



# Income Diversification and Poverty in the Northern Uplands of Vietnam

Nicholas Minot, Michael Epprecht, Tran Thi Tram Anh, and Le Quang Trung

Since the mid-1990s, Vietnam has sustained high rates of economic growth, reducing poverty from 58 percent in 1993 to 37 percent in 1998. Despite these gains, Vietnam is among the 30 poorest countries in the world. In the poorest region, the Northern Uplands, provincial poverty rates range from 55 to 78 percent. In recent years, government efforts to reduce rural poverty and raise rural incomes have focused on income diversification, especially into high-value crops.

In general, the Northern Upland region is hilly to mountainous, infrastructure is poor, and the population density is low. The region is less urbanized and more dependent on agriculture than any other region. A large share of the population consists of ethnic minorities. Rice is an important source of income, accounting for 46 percent of the net value of crop production, but it is less important than in the lowland regions of Vietnam.

This study addresses a number of questions about income diversification in the Northern Uplands and its contribution to poverty reduction: How much diversification is occurring, and which households are participating? How much does diversification contribute to income growth? How do farmers perceive government efforts to encourage crop diversification?

## DATA AND METHODS

The authors analyze three types of data to gather information relevant to income diversification: (1) secondary data from the General Statistics Office of Vietnam provide evidence of the broad economic trends and differences from province to province; (2) data from three nationally representative household surveys carried out in 1992–93, 1997–98, and 2002 allow analysis of changing income patterns for different types of households; and (3) interviews with farmers and local government officials in the region, conducted in 2002 as part of a survey called the Qualitative Social Assessment of Income Diversification (QSAID), provide insights on their perceptions of diversification.

The study uses regression analysis to examine the characteristics that best explain variation in five measures of income diversification. In addition, the study decomposes income growth to assess the relative importance of yield growth, area expansion, price changes, diversification into higher-value crops, and diversification into nonfarm activities.

## PATTERNS AND TRENDS IN DIVERSIFICATION

Regression analysis using the household survey data suggests that livelihood decisions are strongly affected by family land and labor endowments. Households with many members but small farms are more likely to have multiple income sources, a large share of nonfarm income, and a higher crop value per hectare, but a smaller share of output that is marketed. Good market access facilitates larger marketed surplus and more specialization. Electrification appears to enable households to diversify into nonfarm activities. Although ethnic minorities are sometimes viewed as “traditional” and less market-oriented in Vietnam, the analysis suggests that ethnic minorities are no different from others in their livelihood choices, after taking farm size, education, market access, and other factors into account.

Comparing the 1992–93 and 1997–98 surveys, all sources of income grew roughly proportionally, on average, but the patterns differed across income groups. For example, crop income growth accounted for 45 percent of income growth across all rural households but 69 percent among the poorest households. Poor farmers earned more by increasing their yields, while richer households expanded the area cultivated. Farmers in the Northern Uplands have diversified into high-value crops, gradually shifting from rice and cassava cultivation to fruit and tea production. The analysis indicates, however, that diversification into higher-value crops accounted for just 6 percent of the crop income growth. In other regions of Vietnam, such as the coffee-growing Central Highlands and the highly commercialized

Southeast, crop diversification accounted for more than one-quarter of crop income growth.

In the interviews, farmers confirmed that their standard of living had risen. Eighty percent attributed improvements to higher crop yields, 62 percent to livestock income, and 47 percent to new, more profitable crops. More than four-fifths of the farmers said they had tried at least one new crop. Farmers complained, however, that the new crops promoted by extension agents were not always profitable—sometimes the market became flooded and the price fell. More than 50 percent said that rice was still their most important source of income.

Local authorities noted that the pace of diversification is greater where market access is better. For example, in provinces close to Hanoi and the delta, farmers tend to diversify into fruit crops, such as litchi, while farmers who are farther from markets diversify into tea, sugarcane, and tobacco. And in the most remote provinces they diversify into maize or cattle. Local governments are deeply involved in promoting adoption of new varieties and use various policy tools to encourage diversification, including input subsidies, transportation subsidies, technical assistance, and low-interest loans. Traders, however, do not seem to play an active role in promoting new crops.

## CONCLUSIONS AND POLICY IMPLICATIONS

The strong growth in household income in the Northern Uplands—almost 6 percent a year—confirms the positive impact of the economic reforms of the past 15 years. The main criticism is that these reforms may have widened the gap between the rich and the poor. But this study finds

that inequality in rural areas increased only slightly and that poverty, although high, has declined.

Since crop production is the most important source of income growth, particularly among the poor, rural development strategy should focus on ways to increase the labor and land productivity of crop production, especially for the poor. Nonfarm income is concentrated among the high-income households in the Northern Uplands, so assistance to existing small enterprises would have only minimal impact in reducing poverty.

The gradual shift from staple food crops to higher-value crops means that the share of land allocated to rice has decreased. Because of higher yields and greater cropping intensity, however, per capita rice availability has actually increased. Thus, in Vietnam, rice intensification and crop diversification may be complementary.

All three of the analyses carried out for this study indicate that yield increases are the most important source of income growth in the Northern Uplands, especially for the poor. This result highlights the pro-poor impact of yield-increasing investments in agricultural research and extension. Some subsidies to encourage innovation may be justified to help farmers overcome risk associated with new crops, but fertilizer subsidies for rice cultivation are difficult to justify and are unlikely to be targeted to the poor.

Although farmers appreciated the help of the extension service, less than half of them had had contact with an extension agent in the past year. Increasing the number of agents in some areas and evaluating the results could be worthwhile. Given the marketing problems in the promotion of some crops, however, greater attention must be paid to marketing research and assessments of the profitability of new crops before they are promoted.

Copyright © 2006 International Food Policy Research Institute. All rights reserved.

INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE • 2033 K STREET, NW • WASHINGTON, DC 20006-1002 USA

T: +1-202-862-5600 • F: +1-202-467-4439 • [ifpri@cgiar.org](mailto:ifpri@cgiar.org) • [www.ifpri.org](http://www.ifpri.org)

IFPRI is supported by the Consultative Group on International Agricultural Research (CGIAR).

**Download or order online: <http://www.ifpri.org/pubs/pubs.htm#rreport>**

To order by post, please fill out and send this coupon to Publication Services at IFPRI.

Please send me a copy of Research Report 145:

*Income Diversification and Poverty in the Northern Uplands of Vietnam*, by Nicholas Minot, Michael Epprecht, Tran Thi Tram Anh, and Le Quang Trung

Name/Title \_\_\_\_\_

Organization \_\_\_\_\_

Address \_\_\_\_\_

If your order is not received within 2 weeks (USA) or 6 weeks (outside USA) please let us know.