

On-Farm Diversification in Vietnam: Determinants and Trends

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Abstract : This study aims to measure the level of on-farm diversification in Vietnam. The empirical results of the research carried out reflect regional differences in terms of on-farm diversification and its determinants. Households in the northern regions have adapted to the fragmented and small-sized parcels of land held by diversifying their on-farm activities. In contrast, the Mekong delta region in the south of Vietnam is characterized by larger agricultural parcels and a specialization in rice production. Land use fragmentation, as reflected by a large number of plots in a given area, is one of the most important reasons for the high levels of on-farm diversification seen, while the higher share of non-farm income in total income is the reason of lower levels of on-farm diversification. Households have reacted to natural and economic shocks by diversifying their on-farm activities. The non-stationary Markov chain model used here shows various diversification scenarios and trends. In most cases, on-farm diversification generally tends to reduce over the next few years.

Keywords : diversification, simpson index, fixed effects, non-stationary markov chain

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