COOPERATIVES IN VIETNAM: OPPORTUNITIES OF THE NEW LAW – ASPECTS OF ORGANIZATION AND MARKET ACCESS

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Dao Thi Mai Quyen - Malica

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STRUCTURE OF PRESENTATION

1. Context
2. Objectives
3. Methodology and implementation steps
4. Main results.
5. Recommendation and suggestion.
CONTEXT

➢ Cooperative Law 2003 and 2012: Legal dynamics v. practice priorities?

➢ Cooperative’s models: Old model and v. New model.

➢ Operation of cooperatives.

➢ Roles of cooperatives in the value chain of agricultural products.

➢ How to improve the efficiency of cooperative’s operation?

➢ Aspects of cooperative’s organization and market access.
OBJECTIVES

1. Draw out changes in New Law 2012 with respect to cooperative’s organizational structure and market access.
2. Analyze case studies of cooperatives in safe vegetables in terms of their organizational structure and market access.
3. Propose solutions in order to optimize cooperatives’ operation models.
RESEARCH METHODOLOGY AND IMPLEMENTATION STEPS (1)

- Desk-research of New Cooperative Law 2012 and relevant by-law documents.
- Analyze the charters of some cooperatives established under New Law 2012.
- Conduct survey on 17 cooperatives in production and marketing of safe vegetables in Red River Delta (14) and Northwest region (3).
- Analyze organizational structure, powers and tasks of Board of Directors and Control Board and the role of cooperative’s organization in facilitating market access.
- Recommend organizational and market access model for cooperatives.
### List of surveyed cooperatives in different regions

<table>
<thead>
<tr>
<th>No.</th>
<th>Old-modelled cooperatives (agriculture and agricultural services)</th>
<th>No.</th>
<th>New-modelled cooperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>HTX DV NN Văn Đức</td>
<td>1</td>
<td>HTX SX &amp; TT RAT Đạo Đức</td>
</tr>
<tr>
<td>2</td>
<td>HTX NN Tiền Lệ</td>
<td>2</td>
<td>HTX SX &amp; TT RAT Văn Nội</td>
</tr>
<tr>
<td>3</td>
<td>HTX NN Yên Mỹ</td>
<td>3</td>
<td>HTX SX &amp; TT RAT Minh Hiệp</td>
</tr>
<tr>
<td>4</td>
<td>HTX NN Trung Na</td>
<td>4</td>
<td>HTX SX &amp; TT RAT Tân Minh Đức</td>
</tr>
<tr>
<td>5</td>
<td>HTX DV NN Đức Chính</td>
<td>5</td>
<td>HTX SX &amp; TT RAT Tự Nhiên</td>
</tr>
<tr>
<td>6</td>
<td>HTX NN Yên Phú</td>
<td>6</td>
<td>HTX SX &amp; TT RAT Ta Niết</td>
</tr>
<tr>
<td>7</td>
<td>HTX NN Hạ Vĩ</td>
<td>7</td>
<td>HTX SX &amp; TT RAT</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8</td>
<td>HTX RAT Visa</td>
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<tr>
<td></td>
<td></td>
<td>9</td>
<td>HTX RAT Đại Lợi</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10</td>
<td>HTX RAT Vĩnh Phúc</td>
</tr>
</tbody>
</table>
MAIN RESULTS

Section 1: Cooperative’s organization and market access policies: Legal perspective.

Section 2: Case-studies of cooperatives in safe vegetables RAT in aspects of organization and market access.
MAIN RESULTS

Organizational structure of cooperatives

Old Law 2003

Congress of members

Control Board/Controllers

Managing Board

Head of Managing Board = Cooperative’s manager

Members

Deputy cooperative’s manager

Managerial-cum-executive apparatus

Separate managerial and executive apparatus

Congress of members

Control Board/Controllers

Managing Board

Head of Managing Board

Members

Cooperative’s manager

Deputy cooperative’s manager

Appoints/hires

Appoints

proposes

Old Law 2003

Managerial-cum-executive apparatus

Separate managerial and executive apparatus
MAIN RESULTS

New Law 2012

General Meeting of members

Control Board/Controllers (<=7)

Board of Directors

Appoints/hires

Chairperson

Appoints/hires

Members (3-15)

Appoints/hires

Director/General Director

proposes

Deputy Director/General Director
MAIN RESULTS

- New Law 2012 does not mention “apparatus” as such as prescribed in Old Law 2003.

⇒ **Question:** Can a cooperative established under New Law 2012 follow managerial-cum-executive model?

+ Article 21.8 of New Law 2012 regulates contents of a cooperative’s charter, which must specify “the case in which a member of the Board of Directors may concurrently be the Director (General Director)”.

+ A member of the Board of Directors may be the chairperson.

- Recommend the basis for a cooperative’s option: scale of the cooperative.

+ Small-scale cooperatives: managerial-cum-executive.

+ Large-scale cooperatives: separate managerial and executive.
MAIN RESULTS
Market access policies for cooperatives under New Law 2012

- Rationale

<table>
<thead>
<tr>
<th>Open market sourcing approach</th>
<th>Dedicated supply chain model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm input companies</td>
<td>Farm input companies</td>
</tr>
<tr>
<td>Farmers</td>
<td>Farmers</td>
</tr>
<tr>
<td>Originators and traders</td>
<td>Originators and traders</td>
</tr>
<tr>
<td>Processors</td>
<td>Processors</td>
</tr>
<tr>
<td>Food retail and foodservice companies</td>
<td>Food retail and foodservice companies</td>
</tr>
</tbody>
</table>

Linkage between production and market is the key to success

- Clause 1.b, Article 6: *The State has support policies in trade promotion and market expansion for cooperatives and unions of cooperatives.*
- Clause 2, Article 24 Decree 193/2013/NĐ-CP

The State supports cooperatives and unions of cooperatives to participate in domestic and overseas exhibitions; organizes fairs and exhibitions for cooperatives; builds brands, trademarks, product origins, establishes and puts into practice the web portal and e-commerce platform for cooperatives and unions of cooperatives.
MAIN RESULTS

Market access policies for cooperatives in New Law 2012

- Too general, lacking in detailed guidance and assistance programs.

- In practice: Provinces and local districts carried out trade promotion and market expansion activities for 831 cooperatives at the budget of 178,13 billion VND (16.7% support budget, in which the budget of central government: 770 million VND, local budgets: 177, 36 billion VND

(Source: Draft of proposal to support 15,000 cooperatives and unions of cooperatives to effectively operate by 2020 - MARD)

- Number of participating cooperatives is low, the support amount is inadequate.

=> Recommendation: Due issuance of Decree on the linkage polices for production and market access for cooperatives.
MAIN RESULTS

Section 2: Case-studies of the organization and market access of some cooperatives in production and distribution of safe vegetables.
### MAIN RESULTS

Organizational structure decides the efficiency of production and distribution

<table>
<thead>
<tr>
<th>Content</th>
<th>Agricultural/ agricultural services cooperative</th>
<th>New-modelled cooperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational form</strong></td>
<td>Managing Board = Board of Directors</td>
<td>Either full positions or dual-function positions</td>
</tr>
<tr>
<td></td>
<td>Full positions</td>
<td>Agreement on task delegation and proper compliance</td>
</tr>
<tr>
<td><strong>Task delegation between Board of Directors and Control Board</strong></td>
<td>Agreement on task delegation but failure to comply.</td>
<td>Agreement on task delegation and proper compliance</td>
</tr>
<tr>
<td><strong>Production plan</strong></td>
<td>- On individual household’s own initiative;</td>
<td>Based on distribution of buyers and collectors plan.</td>
</tr>
<tr>
<td></td>
<td>- Based on experience of other households.</td>
<td></td>
</tr>
<tr>
<td><strong>Number types of sell regular vegetables /Number types of production</strong></td>
<td>5-11/11-31</td>
<td>24-28/25-39</td>
</tr>
<tr>
<td><strong>Sales strategy</strong></td>
<td>- Individual household’s initiative</td>
<td>Joint sale/Collective sale</td>
</tr>
<tr>
<td></td>
<td>- Cooperative’s distribution only if feasible.</td>
<td></td>
</tr>
<tr>
<td><strong>Products for supply</strong></td>
<td>- Non-packaging.</td>
<td>- Packaging.</td>
</tr>
<tr>
<td></td>
<td>- Packaging only under contract terms (small number)</td>
<td>- Upon buyer’s request.</td>
</tr>
<tr>
<td></td>
<td>- Product traceability: QR code (1/7)</td>
<td>- Information provision.</td>
</tr>
<tr>
<td></td>
<td>- Product traceability: QR code (3/10)</td>
<td>- Product traceability: QR code (3/10)</td>
</tr>
<tr>
<td><strong>Main distribution channels</strong></td>
<td>Traditional markets</td>
<td>Stores, Supermarkets and canteens</td>
</tr>
<tr>
<td><strong>Proportion of joint sales</strong></td>
<td>&lt; 5 - 30%</td>
<td>20-100%</td>
</tr>
</tbody>
</table>
## MAIN RESULTS

### Sharing experience of cooperatives

<table>
<thead>
<tr>
<th>Contents</th>
<th>Cooperatives in agriculture and agricultural services</th>
<th>New-modelled cooperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summary of sales after each harvest</strong></td>
<td>Incomplete</td>
<td>- Well-organized.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Regular contact with buyers (feedback).</td>
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<tr>
<td></td>
<td></td>
<td>- Identifying challenges.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Proposing solutions.</td>
</tr>
<tr>
<td><strong>Construction of marketing plan</strong></td>
<td>Incomplete</td>
<td>- General plan.</td>
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<tr>
<td></td>
<td></td>
<td>- Detailed plan.</td>
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<tr>
<td></td>
<td></td>
<td>+ Product.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+ Distribution.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+ Price/cost.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+ Strategy with buyers.</td>
</tr>
</tbody>
</table>
## MAIN RESULTS

### Scale of cooperative and compliance with prescribed tasks of Board of Directors

<table>
<thead>
<tr>
<th>Subject matter</th>
<th>Scale (number of members)</th>
<th>Powers and tasks of Board of Directors in decision of production and consumption of vegetables</th>
</tr>
</thead>
</table>
| Cooperatives in agriculture and agricultural services | 241-1,060                 | - General management  
- Support in case of individual need to provide vegetables under contracts  
- Hold no responsibility to consume all vegetables for cooperative’s members |
| New-modelled cooperatives                           | 8 - 40                    | - General management + guidance and governance on production and consumption activities under the agreed orientation plan at the General meeting of members  
- Director/General Director signs contracts to consume all products for cooperative’s members  
- Conduct internal control on vegetables production of members. |
Recommendation and suggestion

Joint sales mechanism

Illustration

- Functions

- Marketing staff
  - Confirm the buyer’s demand

- Logistic staff
  - Cooperate with harvest planner
  - Deliver vegetables to buyer

- Accountant
  - Receive payment from buyer and pay out the household.

Source: Project on facilitating trust in the production of safe plants in the North of Vietnam
Organizational structure and tasks delegation for Board of Directors in cooperatives

Model structure of Board of Directors in cooperatives for aggregate sales

- **General management**
  - Director
  - **Production manager**
    - Head of Control Board
    - Group 1
    - Group 2
    - Group 3
  - **Logistics manager**
    - Accountant
  - Marketing manager (Active)

Source: Project on facilitating trust in the production of safe plants in the North of Vietnam
Internal control model

Structure of internal control group

Head of control board

- Group 1
- Group 2
- Group 3

Source: Project on facilitating trust in the production of safe plants in the North of Vietnam