

Policy pointers

In 2006, a study found three rural settlements in the 'rice bowl' region of Vietnam were models of successful social and economic transformation.

Nearly ten years after the initial study, links between farming, trade and services remain strong, and specialty fruits remain central in an increasingly diversified local economy. Although poverty has declined, income inequality has grown.

The role of large fruit traders, who are part of 'traditional' markets, has become even more important in all settlements. This suggests these markets have greater flexibility and resilience than modern cooperatives.

New challenges include meeting quality standards to access export markets; strengthening capacity to manage water pollution and waste, both residential and agricultural; developing more effective plans for adaptation and mitigation of climate change; and setting aside land for future fruit production in light of population and urbanisation pressures.

Fruitful change: rural-urban transformation in Vietnam's Mekong Delta

Rapid urbanisation and industrialisation have had multiple impacts on rural Vietnam since economic reforms were introduced in the mid-1980s. In a 2006 study, the authors discovered that three rural settlements focused on specialty fruits were thriving amid all the socioeconomic changes. In a follow-up study nearly a decade later, the authors discovered the settlements were still benefiting from rural-urban transformation. But new challenges have emerged, including weak quality standards, water pollution and waste, climate change, and population and urbanisation pressures.

From rice paddy to fruit orchard

Rapid urbanisation and industrialisation are transforming the relationship between urban and rural centres in Vietnam, sparking multiple impacts on the food sector. Between 1990-2013, for example, the number of cities in Vietnam grew from 500 to 760.

But urbanisation in Vietnam is more than a shift of the population from the countryside to large cities in search of work. Labourers in rural areas and small towns also commute daily to nearby industrial zones, and rural labourers may migrate from one village to another for seasonal work. Indeed, since 2005, more people have been migrating between villages than from rural areas to cities.

While rural-urban migration itself is declining, urban areas are still the country's economic juggernaut. They generate up to twice the amount of economic growth as the national

average.¹ Urban incomes — especially in big cities — account for 70–75 per cent of the country's gross domestic product. In the process, they are creating millions of jobs for workers.¹

In 2006, the authors studied the impact of these profound socioeconomic transformations in Vinh Thoi (a growing market node), My Thoi 1 (a peri-urban settlement near the growing city of Can Tho) and Hoa (the more typically agricultural of the three settlements).² Unlike many rural areas in the Mekong Delta, the three settlements were all prospering. The key to their economic success was a switch from rice to specialty fruits.

The authors found that farming zones and urban centres have developed a mutually beneficial relationship, leading to local economic growth and reduced poverty. For urban residents, the rise in average incomes had led to higher standards of living, better diets and a growing demand for fresh fruit and vegetables. At the same time, a

large number of increasingly mobile rural residents — mostly, but not all, young — found work in the growing industrial and service sectors. Income from these workers helped rural households invest in high-value fruit orchards. Indeed, many farmers have virtually abandoned growing rice in favour of fruit.

Less poverty, but more income inequality

Nearly ten years after the initial study, the authors returned to the same settlements to document socioeconomic changes relating to livelihoods, selling and buying practices, labour mobility and the impact of urbanisation.³ They also examined how key factors such as market linkages, farmer cooperation and climate change had affected local fruit production and trade.

All three settlements continue to be success stories of synergetic rural-urban development. The population has grown and people continue to find work off the farm, either locally or within a short distance. Living conditions have also improved, and official poverty rates have declined substantially.

While livelihoods have diversified, farming has remained an important activity. Each settlement grows speciality fruits suited to local climate and soil conditions, namely Purple Star apples (Vinh Thoi), Hoa Loc mangos (Hoa) and Nam Roi pomelos (My Thoi 1). Even Vinh Thoi, the most 'urbanised' village, has kept a close connection with farming through its role as a market node specialising in fruit.

With the combined pressures of population growth, urbanisation and industrialisation, land available for agriculture has steadily decreased. Most households have tried to supplement their income through work in garment and shoe companies and aquaculture. Unlike in 2006, those working in the industrial zones are not only young single people, but include married labourers as well. The percentage of households working in industrial zones in all three study villages rose from 20-30 per cent to 40-50 per cent between 2006 and 2015.

With higher incomes, less available land and a growing population, many households are encouraging their children to gain a higher education so they can find stable work off the farm. In Hoa village in 2006, 3.6 per cent were public servants and almost none was a white-collar worker; in 2015, this number jumped to 10 per cent for both categories.

Overall, living conditions for most local households have improved over the past nine

years in all three settlements. Most people have smart phones, which they use for news and market price updates. 'Urban'-style leisure services have also emerged such as restaurants, coffee shops, karaoke shops and hairdressing salons.

But improved living standards hide a growing disparity between different groups. Well-off households have plenty of land, and can invest in intensive cultivation of specialty fruits. Compared to 2006, this group can also afford to educate their children, giving them the chance for white-collar jobs. Middle-class households own less land than the well-off, but can supplement household income through jobs in industrial zones and local markets. The poorest households — which usually have elderly or ill family members — have little or no land. They cannot afford a better education for their children, which would allow them to earn higher and more stable incomes. And they don't have enough family members to supplement household income through off-farm work.

Out-migration, which is increasingly common, takes two forms. Long-distance migrants move far from their homes, rent accommodation and cannot return home every day. They are mainly singles aged 18-35 years, and range from factory workers, domestic helpers and street vendors to 'intellectuals' and students. Short-distance migrants travel to nearby areas for work or study, but return home every day.

Due to improved roads and transport, and new enterprises and industrial zones, the number of short-distance migrants is gradually replacing temporary or permanent migration to urban centres. These labourers may make less money than in the cities, but their living expenses are lower and quality of life is better. The profile of migrants has also changed. Large-scale traders have moved permanently to Vinh Thoi, the market node, while poor labourers travel to the agricultural settlements of My Thoi 1 and Hoa for seasonal work.

In-migration has different qualities in each of the settlements. In Vinh Thoi, in-migrants mostly have good economic conditions. They move to the village to run businesses and provide services, and some are long-term temporary residents. In My Thoi 1, however, in-migrants are typically Khmer people from neighbouring communes. They are often hired to clean the canal (in dry season) or plough land (in wet season). The number of such workers is increasing since locals are earning higher incomes from selling fruit, and can afford to hire people for labour-intensive work.

Changing access to markets

Close relationships between private traders and small-scale farmers remain the foundation of local economic development. But the relative weight of those relationships has been changing, with a stronger role for *vua* (large traders) and a lesser role for collectors (small mobile traders). Within these general trends, the role of traders has developed in distinct ways in each settlement.

Vua. In Vinh Kim, the number of *vua* has more than doubled since 2006. Conversely, there are no *vua* in Hoa village, where local farmers sell directly to *vua* in a nearby market. With the use of improved roads and greater ownership of motorbikes, farmers in My Hoa and Hoa Hung communes can deliver their produce to *vua* without paying intermediaries. Thus the role of collectors (who pick up fruit at the farm gate) has declined.

Two models of mobile trade have emerged. In Vinh Kim fruit market, about 50 regular collectors work as brokers, buying fruit from individual farmers and re-selling it at a higher price to *vua*. In My Hoa commune, collectors buy fruit from gardens, organise transport and then sell directly to markets and wholesalers in Ho Chi Minh City and in other provinces.

Each *vua* collaborates with about 15-20 farmers and 20-30 collectors (or more in the case of large-scale *vua*). By building long-term relationships with some core farmers and collectors, each *vua* secures a stable supply of produce. In this way, core farmers will benefit from guaranteed (somewhat preferential) prices when selling their produce to *vua*; in return, the core farmers commit to selling their produce to a particular *vua*.

Cooperatives. The rise of *vua* has come at the expense of cooperatives, which were established to improve the production and consumption of local speciality fruits. The Lo Ren star apple cooperative, set up in 2006, closed because it lacked the financial resources to meet big orders. It lacked produce as well: farmers preferred to sell their fruit to *vua* where they could earn more money. Although the Nam Roi pomelo cooperative still functions, it often delays payments, which also drives farmers to *vua*. Only the Hoa Loc mango cooperative functions relatively well, providing members with advice on cultivation techniques, buying high-quality fruit at higher prices than *vua* and then selling to supermarkets, processing enterprises or export companies.

Box 1. Rising star: a collector becomes a large fruit trader

In 2006, 41-year-old “T” was a small mobile trader collecting fruits from gardens inside and outside the province. He has since become a *vua* owner, renting a kiosk alongside the main road and employing three to four people for grading and packaging. From October to February, he trades high quality Star apples; during the other months, he trades rambutan. Each day he sells up to about 1.2 tonnes of high quality produce. A team of 20 collectors buy high-quality fruit for him, while local farmers deliver lower quality produce directly to his kiosk (which is then sold to local retailers in the province). Between 6.00-10.30 am, while his collectors are at work, T might go to some gardens himself and collect high quality Star apples directly from farmers.

Enterprises. Trading or processing companies are typically key players in promoting the export of fresh or processed fruit. In the study settlements, however, few such companies were operating effectively. Huong Bui, a firm launched in 2014, aims to sell specialty produce such as Nam Roi pomelos, dragon fruit, coconuts and lemons to national and international markets. It faces several difficulties, including the need to achieve global trading standards (see below).

Supermarkets. *Vua*, cooperatives and enterprises do not like to sell their produce to supermarkets for a variety of reasons. Supermarkets impose complicated rules and requirements; they demand favourable prices (with further demands for holidays and the Lunar New Year); and they pay late. In some cases, cooperatives don't have financial resources to wait for delayed payments.

Wholesale markets in cities. There are not many wholesale markets across the country, but they can be an important link in the fruit market chain. They attract many *vua*, which opens up more opportunities for farmers to sell their fruit at competitive prices. These markets also provide jobs, which helps combat local unemployment. The Vinh Kim (Star apples) and An Huu (mangos) fruit markets, for example, directly benefit local people.

While traditional wholesale markets still play an important role in the fruit market chain, the government's large-scale markets have faced difficulties. The Hoa Khanh national fruit trade centre, launched in 2006 with great expectations, is no longer operating. One key reason for its demise: unlike traditional markets, which are close to cultivation areas, the trade centre was not in a convenient location for local *vua* and gardeners.

Box 2. Impacts of climate change on local people

In Vinh Thoi village, the hot weather means people have to increase irrigation and drainage. During the Lunar New Year, it now becomes much colder, with some mist on occasion, which delays the blossoms on the Star apple trees. Recently the village built a dyke, which helps protect fruit cultivation from floods. At the same time, it means that less water flows into gardens.

Hoa village experiences long periods of severe heat and high rainfall, and even some cold periods. During 2014-15, due to a combination of excess heat and rain, most of the Hoa Loc mango trees did not flower. Production fell an estimated 70 per cent. In addition, a pest attacked the leaves and flowers, which significantly affected productivity.

In My Thoi 1 village, the hot weather is lasting longer, rainfall is low and insects are increasing. In 2014, while farmers were investing in pomelo cultivation for the Lunar New Year, a sudden and lengthy rainfall damaged trees. Production dropped by half, on average, compared to previous years.

Looking ahead

The 2015 study identified some new challenges facing the local fruit industry in the study settlements since 2006.

First, in all three settlements, most farmers have little interest in achieving certification for applying good agricultural practices (GAP). They say it demands complicated, labour-intensive techniques; the market is unstable; and certification only lasts a short time (1–2 years) and is costly. Although GAP plays an important role in product quality and branding, farmers applying GAP struggle to get higher and more sustainable incomes. Farmers need more supportive policies.

Second, increased water pollution and problems with waste treatment are affecting the lives of local people. The 2006 study identified water pollution and waste treatment problems in Vinh Thoi (Vinh Kim commune). The 2015 study indicates these issues are now also affecting the other two settlements. In all three settlements, waste from pesticide packaging is the biggest concern: farmers are using more pesticides without guidance or support. Some households store or burn the packaging, which can both affect health. In other cases, households have thrown packaging directly into gardens or nearby canals.

Third, climate change is increasingly affecting agricultural production in general and the fruit industry in particular (see Box 2). Sea-level rise could heighten salt levels in fruit crop land in the Mekong Delta and threaten the fruit industry in future. In addition, other short-term impacts of climate change (prolonged droughts, increased rain, floods, abnormally severe weather) have affected fruit productivity and increased the incidence of pests and diseases. As such, mitigation and adaptation measures are needed.

Finally, less productive land may greatly affect fruit cultivation in the study settlements. Given the pressures of urbanisation, industrialisation and population growth, the average land area per person for growing fruit has decreased. This poses a challenge for the development of specialty fruit cultivation zones that target the high-end domestic market and the export market.

Hoang Xuan Thanh, Dinh Thi Thu Phuong, Dang Thi Thanh Hoa and Le Dinh Lap

Hoang Xuan Thanh, Dinh Thi Thu Phuong, Dang Thi Thanh Hoa and Le Dinh Lap are researchers with Ageless Consultants in Vietnam.



Knowledge Products

The International Institute for Environment and Development (IIED) promotes sustainable development, linking local priorities to global challenges. We support some of the world's most vulnerable people to strengthen their voice in decision making.

Contact

Hoang Xuan Thanh
thanhhx@gmail.com

Cecilia Tacoli
cecilia.tacoli@iied.org

80–86 Gray's Inn Road
London, WC1X 8NH
United Kingdom

Tel: +44 (0)20 3463 7399
Fax: +44 (0)20 3514 9055
www.iied.org

IIED welcomes feedback
via: @IIED and
www.facebook.com/theiied

This research was funded by UK aid from the UK Government and the International Fund for Agricultural Development (IFAD). The views expressed do not necessarily reflect those of the donors.



Notes

¹ Vietnam Urban Association (2013) Publication No. 29. June 2013. Hanoi, Vietnam. / ² Thanh, H X *et al.* (2008) Urbanisation and rural development in Vietnam's Mekong Delta: livelihood transformations in three fruit-growing settlements. IIED, London. See <http://pubs.iied.org/10555IIED.html>. / ³ Thanh, H X *et al.* (2015) Urbanisation and rural development in Vietnam's Mekong Delta: revisiting livelihood transformations in three fruit-growing settlements, 2006-2015. IIED, London. See <http://pubs.iied.org/10751IIED.html>.