The economic transition of the Vietnamese livestock sector

An institutional perspective

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1. Livestock in Northern Vietnam before 1986
   - State farms and collective agriculture (Cooperatives)
   - Priority to high technology
   - Administred “Socially“ Economy
Ba Vì State Dairy Farm

1960

1969
2. Livestock in Vietnam after 1990: the “Đổi mới” Policy
   - Towards a “socially oriented market economy”
   - Priority given to family households
   - Strong support from Government services

Individual smallholder dairy farms
Individual smallholder dairy farms (Ba Vì District)
• A tremendous growth in the dairy sector
  • Milk production increased from 400% from 2000 to 2008
  • A total of 19,800 small farms in 2006 with an average of just 5.3 cows/farm
3. Livestock in current Vietnam (2009 to …)
   - Focus on « modernization programs », high technology
   - Development programs « technically or financially » driven
   - More and more industrial farms (Mộc Châu, Ba Vì, Nghệ An..)
Question?

- What is the role of State in the livestock sector regulation?
  - What are the effective rules (institutions) in the reality of imperfect markets?
  - What services and products should be provided by the Government?
  - What institutions might help the coordination between private, professional organizations and public bodies?
What is an « institution »?

According to « New institutional economics »
(North, 1990)
▪ Organization : « players of the game »
▪ Institutions : « rules of the game »
▪ Driven by (individual) « income maximisation »

According to « Old institutionalists »
(Commons, 1931)
▪ « Institution is a collective action in control, liberation and expansion of individual action » (Commons, 1931)
▪ Economic life is a « social process »
▪ The control is made by customs or organized « going concerns » through « working rules »
How is collective action driven?

- The concept of « futurity » (Commons, 1931)
  - Actions of individuals are determined by the perception they have of what will be the consequences of their action
  - This perception is their « futurity »
  - The « futurity » is based on a collective signification: « common consensus of opinion »

- Institutions are shaped by this « common consensus »
- « Common consensus » are linked to « developt models »
## Method

- **Logical framework**

<table>
<thead>
<tr>
<th>Social consensus of opinion</th>
<th>Observed institutions (“going concerns” &amp; “working rules”)</th>
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<tbody>
<tr>
<td>Access to resources</td>
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<tr>
<td>Access to market</td>
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</table>
Method

- **Case Study**: milk production in the Ba Vì District
  - Milk production in Ba Vì
    - Former Dairy state farm
    - Around 4700 cows in 2010
    - Nearly exclusively F2 and F3 Holstein
    - Mostly small family dairy farms (0.5 to 2 ha)
Method

Data collection

- Interview with selected stakeholders
  - Local authorities (District and Commune Popular Committees)
  - Industries collecting milk + Collection centers + Feed industries
  - Milk bars and restaurants (5)
  - Selected sample of milk producers (10)

- Questions on:
  - Access to resources mechanisms (land, genetics, feeds, credit and capital, know-how, ...)
  - Access to market mechanisms (Prices, contracts, quality regulation, geographical indication...)
  - Historical development process
Results and discussions
## Provision of livestock services in Ba Vì

<table>
<thead>
<tr>
<th>Public organizations</th>
<th>Types of services</th>
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<tbody>
<tr>
<td>▪ Popular Committee</td>
<td>Land access</td>
</tr>
<tr>
<td>▪ Ba Vì Research center</td>
<td>Techn. Support + animals</td>
</tr>
<tr>
<td>▪ Agricultural Extension Center</td>
<td>Trainings</td>
</tr>
<tr>
<td>▪ Projects (Jica, etc.)</td>
<td>Techn. Supp. + trainings</td>
</tr>
<tr>
<td>▪ Private organizations</td>
<td></td>
</tr>
<tr>
<td>▪ Dairy Industries (IDP + CTCPBSBV)</td>
<td>Trainings + Credit</td>
</tr>
<tr>
<td>▪ Feed industries</td>
<td>Trainings</td>
</tr>
<tr>
<td>▪ Womens Union</td>
<td>Credit, trainings</td>
</tr>
<tr>
<td>▪ ...</td>
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## Institutions for accessing land

<table>
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<tr>
<th>Period of time</th>
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<th>Observed institutions</th>
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| 1995 up to now | Land should be distributed to individual households | Land access for farmers - for 50 years (LURC*)  
Long term “land assignment” for land previously belonging to State farm (contract btw households and Research Center) |
| 2008-2011 | Land should be given to industrial projects and tourism business | Land access for tourism industry (LURC*)  
Land access for a 300 cows industrial farm  
Land access “locked” for smallholders |

*: LURC = Land use right certificate (« Red Book »)
### Institution for accessing livestock capital

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<th>Period of time</th>
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</table>
| 1995 up to now | Milk should be produced by individual households | Long term “Animal consigning” for cows previously belonging to State farm (contract with households) = 1200 Cows  
Credit-loans for dairy cows from Women Unions (48 loans in 2010, 60 loans in 2011)  
Capacity building for animal cares |
<p>| 2005-2011 | Dairy industries should benefit from households milk production | Credit for Dairy cows from IDP – contract with producers (200 loans in 2010-2011) |</p>
<table>
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| **Up to 2008**    | Price efficiency is central in the milk collection | Private collection centers  
Only one price for milk  
Non-contractual milk sales |
| **After 2008**    | Quality is central in the milk collection | Contractual milk deliveries to Industries  
Milk quality controls (3 grades)  
Milk prices depending on quality  
Quality trademarks and GI (Bavi, Moc Chau)  
Non-contractual milk sales |
Institutions play a significant role in livestock development in Vietnam

- For accessing resources
- For accessing markets
Future prospects (*futurity*) are important in the design of institutions

- What is the development model for livestock in Vietnam?
- Balance between interests of consumers and producers?
- How to conciliate past (*social*) and future (*industrialization*) priorities?

Are current development trends *sustainable*?
- Economically
- Socially
- Environmentally