

THE ROLE OF AGRICULTURAL COOPERATIVES IN IMPROVING HOUSEHOLD INCOME: A CASE STUDY OF TAN HUONG TEA COOPERATIVE, TAN CUONG TEA AREA, THAI NGUYEN PROVINCE

Do Xuan Luan

Summary

In Vietnam the development of agricultural cooperatives is expected to encourage linkages in production and marketing to benefit their members. However, there is limited evidence showing the actual role of cooperatives in improving income for members. To fulfill this gap, this paper attempts to estimate the impact of cooperative membership in improving farm household income in Tan Cuong tea area, Thai Nguyen province, Vietnam. Data were collected from 35 cooperative members of Tan Huong tea cooperative and 88 non-cooperative members through questionnaires and in-depth interviews. Applying the Propensity Score Matching (PSM), results showed that per labor tea income of cooperative households is 11.02% higher than that of the control non-cooperative households. The success of Tan Huong tea cooperative is explained by the facts that it follows the rule of voluntary membership, contract farming with its members and market oriented production. In addition, the cooperative produces safe tea products and is managed by an enthusiastic and active director. Those results imply that farm cooperatives can be a significant model to encourage agri-business and production if the performance of cooperatives is based on the actual nature and market principles with supportive policies of governments.

Keywords: *Agricultural cooperatives, income, Tan Cuong tea, Thai Nguyen.*