

students in Vietnam. The project outputs have become case studies for our undergraduate and graduate students in environmental economics and resource management major in particular.

The project findings helped students to understand how market-based instruments for forest and natural resources management can be designed and implemented in practice. At the policy level, the study helped close the gap between PFES policy makers, policy implementers and policy influencers by helping them understand the key policy issues for implementation and the challenges in scaling-up from the pilot stage.

At a personal level, after starting as an early career researcher in 2010, I was later promoted to Associate Professor in Economics. I believe that without the experience and knowledge as well as publications produced by the SUMERNET project, I would not have attained academic success.

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For more information:
Evaluation of pilot program on payment for forest environmental services in Vietnam and policy implications for Lao PDR and Cambodia, SUMERNET Phase 2 (2010-2013) (<http://sumernet.org/content/evaluation-pilot-program-payment-forest-environmental-services-vietnam-and-policy>).

Further reading:
1. <http://www.gms-eoc.org/uploads/resources/539/attachment/PFES%20in%20Vietnam.pdf>.
2. <http://www.cifor.org/library/4247/payments-for-forest-environmental-services-in-vietnam-from-policy-to-practice/>

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Directing benefits to the rural poor in contract farming

Dr. Yanyong Inmuong

Introduction

Increased regional integration along with greater foreign investment has resulted in rapid economic growth for the countries of the Mekong Region during the last few decades. Economic integration and growth has created both opportunities and challenges for farmers, the majority of whom remain small land holders.



As changes occur in agricultural production in the region, commercially-oriented agriculture is likely to continue to play a critical role in rural livelihoods in the Mekong Region. One such driver of change is contract farming that is already become prominent in expanding large-scale crop production in rural areas with formerly subsistence crops like rice and sugarcane now being produced by large firms using contract farmers.

Despite its emerging influence, however, there is still very limited information whether the contract farming system really benefits the rural, small-scale and poor farmers.

Our study

We initiated the research project entitled "Making economic integration work for the rural poor through contract farming practices in the GMS" (2011-2012).

Our research members came from four countries: Cambodia (Men Prachvuthy), Lao PDR (Saykham Voladet), Myanmar (Win Set Aung), and Thailand (Yanyong Inmuong). Our Mekong contract farming teammates also worked with the Australian volunteer researchers: Graham Eagleton, Angela Bush and Pippa Featherstone, in co-conducting the study.

We tried to address three questions: (i) what is the current status of contract farming?, (ii) what are the positive and negative impacts of contract farming on rural households? (iii) how can contract farming be made more beneficial to rural households?



The team selected two commercial crops for detailed study on the contract farming system: rice for Cambodia and Myanmar; sugarcane for Lao PDR and Thailand. The study collected and analyzed field data using standardized methods of in-depth interviews, focus-group discussions, and household surveys in the four countries.

Key findings and features of the study

We found that the contract farming system operating in the four countries is a mixed system: centralized, nuclear estate, and multipartite models.

The provision of credits, agricultural inputs, farmer training services, and the pre-season set price of the crop to pay farmers by the contractors are all common practices in the four countries. The rural farmers get the benefits of having a guaranteed crop price as well

as technical support and soft loans. However, the contractees have to bear the production risks, for example, crop loss from climate and pest attacks, labour shortages, high costs of transport to the company buying station, crop quantity and quality not meeting prior requirements, etc.

We also found that the large-scale farm owners get more benefits than the small-scale farmers. The large farmers find it more viable to hold contractual volumes or large quotas of crop while the small-scale farmers cannot as their land size is limited.

The small land holders can join contract farm-



ing only if they make a connection with the quota holders by doing sub-contract. In most cases, the company does a contract with the large scale farmers and independent crop purchasers, and these groups also need to bear the risk of unmet crop volume as agreed with the company. This provides an opportunity for the small-scale farmers if they form groups or become a member of farmer associations or even as individuals to open direct negotiation with large contractees to supply crops in order to meet their desired quota. It then becomes a matter of production and financial risk management by the contractees while merging the opportunity of individual or group of small land holders to engage into the system if they wished.

Does contract farming benefit the small-scale farmer?

We concluded that the present contract

farming system does not directly benefit the small-scale rural farmers but it provides an opportunity for those smaller land owners to share in the profits by negotiating with the large contractees.

The quota holders bear the high risk of not meeting targets for crop quantity and quality as required by the contractors. This opens an opportunity for the small scale farmers to form a group or become part of agricultural cooperatives to supply the produce with support from the government.



Original and extensive study on contract farming

This contract farming study is the first research project of its kind in which extensive data was collected in the four Mekong countries. The study also produced policy briefing for the study counterparts including state and private decision-makers to make use of for the improvement of the contract farming policies and practice.

Many efforts have been done especially by the private contracting firms and government agencies towards incorporating rural small-scale farmers into the system. The private firms later initiate new contract schemes for a group of small land holders to enter the contracting system leading to those rural poor farmers to later get access to credits, input, equipment, and market. This subsequent change was not likely to happen for the small-scale farmers if the SUMERNET had not supported the research team financially and technically in this study.

Clear impacts

At the professional level, the individual researchers experienced for the first-time how to undertake a cross-country research project. Each researcher learnt many lessons on how to collectively understand and manage barriers and limitations of individual researchers' different backgrounds, thoughts, values, and expectations. Eventually, each team member could go through in handling the project activities until we achieved success.



At the institutional level, the various institutions affiliated with the individual researchers highly valued the project and felt grateful that the project outcomes would benefit the rural poor farmers as well as enabling individual organizations jointly to form and complete the regional research project.

At the policy or strategy impact, the project produced a set of policy recommendations on sustainable contracting farming in the Mekong.

Likewise, the study results showed the adverse impacts from heavy fertilizer use and high water demand from the large sugarcane farms particularly in Thailand. This resulted in the environmental and water authorities bringing the recommendations made by the project to initiate land and water conservation practices to farmer groups. For Myanmar, the private companies that were engaged in this research study recently adopted a friendly contract farming practice and offered a better and more comprehensive extension service for contract farmers as influenced by

the project findings.

Challenges in the study areas

All individual researchers perceived that the contract farming project is challenging as the team needed to deal with regional mega-enterprise companies (Mitr Phol, AKR, Gold Delta, Khon Kaen Sugar, Yingmao) or even the international NGO such as CEDAC.

The contract system operated by those private agencies is somewhat complex and has



different features between countries even in the same company. For example, the Mitr Phol goes for land concession for sugarcane growing first in Lao PDR but not in Thailand.

The Lao contract farming system relies on tripartite (farmer, company, and local government) while the Thai system has no government agency involved while relying on the free market mechanism. The rice contract farming policy in Myanmar is intended to help the victims of Cyclone Nargis in the Delta areas to access to credits with no interest rate, crop inputs, and technological services. In Kompong Speu in Cambodia, CEDAC initiated organic rice products for the market.

The farmlands of the four countries under investigation face similar problems and risks; climate uncertainty, shortage of labor, soil degradation, more agriculture inputs, and high cost of transportation of farm products.

All of the contract farming systems in the Mekong region could help the rural poor farmers, while these small-scale holders could help the

contractors or quota holders by selling their products to the contractors to meeting the target volume as agreed with the company. The small rural farmers could do so by formulating a farmer production network/association to make them eligible to make contract with the company.

Benefits of SUMERNET collaboration

The team gained knowledge of research and publishing from the SUMERNET mentoring and writing system. The collaboration with



SUMERNET enabled individual researchers to form a small research network in the four countries to manage their research activities.

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More information:

Making economic integration work for the rural poor through contract farming practices, Phase 2 (2010-2013) (<http://sumernet.org/content/making-economic-integration-work-rural-poor-through-contract-farming-practices>).

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