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INSTITUTE OF CURRENT WORLD AFFAIRS

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INTO THE BOAT COUNTRY (1)
The obsession of rice

Peter Bird Martin
ICWA
4 West Wheelock Street
Hanover, New Hampshire 03755

Dear Peter,

Ly Hoa Chuong was not in his field when we came to his farm that morning. The 70 year-old Mekong delta farmer was watching a Chinese movie in the cool comfort of his house. Outside, the sun bore down on the rippling soft green carpet of the rice fields. "I usually work early morning but the movie is very good," Chuong says through an interpreter while his wife serves fresh coconut juice.

Chuong's deformed gums and tortured teeth tell of the tough life he has had. A brand new Sharp video sitting next to his 18-inch TV set tells another tale: the story of the newly-come wealth of the Mekong delta farmers. "I am content," says Chuong, smiling broadly. "The television tells me all that happens in the world. There is famine in Somalia. It is terrible."

Fifteen years ago, Chuong's one hectare farm barely fed his six-children family. In 1991, the farm produced ten times more rice than it did in 1975 (two crops instead of one and a much higher yield). Chuong got a good price for his rice (25,000 dong for 20 kilos). Expenses paid, he was left with 10 million dong (\$1,000 US) - a fortune in his village. Chuong now owns a television and a honda, which is the usual name around here for a motorbike.

Ly Hoa Chuong is one of the hundred thousand farmers whose work in the past five years have turned Vietnam from a rice-importing country, at times on the brink of famine, to the third largest rice exporter in the world, immediately after the United States and Thailand. (1) How did it ever happen? Would it last? Could it last?

(1). Mid-November, the Ministry of Agriculture was predicting Vietnam would produce 24 million tons of rice in 1992 and would export close to two million tons, a record.

Carole Beaulieu is an ICWA fellow writing about the countries of former French Indochina, with a focus on Vietnam.

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Rice drying on the road to Can Tho,
the agricultural center of the Mekong delta

"They (the government officials) are so obsessed with producing rice that they forget about all the other problems," warns Vo Tong Xuan, vice-rector of Can Tho's University, Vietnam's main agricultural institution. "The government should take the leadership in prospecting the world for markets. We are too dependent on the fluctuating price of rice. There is so much competition among Vietnamese exporters that the only ones gaining are the foreign traders! The price of rice is falling and the price of fertilizer is increasing. We must diversify our products, invest in better roads to improve distribution, have credit available for poor farmers so they don't have to borrow from money lenders at usurious rates. Much remains to be done."

Vo Tong Xuan seems tired, worried about the future although encouraged by the successes of the past few years.

The 50 year-old Xuan is a precious guide to the Mekong delta, the DBSCL as the Vietnamese newspapers call it, abbreviating *Dong Bong Song Chu Long* (the Vietnamese name for the Mekong delta). Behind those five letters lie four million hectares of vast plains where close to 50% of Vietnam's rice is grown, an area rife with superstition and religious sects, often called "the boat country" because of the thousands of small boats crisscrossing its numerous canals and waterways. Here, the sky knows no typhoons, the fish are plentiful, the climate is warm all year long and the buffalo and the ploughman are still the main agricultural tools.(2) This is home for Xuan.

Born in Chau Doc, near the Cambodian border, Xuan went to a university in the Philippines and worked ten years at the International Rice Institute (IRI). He came back to Vietnam in 1977 determined to help the peasants out of poverty. "From 1978 to 1980, we worked for free on a television program for farmers. We had no money, so we travelled on top of buses. We went to farms to film and show farmers how to improve their crops. Today, nobody would do such a thing."

Xuan speaks as we travel the pot-holed road between HoChiMinh City and Can Tho. The vice-rector is a busy man: an elected member of the Vietnamese assembly, board member of IRI, vice-chairman of Vietnam's Committee on Science Technology and Environment. He has little time to spare. Still, he has agreed to talk to me. The best time he said was the four-hour ride to his home in Can Tho. I agreed. I spent four hours listening to him, forgetting about the stuffy car and the beggar-teaming ferries to Can Tho. Xuan is not only a warm, caring and intelligent man, he is also a sharp and honest commentator of his country's ills - a pragmatic humanist.

Chuong, the old farmer, is a friend of Xuan's, and it shows. When we stop at his farm unannounced, he and Xuan are obviously thrilled to see each other. Xuan is sporting a nice pair of slacks, a well-ironed shirt and a fashionable pair of eye-glasses; Chuong is wearing an old pair of plastic sandals and one of those shapeless

(2). Small mechanical ploughs are becoming more popular. Their number almost doubled from 1989 to 1991 but mechanization is still far behind most neighboring countries. Vietnam Investment Review, Nov.16-22 1992.

cotton pajamas my father used to wear in the 40's. Despite appearances, they act as old accomplices, their mutual affection and respect showing in every gesture. "Farmers call Mr. Xuan the friend of the peasants", says Kim Huynh, a 36 year-old veteran of the Cambodian war, correspondent in the Mekong delta for KinhTe Saigon, a weekly magazine of economic news. "Some officials have more importance than he does but few are as liked and respected."

Years ago, in 1977, Xuan and his group of agricultural technicians brought Chuong and his neighbors higher-yield rice seeds and new planting techniques. Their "know-how" is the first part of the answer to the delta's new productivity. The second part is *doi moi*, Vietnam's new economic policy. "Within five years of winning the war and beginning a marxist economic strategy for the South, the government of Socialist Vietnam realized that European-style communism did not provide an appropriate path to development for a heavily populated rural Asian society," argues Vo Tong Xuan.(3)

In 1981, the "contract system" was introduced. The United Nations development program called it "a modest move to reward the efforts of farmers".(4) The farmers could sell on the market whatever rice they produced "over their quota". But the quotas were high and the incentive proved insufficient to increase production. The severe food-shortages of late 1987 and early 1988 triggered a more thorough reform. In April 1988, the Politburo adopted Resolution 10, creating the "khoan 10", an improved kind of contract system under which farmers have use of the land for a period of 25 to 50 years (70 in some cases) and can sell their products to whomever they want as long as they pay their taxes. Farmers also gained a "right of transfer" (not of heritage) to their children. They could also sell their "right of use". "This type of lease is almost like owning the land," explains Nguyen Xuan Oanh, a Harvard-trained economist who worked on Vietnam's liberal foreign investment code. But the debate is far from over. Op ed pages of newspapers and magazines are filled with that question: "should the State give up ownership of land?" (More on this in a subsequent newsletter) Until 1988, nearly 70% of Vietnam's arable land was cultivated by farmers organized in collectives (Vietnamese call them cooperatives but their definition of cooperatives is so far away from the western concept that I hesitate to use the word). In 1992, only 6.9% of the land in the delta is still under "cooperative" control but the percentage remains as high as 91% in some central provinces.(5)

Some scholars now argue that even in the North, the Vietnamese State was never able to implement the Stalinist model of collectivization. "During the early 60's, the state failed to eradicate the free market in rice through force (...) resources

(3). Vo-Tong Xuan and C.Peter Timmer, "A food policy for Vietnam", Development discussion papers, Harvard Institute for International Development, July 1990, p.1.

(4). Report on the Economy of Vietnam, United Nations Development Program, Dec.1990.

(5). UNDP report, *ibid.* p.87.

moved away from the prescribed channels - the cooperatives and the socialist trading net - towards the free market. (...) Frequent decrees forbidding the free market in rice were widely ignored. The old proverb: *Phep vua thua le lang* (The writ of the Emperor bows to the customs of the village) still applied."(6) According to Fforde, failures in 1978-80 to force the needed rice out of the Mekong delta showed that the Stalinist model was being softened in Vietnam. As early as 1981, state enterprises were "fence-breaking" (translation of a Vietnamese expression). They were developing unplanned relations with suppliers and customers.(7) But this is another story, one about a "weak state", better told in a subsequent newsletter.

"We tried to grow rice everywhere," recalls Tran Bach Dan, historian and influential Southern communist party member. "It was a mistake. Now people are allowed to grow whatever they think will give them the most results. They can also use food stuff for husbandry." Tran says that the government has realized "self-sufficiency at all costs" was "working against efforts to exploit the comparative advantages of the country's various ecological zones."

Most of the state farms have now been dismantled. The land has been returned to the individual farmer. But "growing what one wants" is more easily said than done. In many cases, freedom to grow just isn't enough. In the central highlands, better suited to grow coffee, rubber or tea, there are many obstacles to the switch. "Until the farmers are convinced they will find an affordable supply of rice on the market all year long, they will keep growing rice to feed their family," says Vo Tong Xuan. "That confidence will take time to build. Some are beginning to grow cash crops now but they don't know where to sell them. There are no established trading channels and low access to markets." (The transportation system between Vietnam's two main granaries: the Mekong delta and the Red River delta is still very poor. Central provinces have even worst road networks.)

Most Vietnamese farmers live better now than five years ago. But those who grow only rice are often poor because of the high prices of fertilizer.(8) A kilo of fertilizer (urea) now sells for 2000 to 3000 dong. (10,800 dong to the dollar) Rice sold for 900 dong a

(6). Adam Fforde, "The political economy of reform in Vietnam - some reflections", final draft, 05-08-1991, Harvard International Development Institute. p.9

Fforde argues that North Vietnam in the mid-70's is a society with a weak state that has shown considerable ability to soften the usually harsh norms of the Stalinist model in meeting local interests. The idea of the "weak state" fits so many other observations made since I arrived here that it warrants further exploration.

(7). Fforde, *ibid.* p.15

(8). Vietnam hardly produces any fertilizer and must import most of it. A factory in the South will soon begin production on an experimental basis.

kilo in 1992 and 1000 dong in 1991.(9)

The farmers who have integrated other activities on their farm such as husbandry or fish-raising are doing better. Chuong's small farm, for example, is covered with fruit trees, has a fish pond and has a pig pen inhabited by three gigantic rosy beasts. Nearby, other farmers raise shrimp in between rows of rice. Some use the rice straw to grow mushrooms (another idea of the Can Tho University). "But this only works if you have a canning factory nearby," remarks Vo Tong Xuan. "This province does (a joint-venture between Hong Kong and the province), so the farmers can grow mushrooms." The Can Tho University is also pushing farmers to plant fruit trees. From those, they can often earn ten times more than from rice.

But success could be short-lived. "Our neighbors grow those products too," warns Xuan. "Our only competitive edge is labor. The quality of our products is still poor. We must improve in international trade and develop our own markets. Take, for example, our canning factory. It opened in 1989. The Hong Kong partner says he loses money. But we don't know if he really loses money, we don't know how much he gets for those mushrooms when he sells them in the United States. We must become wiser."

Some are already worried about the damage to the environment. To grow more rice and to raise shrimp in their rice fields, the Vietnamese are cutting an increasing number of trees. "We use a lot of fertilizer which seeps in the river. There has never been so little fish," complains a local ecologist who wishes to remain anonymous. "We need a good study of the environmental impact of this intense rice-cultivation. Do we need that much rice?"

As we drive around Hau Giang province, the urgent need for better transport infrastructures is obvious. From HoChiMinh City to Can Tho, one must cross two arms of the Mekong river. There are no bridges. The ferries are small and old. They cannot transport more than 10 to 15 vehicles at a time. Trucks and buses often wait long hours. "If only we had a bridge, especially at the second crossing," dreams Vo Tong Xuan. "Can Tho could really boom."(10)

The farmers cannot count on the national budget to build bridges. There is simply no money. Which brings it all down either to a

(9). In some poor provinces in the center of the country, the cost of fertilizer is so high - compared to the price of rice - that farmers are using less and less now that the cooperatives are not supplying them with it. In Thanh Hoa province, the use of fertilizer declined between 1988 and 1991 from 73,000 to 40,000 tons. Some now worry about the land deteriorating. (Vietnam News, Nov.13. 1992)

(10). The Red River delta is less connected to Hanoi than the Mekong delta is to HoChiMinh City. For a long time now, the Mekong delta has ceased to lead an autarchic life and has been connected to the national and world markets. The Mekong delta, Vietnamese Studies, 1984.



Ferry to Can Tho

better tax system or a renewal of international loans, once the American embargo is lifted. "The present tax system is not fair to farmers," says Xuan. A new one is being drafted and will be studied in December at the National Assembly. (The present system classifies land in seven types and imposes higher taxes on the better ones no matter the yield: 720 kilos per hectare for a first quality land, 240 for the 5th. The classes are based on suitability for growing rice. So you may have a land useless for rice but great for coffee. You will make money with the coffee and pay very little tax!) Xuan is pushing for a new system taking into consideration things like access to electricity or type of production.

But the real "Achilles' heel" of the Vietnamese economy is its lack of access to capital markets. Numerous cash crops - like tea, rubber or coffee - demand heavy start-up investments. Few farmers can afford them. (Credit to farmers is abysmally poor. There is almost none if they have no collateral.) "They are sitting on a fortune," says Vo Tong Xuan looking in the distance. "But they can't exploit it. Its maddening."

Even in the delta, the new wealth is not for all. Poorer farmers who used to get their fertilizer and seeds from the cooperatives have to borrow to buy them now. If they have no family to lend them the money, they must go to the "money lenders" and pay rates as high as 15% a month. "It is illegal," admits Xuan, "but no one tells the authorities. They need the money lenders." Some farmers have tried to band together to "guarantee" each other to the bank. But such initiatives cannot replace a real credit system. Vietnam Agricultural Bank reported an increase in private farmers borrowing this year: from a few per cent to more than 20% by November 1992 (previously 92% of the loans went to the state-owned sector). But

the loans remain out of reach of most farmers.(11) "The procedure to get a loan is so complicated that most farmers do not even know how to begin," says Xuan. "And the farmers do not only need money. They need guidance as to how to use it. Otherwise they might spend it all to take their son to the hospital when he is sick instead of buying fertilizer. That way they do not have a good crop and they cannot repay the loan."

One place where farmers find guidance is *Song Hau* State Farm, the only successful state farm in the whole of Vietnam (or so says everybody around here). "Experts from the International Monetary Fund (IMF) came recently," recalls the farm's director, Mrs. Tran Ngoc Suong. "They said we worked like capitalists. I laughed and said our way of producing may be capitalist but our way of redistributing is socialist."

Thirty kilometers from Can Tho, Song Hau (named after the Hau River flowing through it) is a fascinating place. I spent only a few hours there and I certainly cannot vouch that it is as great as everybody says it is. But I am tempted to say so. "Song Hau is not like other state farms," says Kim Huyinh, a major in the Vietnamese army and a correspondent in the Mekong delta for *Kinh Té Saigon* and *Tuoi Tre*, Saigon's most investigative newspaper. "The interests of the farmers really come first. And they don't take any subsidy from the State." (But the State gives them back 10% of the agricultural taxes the farm pays.)

Created in 1979 by an ex-soldier, Song Hau covers five thousand hectares of land. There are 1000 plots, each 500 meters wide. One or two families farm each plot depending on the quality of the land. Close to 2900 families live in Song Hau. The farm produces over 50,000 tons of rice a year (in two crops). Five years ago, farmers were harvesting an average of two tons of rice per hectare. Last year, some got 10 tons an hectare (5 tons per crop)! The farm has its own school and its own clinic. It even has an insurance fund to protect against bad crops. "The State was opposed to our system in 1979," recalls the director, daughter of the



Song Hau's main entrance

(11) In most provinces, although the number of borrowers is increasing, only three to five per cent of families have received bank loans. "Private sector borrowing on the rise as farmers gain new ground", *Vietnam Investment Review*, Nov.30-Dec.6, 1992.

founder. "Now they wish we could duplicate it."

The secret of the farm's success is a complicated system of incentives I could not begin to explain in all of its details. Roughly, the farm pays for the inputs and improvement work the farmer wants to do on his farm (like digging new irrigation canals). It also gives training on how to use new varieties of rice. The farm keeps a tight accounting of everything it does for each individual farmer. When the rice is ripe, some "fancy" accounting is done. The farmer keeps enough rice to feed his family, gives some to the farm to repay the social services and the improvement work done by the farm (that portion varies from family to family). The farmer then sells the rest of his crop to the farm at the highest price on the market. "Not all farmers succeed," admits the assistant-director of Song Hau, Mr. Nguyen Thang Long. "Some work harder and are more creative. But usually, within in a few years, poor families do better."

Sounds too good? Well, there are problems. The farm was doing so well that provincial authorities forced it to take in 1000 more families, 200 of them seriously poor. Some farmers who had two hectares to farm now only have one. The strain is showing.

"The farmers were doing much better than the others in the province," explains an official of Can Tho's People's Committee. "They had to share. But we know there is a limit."

A second problem is the fluctuating price of rice. Song Hau's most recent crop is still in the warehouse. The farm will not sell it at the low price of the world markets. They are hoping the price will go up soon. In the meantime the farm must borrow from the bank to buy fertilizers for the next crop. "We know we have to diversify our production," admits Nguyen Than Long. "We are encouraging farmers to take up husbandry and fish raising, to grow fruit trees and other cash crops. But it is a slow process."

A third problem is overpopulation. As I ride at the back of a technician's motorcycle, driving around the dirt paths of the farm, I see children everywhere. The farm has a family planning program but only technicians follow it. Families of 10 are common. Few farmers have less than five children. "I am worried," admits director Tran Ngoc Suong, a bright straight-forward woman. "There is not enough land. We are thinking of introducing some small industries. But which ones? Those who do sewing are exploited so much."

Some say the farm tries to do too much. It failed, in a recent project, to establish a fishing fleet. The provincial authorities have recently asked the farm to take up the small pineapple processing plant located in the Can Tho new export-processing zone. "The authorities trust us so we will try," says the vice-director.

Directors of the farm earn an average of \$30 to \$50 a month. It is not much, but it is better than normal government wages. Still they admit that it takes "principles and moral strength" to keep putting the farmers' interests first instead of their own. Most of them have to also raise pigs or do some other activity to feed their families. They are envied and disliked by less competent bureaucrats. "The farm refused to take the relatives of a

government official," recalls a local man. "That means trouble."

A nearby state farm, The Red Flag, is rumored to have less principles. According to some, city officials have taken land there and hired people to farm, paying them low salaries and pocketing the profits. "The Red Flag is improving. They had many problems," would only answer the editor of the official Can Tho newspaper when questioned about it.

Why isn't the government setting up more Song Haus if it is so successful? "To have a Song Hau you need the right kind of farm officials," answers the vice-chairman of Can Tho's People's Committee. "They are not easy to find."

Outside of Song Hau, farmers get little help and information. Until 1989 "extension workers" - those technicians who take, to the individual farmers, the knowledge of the scientist and show them how to apply it - were unacceptable in Vietnam, recalls Vo Tong Xuan who used to teach that subject before 1975. Since 1989, extension workers have been rehabilitated. In 1990, Can Tho University began again to train some. But they are badly paid (about \$5 to \$6 a month) and tend to take a second and a third job to earn a living. "Moonlighting is official government policy," jokes Vo Tong Xuan.

Xuan dreams of a day when banks would deduct a part of their commission on loans to add to the pay of the extension worker, a person who, after all, makes sure the farmers will do well and be able to repay their loans. For now, "state support through rural credit, extension services and further improvements in markets is still lacking."(12)

The road to Can Tho is narrow. It barely allows two trucks to meet and is crowded with motorbikes, bicycles, carts and buffaloes. Farmers are also there, using the asphalt as a drying site for their rice. So, not only do motorists have to zigzag between bicycles, they also have to zigzag between long ribbons of drying crops being raked by regiments of children and weary-looking women. "They lose at least 10% of their crop that way," says Tuan, a native of the delta. "Cars run over it, rats eat it." A village-level model of drier is being tested by the staff of the Can Tho University as an alternative to current methods.

Farmers not only lack equipment, they lack markets and government support to find them. "We need a government agency to go out and find markets for us," insists Xuan. (Vietnamese companies are not allowed to open representative offices overseas and only a few have dared asked foreigners to represent them). "Right now, we just sit here, waiting for the foreigners to tell us what to grow so they can sell it overseas." Xuan dreams of turning some of Vietnam's outdated provincial institutions into dynamic advertising agencies, promoting products for the whole country.

An example of this could be the *Hylocereus Undalatus*, better known as the Dragon Fruit (Thang Long): a cute-looking pink fruit which

is roughly the size of a small football. For years it grew on a climbing cactus and the Vietnamese gave it little attention, finding its taste rather bland. But that was before the Taiwanese discovered the Dragon Fruit. Now Vietnam can hardly produce enough. The Asian market gobbles it all. (The fruit's crispy white flesh, dotted with tiny black seeds, is refreshing and delicately flavored.)(13) "I am worried that if we don't get a patent on the fruit," says Xuan, "the Thais will do it. We need a promoting agency."

Xuan compares the Vietnamese government to a parent with many talented children (the provinces). The parent opens the door and tells the children to seek out their fortune instead of going himself to see what opportunities are available. "The parent should venture out and come back saying: this activity my third daughter can do best and this other activity my oldest son can do better! Because the parent doesn't fulfill his task, the talented children run around in confusion often hurting each other," concludes Xuan.

One example of this is rice. Each province has its own license to export rice. (Without a license, no Vietnamese can legally deal with foreign traders.) With the government handing out promotions on the basis of how well a province does on exports, provinces have been cutting down prices to sell their rice. The only ones winning at that game are the foreign traders and the few government officials who get promoted for their "good job". "The government must have a better control," insists Xuan. "Otherwise we do not have one country we have 24 (there are 24 provinces in Vietnam)."

Oddly enough, while some abroad are worried about "Hanoi's grip", most Vietnamese I speak to are worried about Hanoi's lack of grip on issues like tax collections, contraband, law enforcement and price control. "Many provinces do not want their export surpluses to go into the general pool of export revenues," says one Vietnamese expert. "They are worried none of it will ever come back to their province." Which brings us back to the "weak state" that Fforde talks about.

A few weeks ago, two French historians came to Can Tho and briefed officials of the People's Committee on the rapid industrialization of French agriculture. The authorities are worried about the possibility of a massive urbanization at a time when cities are already overpopulated and their infrastructures bursting at the seams. "Each year, 700,000 more laborers look for work," says Buu Huu Tri, vice-chairman of the People's Committee of Can Tho Province. "How do we keep them from going to the city? We want to urbanize the countryside, to industrialize in stages. But how do we protect the prices of agricultural products?" (In 1989, farmers in the delta dumped several thousand tons of sweet potatoes into the

(13). The Thang Long used to be a rare fruit, only grown for the King and his court. After 1975, some grew the cactus as an ornamental plant. When I came to Vietnam three years ago, I did not see any of them. Taiwanese and Singaporeans pay a high price for them: roughly 10,000 dongs a kilo. (compared to 2000 dongs for a durian, the big exotic smelly fruit)

river because they could not get a reasonable price for them.)(14)

Many hope small-scale industries can alleviate the pressure. "The demand for rice is not endless," admits Tran Bach Dan, a historian and influential party member in the South. "On the other hand, the demand for rice products will never be satisfied. We should be making steamed rice sheets and other rice products to supply the two millions overseas Vietnamese."



Young ducks' keeper in the Mekong delta

Experts from the United Nations Development Program think Vietnam could remain an agricultural nation with farmers enjoying a good standard of living if it plans its development well. To achieve that, Vo Tong Xuan believes Vietnam must begin first by respecting its farmers. "In the old days farmers and teachers were the most respected people in the society. Now teachers are so badly paid they sell candies to children in class to earn a living and give children bad marks if they don't buy candies or pay for tutorials. Also, it is increasingly difficult to keep young technicians in the villages. They all want to go to town."

As Xuan speaks, I think of his friend Chuong. None of his six children work on a farm. All have paying jobs in town. None have more than two children. "They practice family planning," Chuong says.

Somewhere, in the Mekong delta, a new Vietnam is already in the making. (Next: raising fish in Chau Doc and the industrialization of the delta)

Carole Beaulieu
Can Tho, Nov.26

(14). Vo-Tong Xuan, *ibid.* p.19