

Urbanization and rural development in Vietnam's Mekong Delta: livelihood transformations in three fruit-growing settlements

HOANG Xuan Thanh, DINH Thi Thu Phuong, NGUYEN Thu Huong with Cecilia Tacoli

(this paper is a summary of a longer working paper of the same title which can be downloaded from <http://www.iied.org/pubs/display.php?o=10555IIED>. ISBN: 978 1 84369 704 6)

In recent years, the poverty rate among fruit farmers in the rural Mekong Delta has declined more rapidly than among all rural households in the region and in Vietnam. This is despite huge fluctuations in the fruit export markets in the last decade. The findings from this case study in three rural settlements in Tien Giang and Vinh Long provinces suggest that the main driver of rural development is a positive reciprocal relationship between urban centres and farming. There are two main aspects to this: first, the growth of urban incomes throughout Vietnam, resulting in high demand for fresh fruit, and second, the increase in employment opportunities in non-farm sectors, which allows farmers to diversify their income sources and invest in fruit production. Where non-farm employment is available locally – in large villages and small market towns – it reduces migration to the cities and the vulnerability of poor households.

But while, overall, urbanization has so far benefited the case study settlements, it also presents new challenges that need to be understood and addressed. These new challenges are closely related to the specific circumstances of each settlement, and local governments are best placed to understand them. At the same time, their capacity to address them depends significantly on support from provincial and national governments, as, increasingly, regional and rural development is linked to national and global transformations.

The case study settlements

Policies for rural development are often based on generalisations of what is a 'rural' settlement; in practice, however, all settlements are different and the most effective policies are those that take into account their specific circumstances and those of the people living there. The three case study settlements are no exception: they are different from other settlements in the Mekong Delta, and also show variations between them. In common they share good access to transport and road networks, a focus on the production of speciality fruit and a relatively high involvement of their residents in non-farm activities, both locally and through migration. The two provinces where the settlements are located, Tien Giang and Vinh Long, are the largest fruit producers in the Mekong Delta, have some of the region's highest population densities, and are close to the main cities, Ho Chi Minh City and Can Tho. All communes in the two provinces have electricity connections and paved roads. Although in both provinces only 15% of the population is classed as urban and the economic base is predominantly agricultural, their proximity to rapidly expanding urban centres is already resulting in deep transformations in their economic and social structure.

The three case study settlements reflect different trajectories of these socio-economic transformations that, in turn, relate to other differences such as geography, natural resources and history. Vinh Thoi village is a densely built settlement at the centre of Vinh Kim commune (Chau Thanh district, Tien Giang province), a long-standing market node well connected to HCMC. Recent investment in a new fruit market place has further expanded trade and service activities, which now account for almost 70% of resident households' incomes and attract migrants from surrounding areas. Farming accounts for less than 20% of household incomes. Since 1995, rice has not been grown in the village, and farming consists mainly of the production of the speciality Lo Ren milk fruit.

My Thoi 1 village in My Hoa commune (Binh Minh district, Vinh Long province) is well known for its Nam Roi pomelo. The commune is separated by Can Tho, the fastest growing city in the Mekong Delta, by the river. Urban expansion, including the construction of infrastructure and industrial zones, is resulting in major changes in land use. The location of My Thoi 1 means that it is unlikely to lose its farmland in the immediate future, and its residents have benefited from the construction of a dike to protect it from floods, and of a bridge giving it easy access to Can Tho city's amenities and employment opportunities. Non-farm activities account for over 49 % of household incomes, while farming, at over 46%, remains a significant activity.

Hoa village in Hoa Hung commune (Cai Be district, Tien Giang province) is the most agricultural of the three settlements, and farming accounts for 62% of household incomes. However, here too non-farm activities are increasingly important for household incomes (over 1/3 of which is from trade and services and wage labour) and households that rely exclusively on agriculture are likely to be the poorest. Hoa Hung is the homeland of the high quality Hoa Lac mango variety, which sells well on urban and export markets to which the settlement is well connected by its close proximity to An Huu town, one of the main fruit market nodes in the Mekong Delta.

Transforming rural livelihoods: farming, income diversification and mobility

From rice to fruit: the role of markets and policies

Agricultural production in the case study settlements and in the two provinces has radically changed since the 1990s. From being predominantly rice-farming areas, complemented by fruit production and husbandry, they have become highly specialised fruit producers. This is the result of the combination of wider socio-economic and policy changes. A key driver is certainly the increase in domestic demand for high-value fresh fruit: the average annual per capita expenditure for fruit in both rural and urban areas has doubled in the past ten years, reflecting the general improvement in Vietnam's living standards. Only 5 to 10% of all fruit produced in the three settlements goes to export markets; the bulk is sold on domestic urban markets, from the local towns to the large cities, including Hanoi.

On the policies side, household land use rights allocation has stimulated investment, supported by agricultural policies and programmes for fruit production, while the restructuring of commune land use regulations has facilitated the switch from rice to fruit. Industrial development policies have also contributed to changes in rural livelihoods: demand for workers in construction, services and manufacturing in Can Tho and HCMC has attracted young people from the settlements, whose remittances constitute an important part of household incomes and are partly invested in fruit production.

Fruit and local non-farm employment

The switch from rice to the less labour intensive fruit production has facilitated the diversification of income sources, including seasonal migration. Fruit is also more perishable than rice and requires grading, packaging and daily transport to markets. Most of these value-adding activities are undertaken by traders in market nodes such as Vinh Thoi, and provide employment for migrants from surrounding areas and poor local residents. This concentration of activities, in turn, attracts people and creates demand for a wide range of services, from cafes, restaurants and small groceries stores to hairdressing and personal transport, which create more non-farm employment.

The diversification of the economic base and household income structures in the three settlements has certainly had a positive impact. Living conditions have greatly improved in the past decade and in the three settlements all basic indicators of assets, housing and facilities are much better than the average for the Mekong Delta. Fifty percent of respondents live in houses with permanent walls, compared to 8% on average in the region, the use of mobile telephones and gas cookers is widespread and a few residents also have access to computers and internet connections. It is important to note, however, that income inequality has also widened. The national average ratio of highest to poorest quintiles is 8.14, but in Vinh Thoi it is 20.5, in My Thoi 1 it is 13 and in Hoa 9.1. The poor have smaller fruit gardens, have limited access to the better paid non-farm employment and their households are less likely to have a migrant member.

Mobility

Out-migration from My Thoi 1 and Hoa villages is significant – about half the survey households have at least one member who has migrated – and relatively recently: 90% of migrants moved after 1998. This is when demand for manufacturing and construction jobs in the rapidly expanding industrial zones in the Mekong Delta increased, and also when most households switched from rice to the less labour-intensive fruit farming. Better infrastructure and communications, higher education levels and improved access to employment and information, together with the development of social networks extending to distant locations, have contributed to the increase in migration and mobility.

Migrants are mainly young, single women and men in equal proportions but going to different destinations, linked to gender-selective employment opportunities – construction and portering work for men, manufacturing and domestic service for women. Hence, while men are more likely to move on a seasonal basis to destinations within the province, women tend to move for longer periods to other provinces, mainly to HCMC. The number of young people moving to cities and towns to continue their studies has also increased in recent years, reflecting growing wealth and investment in education in the settlements.

Remittances are a significant part of household incomes, in some cases the main part of it. As fruit prices tend to fluctuate, remittances have a major role in stabilising household incomes. On average, poor households receive lower amounts than wealthy households, but whatever they receive is often a higher proportion of their overall household income and therefore more critical to their livelihoods. Daily expenditure is the most cited use of remittances, followed by education and health payments and, in third place, investment in agriculture. However, it is mainly wealthy households who can afford to invest remittances in farming. Increased mobility is also changing the demographic profile of Hoa and My Thoi 1: as young people move out, it is the older generations who stay, sometimes with the migrants' young children. To work in the

gardens at peak time, about half of the survey households hire labourers, often migrants themselves.

While My Thoi 1 and Hua show more or less similar trends in mobility and migration, Vinh Thoi is different. In this settlement, local young people do not migrate in the same numbers as in the other villages, and those who do, go to study rather than work, since there is sufficient non-farm employment in the village. At the same time, Vinh Thoi attracts migrants from surrounding areas. This is because of the role of Vinh Thoi in the fruit marketing system.

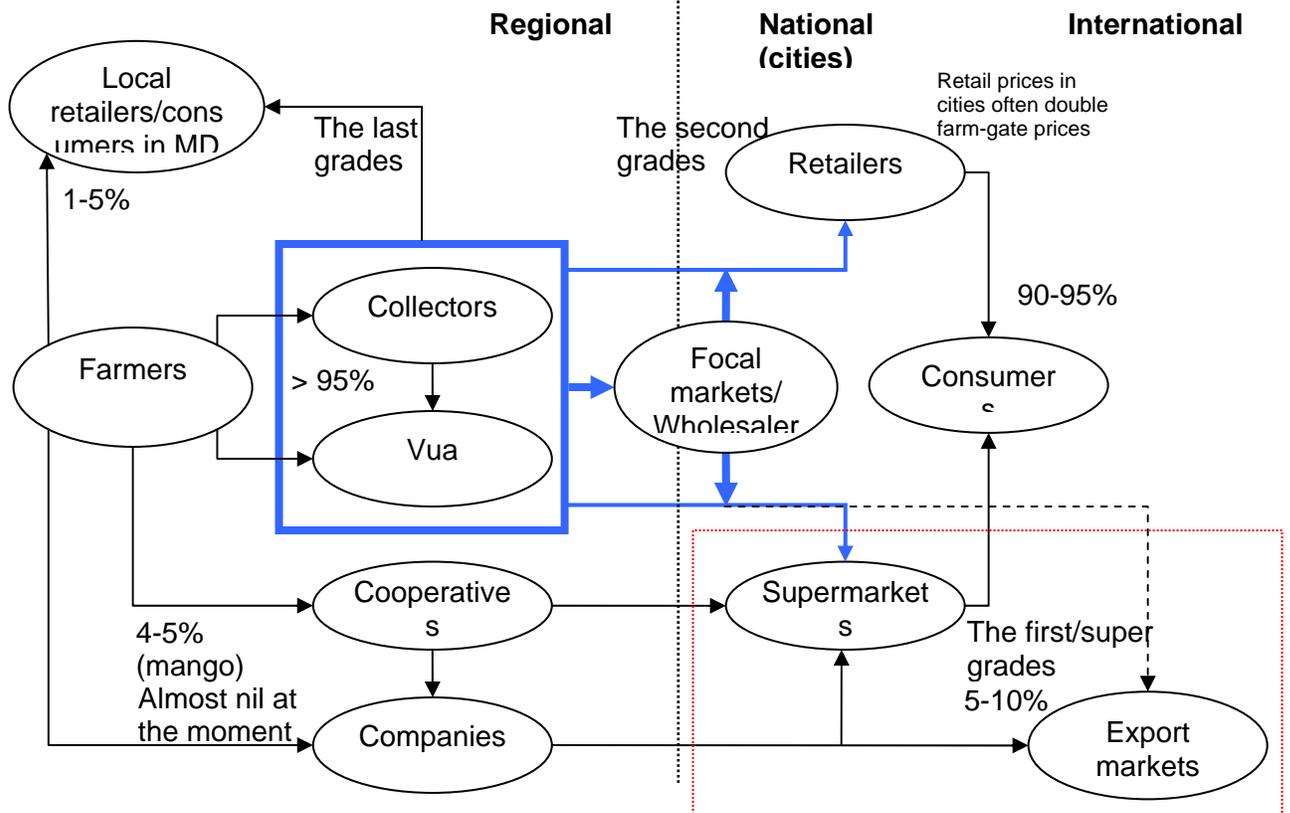
The important role of local traders in rural development

Private traders, especially small-scale ones, are often seen as inefficient and even exploitative of producers. It is generally thought that farmers' incomes would improve if they were able to by-pass local traders and sell directly to large distributors and exporters. In contrast, evidence from the three settlements, and especially Vinh Thoi, shows that local traders are not only essential in linking small-scale farmers to markets, but are also crucial actors in rural development.

Farmers have two main ways to bring their fruit to market: they can go to market nodes such as Vinh Thoi and sell directly to the large traders (*vua*), who offer the best prices; or they can sell to collectors who come to the farm and then bring the fruit either to the *vua* or directly to urban markets. The second option is clearly preferable in the settlements at some distance from market nodes where the *vua* are located, and for households with limited time and labour, or with small production volumes. It is likely that such households would give up production altogether if they were not able to rely on small-scale local traders, as they would not be able to comply with large buyers' demand for consistent quantity and quality. Both collectors and *vua* play a key role in matching a supply of diverse fruit to demand from various sources: the super-grade fruit goes to export markets or supermarkets, the first and second grades are sent to urban retailers and the lower grade is sold on local rural markets. Some of these private traders have been in the business for a long time, and have good market information and extensive networks throughout the country. In the three settlements, the number of traders has greatly increased in recent years, and in Vinh Kim commune there were more than 150 *vua* and 100 collectors at the time of the fieldwork. Large traders often develop long-term relationships with farmers and can maintain large networks of trusted suppliers to respond to demand at peak times.

Grading and packaging are the main value-adding activities for traders, and are undertaken in market nodes such as Vinh Thoi. These are also activities that create local non-farm employment, both permanent and seasonal: a large fruit trader dealing with quantities ranging from 4-6 tonnes in low season to 10-18 tonnes at peak times may employ 15 to 30 labourers. Porterage in the fruit market, supplying packaging materials and transport services are also directly related to the fruit trade. Other activities such as guarding vehicles, providing personal transport in and around the market and services like hairdressing, cafes and restaurants and small groceries shops, reflect increased demand from local residents and migrant workers, and from visiting farmers from the surrounding settlements. In other words, while fruit is the engine of the local economy, the locally-based marketing system has stimulated the development of a range of non-farm activities that have helped diversify the economic base of the settlement and the income base of its households.

Typical market chains of Lo Ren milk fruit, Hoa Loc mango and Nam Roi pomelo.



The challenges ahead: policy issues for the three types of settlement

At the present time, the three settlements are largely success stories, especially when compared to other rural settlements in the Mekong Delta region. However, whether they will be able to continue on this path will depend not only on the entrepreneurial spirit of their residents but also on wider socio-economic transformations. The differences between the three settlements also suggest that they may evolve following different trajectories, which in turn will present different risks and opportunities. New challenges will need to be addressed by appropriate and supportive policies based on the understanding of each settlement's specific circumstances.

The growing market node

Vinh Thoi will gain urban status in the very near future, and this is likely to increase its role as market town serving its surrounding region. The role of farming in its residents' livelihoods, as a consequence, will probably continue to decline while that of non-farm activities will increase. What is likely to remain, however, is the strong link between traders and farmers from the surrounding rural areas that constitutes the economic base and the success of Vinh Thoi. Many small urban centres around the world have grown out of a reciprocal relationship with a prosperous surrounding rural region just like Vinh Thoi. However, this growth is not guaranteed, and needs to be supported by appropriate policies.

Local urban centres typically play an important role as providers of trade and services to a large number of small-scale farmers, but in many countries agricultural policies favour large-scale commercial agriculture on the grounds that it is more efficient in terms of production and access to high-end markets such as exports and supermarkets. It may seem strange that as Vinh Thoi moves away from farming, agricultural policies are those most likely to affect its economic base and the livelihoods of its residents, but in most cases, large-scale farms do not contribute to the development of market towns, as their operations tend to be centralised, with produce brought directly to markets in larger cities and little if any reliance on local processing and other services. Profits that are not reinvested in the farm are usually spent in the larger cities, where ownership of large farms is often based. Moreover, large-scale commercial farming may increase agricultural output for high-end markets, but it is usually much less efficient in responding to rapid changes in domestic demand because of the costs involved in transforming large-scale production. It is also rather inefficient in promoting rural development which, as the case study in the Mekong Delta and many other studies in other regions of the world suggest, can only be achieved through a reciprocal relationship between farmers and urban centres, especially local market towns, which provide opportunities for income diversification.

Another issue likely to affect small market towns such as Vinh Thoi relates to changes in food distribution systems in urban centres. Although currently supermarkets have a minor share of urban food retail in Vietnam (and absorb only around 5 percent of fruit produced in the three villages), this is growing fast, following similar trends in other Asian countries with high economic growth and urbanization rates. For urban consumers, there are many positive aspects to this expansion, which usually involves lower prices and greater choice of products. But experience in other countries suggests that supermarkets also tend to rely on large-scale producers and bypass local market towns and the services they offer, in favour of centralised operations. This is not necessarily the case, however, and supermarkets (as well as exporters) can contribute to the development of their supplying areas by ensuring that value adding activities such as processing, grading and packaging remain located in local market nodes; this is currently the case in the study settlements, where supermarkets buy from local traders.

Infrastructure is another important element of the success of market nodes such as Vinh Thoi. What is significant is not only that they are well connected to the surrounding rural settlements where producers reside, and to the local cities of Can Tho and HCMC, but also to more distant markets such as Hanoi. The role of small towns as distribution nodes with the potential to bypass local cities has important implications for traffic congestion and air pollution, already major problems in HCMC, which should be taken into consideration in infrastructure planning.

Finally, like many 'urbanizing villages', Vinh Thoi experiences environmental problems such as water pollution and solid waste management from its increasingly densely built residential area and from market activities. The capacity of the commune to address these will probably increase once it gains urban status, but will require appropriate training and resources.

The peri-urban settlement

Although My Thoi 1 settlement is not currently directly affected by the urban and industrial expansion of Can Tho city, it is likely that this will nevertheless have a significant impact on its residents. While they may not immediately lose their land, unlike

households in other settlements of the same commune, there will be both opportunities and constraints as the city grows closer. Opportunities will consist mainly of increased employment opportunities in non-farm activities without the need to migrate. The settlement's residents will however share the constraints of many residents in other peri-urban areas in the world for whom farming remains an important occupation, primarily in relation to the use and management of natural resources. Water is often a major cause for potential conflict between farmers and industrial users and, although there is no shortage of water in the area, industrial effluents can severely affect farming if not treated properly. Domestic sewage discharged in surface water from densely populated urban centres can also affect farming in downstream areas if left untreated. Solid waste from urban centres is usually disposed of in landfills outside the city boundaries, affecting the surrounding settlements. Finally, air pollution from industrial plants and from city traffic can have an adverse impact on fruit trees.

Most of these problems can be resolved through appropriate measures. However, in many cases the real issue is one of natural resource management, and more specifically of which local authorities are responsible for ensuring that the needs and priorities of all users are taken into account. Typically, peri-urban areas do not fall within the urban administrative boundaries and are not considered to be the responsibility of municipal authorities; at the same time, rural local governments and communes in peri-urban areas are much weaker in terms of resources and capacity than municipal governments. This often undermines their capacity to negotiate solutions that will protect their residents' livelihoods. In a context of rapid urban growth, these issues are likely to become increasingly central for urban planning and for natural resource policies.

The agricultural settlement

Of the three settlements, Hoa is the one where farming is still the main income source for resident households. Their speciality product, mango, sells well on urban markets, but while competition from imported mango is still relatively limited, it is likely to become increasingly significant as demand for consistent quality grows, especially in urban markets, and tariffs are reduced under WTO agreements. The success of agricultural policies that aim to address the key constraints of fruit production in Vietnam - low yields; insufficient supply of high quality and safe products in relation to both domestic and export demand; high post-harvest losses; and limited processing and labelling capacity – will have a strong impact on the residents of this settlement as on other producers of potentially higher-end products. Much can be learned from the experiences of implementing elements of GAP by the Hoa Loc mango cooperative. In the context of this study, one important lesson is that poor farmers are reluctant to innovate, whereas farmers who can count on additional non-farm incomes are more prepared to take risks. In other words, supporting opportunities for income diversification is an essential component of successful agricultural policies and programmes. This often means collaborating rather than competing with local traders and service providers in marketing activities.

Education, mobility and poverty reduction

As non-farm employment, either local or in different locations, is likely to grow in all three settlements in the future, education will become increasingly important to ensure access to better jobs. Low levels of education are currently a major problem in the Mekong Delta, and a key factor of poverty. One reason for the success of the three settlements is the relatively higher level of education than the low average in the region. Moreover, its

perceived value among the survey respondents is reflected in the high proportion of remittances invested in education. Better education is stimulated by the existing opportunities for non-farm employment, which clearly show the benefits of skilled jobs compared to unskilled ones. Educational policies are therefore extremely important in determine the ways in which the next generations will construct their livelihoods. Education is also essential in providing access to better livelihoods for the landless poor and to alternative livelihoods for those who will lose their farms to urban expansion.

Mobility and migration, as important features of income diversification, also play an important role in rural development. Contrary to widespread assumptions, current movement in Vietnam is not predominantly permanent; but perhaps more importantly, it is a key way for many households in rural areas to move out of poverty or reduce their vulnerability; in many cases, it allows people to stay in farming and to improve revenue from it (provided they have access to land and labour). However, this may not be the case for the next generations, currently the most mobile. The three settlements in this case study offer an overall positive picture of the impact of migration and mobility on livelihoods and local economic development. However, as the rapid growth of the larger cities in Vietnam remains a major policy concern, it is becoming even more pressing to ensure that economic growth strategies do not concentrate investment (and attract migrants) in and around the larger cities only, but support the development of smaller urban centres.

Conclusions

Most of the transformations in the livelihoods of residents of three village settlements appear to take place at the local level (changes in agricultural production, growth in non-farm employment) and at the regional level (most mobility is within Southern Vietnam, with very few overseas migrants and the majority moving to the local cities; the main markets for fruit are local urban centres, less so national urban centres and a small percentage are export markets). But this does not mean that global transformations do not affect dynamics in the two study provinces. Out-migration is largely linked to the emergence of industrial employment, much of it for export; fruit markets are affected by both exports and imports and therefore by international trade agreements; and although supermarkets do not have a large share of the fruit markets yet, and are still mainly under Vietnamese ownership, they can be seen as a 'globalising' dimension of changes in urban consumer habits. In terms of national policy, the government of Vietnam aims to halve the agricultural labour force by 2020. This is expected to be achieved through the promotion of agribusiness and incentives to larger production units, while small-scale farmers will have to switch to manufacturing and services, mainly urban-based.

The findings of the case study presented in this summary suggest a different path to rural development, based on a positive reciprocal relationship between urban centres and rural areas and a strong role for small towns in local economic growth and poverty reduction. Whether this type of rural development represents just a transitional phase or a sustainable alternative with long-term prospects for poverty reduction and economic growth is likely to depend on the capacity of provincial and commune governments to formulate and implement appropriate policies, and on the support given to these by national development strategies.