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The effects of contract farming on small-scale rice production: A case of Thai Binh Province in Vietnam

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【Objective】

To address the problem of small-scale farming and low labor productivity that impeding agricultural sector further development, the Vietnamese government put great efforts to implement land consolidation and contract farming policies. Yet, little process has been made. The policy relating to “small scale, large field” (SFLF) model, is a promising contract farming scheme for smallholders. Regardless the growing body of research on the topic of contract farming, studies discussing about SFLF scheme remain few. Since SFLF is an unique model with the potential to benefit small-scale farmers, it is necessary to deepen research on how this model contributes to increase agricultural production and the welfare of smallholder’s farmers in other region. The two main goals of this study are to identify key factors that influence farmers’ decisions to engage in contract farming under rice SFLF scheme, and the association between CF participation and rice productivity and household income.

【Method】

This research was carried out in Thai Binh province. In this study, a structured questionnaire was used to gather necessary information from 173 farmers. A *t*-test then was used to examine if there are any significant changes attributed to contract farming. Following that, a logit model was used to estimate the likelihood of contract farming participation. Finally, we examined the statistical relationship between CF and rice production performance as well as household income using a set of linear regression models based on the Ordinary Least Squares (OLS) model.

【Results】

The econometric analysis results suggest that households with larger landholdings, who were trained or using extension service are more likely to participate in CF, whereas farmer households that receive higher remittances are less likely. Although “SFLF” effect to total household income is ambiguous, it has the potential of to increase impact on the rice productivity as well as income from rice of small-scale farmers in the study area. This study also emphasizes the heterogeneous effect of CF one the same products but under different agreements. The findings from this study suggest that in order for this model to be expanded further, the the role of authorities in connecting farmers with agribusiness firms and strengthen farmers’ bargaining power is very important. Furthermore, extension services/technical assistance play a critical role in increasing quality and price of product in study area. Besides that, since the majority of farmers are small-scale producers who are members of agricultural cooperatives, this organization should improve their operations to become a reliable source of support for farmers.

【Conclusions】

Although this study has short comings, it is still useful in understanding what happens after farmers agree to consolidate their land and participate in contract farming. As such, perhaps in the future, we can look more deeply or seriously at how to improve the analysis and the situation of small-scale farmers who participate in this contract farming model.