

Cooperatives are established formally under the Vietnamese Law on Cooperatives and defined as a collective economic organization. At least seven members are necessary for the establishment of a cooperative. The cooperative operates under the principles of cooperation: self-control, self-responsibility, equality and democratic management. The Vietnam Co-operative Alliance (VCA) is a social-economic organization working at national and provincial levels with the task to provide consultancy and support to the cooperatives with legal aid or training.

2.3. Projects

Different projects have been initiated by international and local organizations to provide support to farmer groups in Vietnam. Fforde (2008) found that donor development agencies focus on participatory, community-based projects; yet, intervention projects in Vietnam operate with or through official structures controlled by the Party.

In Cao Bang, a project funded by the International Funds for Agricultural Development (IFAD) with the technical assistance of Lux-Development (Lux-Dev.) supported farmers in establishing CIGs. From 2008 to 2014, a total of 451 CIGs were established in the province, with 22 of these focusing on the production of 'black village pigs'. These 22 farmer groups were registered in 2009. The IFAD

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