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THE TRANSITION FROM A STATE-OWNED COLLECTIVE FARM TO NGHE AN PRODUCTION AND EXPORT-IMPORT OF COFFEE AND RUBBER INVESTMENT COMPANY FROM 1997 TO 2010

The transition process of State-owned collective farms in Western Nghe An province from 1997 to 2015 was a breakthrough in their development. Such transition has met the requirements of new management mechanism, which is dynamic, creative and suitable with Vietnam government and Party's policies. This paper is concerned with the necessity and reality of the transformation from state-owned collective farms to Nghe An production and export-import of coffee and rubber investment company from 1997 to 2010.

The necessity of transition

At the end of the 1990s, there was a "to be or not to be" demand for a fundamental change in management mechanism of state-owned farms in Vietnam, and in Western Nghe An in particular. The transition from state-owned collective farms to Nghe An production investment and export-import of coffee and rubber company from 1997 to 2010 was, by nature, a shift from state-owned collective farms to the business model.

In early 1956, state-owned collective farms were established and developed in Northern Vietnam. They made significant contributions to socio-economic development in the North during the Anti-American war time.

After the end of the war in 1975, state-owned collective farms thrived nation-wide, playing an essential role in agricultural development and held a key part in production, process and export of agricultural products, of which coffee, rubber and tea were among the most important.

Nonetheless, the centrally-controlled mechanism, bureaucracy and subsidy of state-owned collective farms in Vietnam in general, and in Western Nghe An in particular revealed a number of problems. In the early years of the reform, the remnants of the old mechanism still existed. The organizational model, management mechanism and relationships of the companies, corporations and unions of corporations with their branch farms revealed numerous shortcomings, including ineffective management, and inefficient competence of staff.

Besides the unprofitable collective farms, there were profitable collective farms with good infrastructure, specializing in perennial crop trees. Profitable collective farms could continue their business and improve their productivity by upgrading and extending their businesses or establishing new joint-stock premises. The unused and ineffective land was recoved by the local authorities.

In Vietnam, although the reform of state-owned businesses received special attention of the Party and Government, it was far from satisfactory. With regards to the change of state-owned enterprises, many people cast doubt on the effectiveness of the new model. There existed problems in state management reform and reorganization of businesses, such as diversifying ownerships via joint stocks.

To deal with the problems, the Party and Government issued a number of decrees and resolutions for innovating the management of state-owned collective farms to be suitable with the socio-economic and political development and the international trends. The governing policies included the Politburo's Resolution 28-NQ/TW dated 16/6/2003 on rearrangement and reform of state-owned collective farms, the Government's Decree 170/2004/ND-CP dated 22/9/2004 on reform and rearrangement of state-owned collective farm development, and especially the Decree 25/2010/ND-CP dated 19/3/2010 on transition of state-owned businesses into one-member limited companies.

In such situations, the shift of state-owned collective farms in the whole country in general and in Western Nghe An in particular became urgent. The transition of mechanism occurred across all sectors. In this paper, we only focus on discussion of commercial production and its effectiveness.

The reality of the transition process

The term "transition" is understood as the gradual change from one entity to another without causing a sudden reshuffle. The difference is not necessarily creation of a new entity, but it may have existed before that and when it replaces the old one, it becomes more efficient. It can also be viewed that transition is a process of change in quantity or quality, or both.

Moreover, the transition from state-owned collective farms to state enterprises is different from the shift of state enterprise ownership, which is a process of creating a model of enterprise with multiple owners. The transition from state-owned collective farms to state enterprises does not involve the shift of ownership because the enterprise is still owned by the government. The change is about the mode of management and production with positive orientation for better productivity. Before transitioned into Nghe An production and export-import of coffee and rubber investment company, the collective farms had developed over different periods with following features.

From 1956 to 1986, all the state-owned collective farms were under the direction of Ministry of Agriculture. The management mode was central planning with bureaucratic subsidy.

In 1988, the "hire by the piece" policy was initiated. However, the management was still under the old mode influence, that is the government invested and the farms handed in products according to the norms for workers [2]. This policy did not encourage production, even made workers irresponsible with bonuses and they only worked according to their assigned norms.

At the order of Nghe An provincial committee, on 24th February 1997, the Department of Agriculture and Rural Development requested the Nghe An production and export-import of coffee and rubber investment company to make plans for merging Tay Hieu 1, 2, 3, 19/5, 1/5, 22/12, Dong Hieu, Co Do farms together under the management and 100% investment of the Department [3].

The state-owned collective farms in Western Nghe An after transitioned into state companies would have new missions, investments, management mechanism and business effectiveness.

During the initial stage of reform, the collective farms performed all activities including production organization, capital mobilization, product processing and looking for markets. After the transition, they were only in charge of production organization, land management, labour and capital, collecting products of subcontracts, buying raw materials for the companies, paying state budget and paying salary to workers. The company would take charge of buying all products of the farms and processing the products. It was also responsible for organizing services for production, buying wholesale coffee and rubber and other products of the farms; making joint-venture agreements and investment cooperation with other organizations for domestic consumption and exports of products [4].

Due to the fact that state companies have their own regulations compliant with the corporate law, thus the mobilization of capitals for investment in this stage had some new points. Previously, the farms mainly relied on the government's investment and the Reforestation Project 327 to support their production. After the transformation, the company mobilized capitals from different sources, such as bank credits, borrowing money from workers and officials. Especially, the French AFD capital, which replaced the Reforestation Project 327, also made an important contribution to the developmental investment [5].

The investment capital breakdown of Nghe An production and export-import of coffee and rubber investment company during 2005-2009 is presented in the table below:

Table 1. The investment capital breakdown of Nghe An production and export-import of coffee and rubber investment company during 2005-2009 [6]

Norms	Period 2005-2009 (million VND)	Percentage (%)
1. Government budget	18.125	9,86
2. AFD sources	22.711	12,36
3. Basic depreciation	16.320	8,9
4. Bank credit sources	64.686	35,2
5. Company's sources	22.427	12,2
6. Others	39.500	21,5
Total	**183.769**	**100**

The table shows that the biggest portion is from the bank credits, accounting for 35.2% of the total investment sources. This indicates the important role of the bank credit sources for Nghe An production and export-import of coffee and rubber investment company. Other sources also accounted for similar proportion, of which government budget was 9.86%, AFD 12.36%, the company source 12.2%, and other sources 65.58%. These figures reflect a contrast with the past when the investment capitals came from very limited sources.

In addition to the new points in capitals and investment sources, the company attached importance to business and production modes. It paid great deal of attention to land management and technological application to production. Previously, workers had been hired with an a fixed norm and day-labour basis, and the collective farms were responsible for total investment capitals. They were not, therefore, motivated to work. After the transition, workers were given land with an agreed product quantity, and they would get the exceeding amount. The company would help them with facilities, capitals, and technical services. Thus, they became more motivated to work [7]. Before that, workers did not have good plans for production. Now the company made careful plans for them and thus risks were minimized and productivity increased. [8]. Workers became more responsible for their work and seriously followed regulations and the contracts they had signed. They sold all the products to the company, hardly sold them to other speculators [9].

It is noticeable that the company invested in technological improvement for production and processing. It focused on perennial crop trees, increasing quality, productivity and yields, as well as sustainability. More investment was given to high-yield crop trees to meet the demands for raw materials for processing industry and exports.

Low-yield coffee was replaced by high-yield Catimo coffee. New farming technology was applied for Intensive farming [10].

The change was not only limited to the production area, but also expanded to the processing of products. The company switched from wet-technology for tea and coffee processing to dry-technology [11]. The new processing technology increased the competitiveness and the company took charge of consuming all products by directly exporting or authorizing exporting the products. The prices were determined according to the product quality and the company showed its important role in expanding the market.

The change in management brought about the increasing effectiveness of production and business both in terms of yields, revenues and workers' incomes.

The products had high quality with diverse categories and reasonable prices, hence increasing competitiveness. The company also paid attention to market development with increasing capitals. It expanded its business to other areas such as petrol stations to facilitate farmers' production activities and to utilize redundant labour forces [12].

The products exported to competitive markets such as the USA and Germany increased steadily. The success of the company development is illustrated in the table 3.

The table shows that the company always exceeded its planned norms, ensuring sustainable economic growth, payment to national budget, payment to social insurance, workers' life improvement, etc. It's worth noting that the company's revenues steadily increased over the years, which indicates the efficiency of business with a peak in 2007. The collective farms after the transformation into the state company (i.e. Nghe An production and export-import of coffee and rubber investment company) has made a big stride as compared to the early stage of reform, especially in terms of investment sources, management efficiency, production and business. In 2010, the collective farms continued to transform from Nghe An production and export-import of coffee and rubber investment company to Nghe An one-member limited production and export-import of coffee and rubber investment company to adapt to the new situation. This transformation is to be unified with the corporate law and management reform, and to create equality with other types of business [14].

To promote autonomy, the company is required to put more investment to technological application to production and processing to improve the product quality and increase competitiveness in the market. At the same time, the company has to make greater efforts in mobilizing investment capital for better development.

Table 3. The results of business activities of Nghe An production and export-import of coffee and rubber investment company during 2005-2009 [13]

No.	Items	Unit	2005 (actual perfor-mance/plan)	2006 (actual perfor-mance/plan)	2007 (actual perfor-mance/plan)	2008 (actual perfor-mance/plan)	2009 (actual perfor-mance/plan)	Total
I	Products	Ton						
1	Fresh coffee beans	Ton	6.624/6.000	5.770/5700	6.557/6500	6.107/6000	5.600/5.300	30.658
2	Liquid rubber	Ton	1.307/1200	1.514/1.400	2.362/2.500	3.292/3.100	2.685/2.500	11.160
3	Orange fruit	Ton	2.600/2.500	826/800	3.610/3.500	2.490/2.400	2.560/2.400	11.636
4	Sugar canes	Ton	80.000/7500	62.000/60.000	70.000/68.000	65.000/64.000	52.000/50.000	329.000
II	New planting	Hectare (Ha)						
1	Coffee	Ha	65/60	62/60	65/65	65/65	50/60	307
2	Rubber	Ha	50/45	56/56	64/64	60/60	55/58	288
3	Orange	Ha	20/15	18/15	17/16	18/17	15/16	88
II	Revenues	Million VND	40.200/40.000	48.000/45.000	76.500/70.000	80.200/80.000	82.000/80.000	326.900
III	Payment to State Budgets	Million VND	316,5/77	455/129	1.076/501	1.374/860	1.734/1700	4.955,5
IV	Profits	Million VND	556/500	700/670	895/845	1.163/1.000	2.513/2.050	5.827

Conclusions

The process of transformation from a state-owned collective farms to Nghe An production and export-import of coffee and rubber investment company from 1997 to 2010 had met important requirements of the new period. However, there existed several problems to be solved. The positive aspects are that the collective farms after merging into Nghe An production and export-import of coffee and rubber investment company had clear duties and functions. The investment sources were more diverse; management became more flexible and efficient, hence raising production and revenues. The shortcomings lie in the following areas: in some units, the management and performance were not commensurate with land potentials; management of production had not met expectations yet. In the time to come, Nghe An production and export-import of coffee and rubber investment company will have to make greater attempts to carry out joint-stocks work to maximize its potentials.

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The transition from a state-owned collective farm to Nghe An production and export-import of coffee and rubber investment company from 1997 to 2010

Summary: The paper describes the process of the transition from a state – owned collective farm to Nghe An production and export – import of coffee and rubber investment company as an important example of changes in the economy of modern Vietnam. Such changes require solving many serious problems. Especially in the field of management and investment capital. The Author emphasizes an important role of social conditions of such economical changes. According to the Author there are still a lot of areas that have to be developed in the mentioned process.

Keywords: investment company, investment capital, state-owned farm, transition. Nghe An province

Proces przekształcenia państwowego gospodarstwa rolnego w inwestycyjne przedsiębiorstwo Nghe An zajmujące się produkcją oraz importem – eksportem kawy i gumy (lata 1997-2010)

Streszczenie: Artykuł opisuje proces przekształcenia państwowego gospodarstwa rolnego w inwestycyjne przedsiębiorstwo Nghe An zajmujące się produkcją oraz importem – eksportem kawy i gumy jako znaczący przykład zmian dokonujących się w gospodarce współczesnego Wietnamu. Takie zmiany wymagają rozwiązania wielu poważnych kwestii. Na szczególną uwagę zasługują kwestie związane z zarządzaniem przedsiębiorstwem oraz kapitałem inwestycyjnym. Autorka artykułu podkreśla także ważną rolę uwarunkowań spo-

łecznych omawianych przekształceń gospodarczych. Według Autorki w omawianym obszarze istnieje jednak wciąż wiele kwestii, które wymagają stałego rozwoju.
Słowa kluczowe: przedsiębiorstwo inwestycyjne, kapitał inwestycyjny, państwowe gospodarstwo rolne, transformacja, prowincja Nghe An