UNLOCKING THE FULL POTENTIAL OF LAO PDR’S TEA SECTOR

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GENERAL OVERVIEW
Background

- **Long tradition** of tea cultivation and consumption in Southeast Asia, especially in Northern Laos.

- **Early 2000s**: growth in Chinese demand boosted the tea sector.

- **Policies**
  - 8th NSEDP: recognizes the potential for the tea processing industry to generate value within the country, encourages the development of local tea factories.
  - **Agricultural Development Strategy to 2025**: develop production in the Northern Uplands and on the Boloven Plateau; tea certification (organic, GAP).
Main areas

Phongsaly: 2,400 ha
Oudomxay: 130 ha
Luang Prabang: 1,350 ha
Xiengkhouang: 300 ha
Xayabuli: 790 ha
Champassack: 460 ha
# A segmented market

<table>
<thead>
<tr>
<th>Variety</th>
<th>Name</th>
<th>Production Management</th>
<th>Market Conditions</th>
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| Assamica| Ancient tea| • Old tea trees located in protected forests  
• Villagers communally manage tea trees  
• Tea trees are under the authority of the government (Forest Law)  
• Tea trees are harvested by farmers as NTFP  
• Natural product | • Higher price  
• High market demand  
• Chinese market |
|         | Wild tea   | • Tea trees that naturally regenerate in fallow or forest  
• Farmer propagation and planting of seedlings from Ancient tea trees  
• Tea trees belong to individuals or households and are harvested by farmers  
• Organic or clean agriculture | • Minimum price  
• Chinese and EU market |
| Sinesis | Plantation tea | • New Chinese & Vietnamese clones  
• Investment model: land concession or contract farming  
• Tea plantation areas are managed by individual households, and/or local or foreign companies  
• Local labor hired to harvest the tea trees  
• Use of fertilizers | • Low price  
• Local and international market |
Tea livelihoods

• Tea is mainly grown and harvested by smallholder farmers and is cultivated in a traditional way.

• Very low use of chemical inputs with little processing after harvest.

• Positive economic impact of tea production on the livelihoods of smallholder farmers, rural communities, ethnic minorities and women.

Photos: TABI, Kinnari.
Tea processing

Photos: TABI, Kinnari.
## Challenges & Opportunities

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Opportunities</th>
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<tbody>
<tr>
<td>• Low value addition from tea exports</td>
<td>• High market potential due to favorable production conditions, tea varieties and cultivation methods.</td>
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<tr>
<td>• Maintain high quality during processing by farmers.</td>
<td>• Comparative advantage in the production of organic tea</td>
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<td>• Increasing use of chemicals</td>
<td>• Fair trade for tea farmers grouped into cooperatives or associations.</td>
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<td>• Organic by default does not really exist (certification, record-keeping, labor)</td>
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<td>• Trade barriers: only buyers from import countries can export tea</td>
<td>• Private tea brands, geographical indications to promote the tradition and uniqueness of tea production</td>
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<td>• Approving concession creates monopoly and dependency.</td>
<td>• Eco-tourism to promote Lao tea</td>
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<td>• Lack of clarity about the genetic variety of ancient/forest tea</td>
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<td>• Low enforcement of national policies.</td>
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THE CASE OF PHOU SAN TEA, XIENG KHOUANG PROVINCE
Phou San Tea

• Phou San wild tea is named after Phou San Mountain (2,218 m.a.s.l.)
• Phou San tea production area:
  • is located in the upland areas of Xieng Khouang Province (unique biodiversity),
  • covers three districts (Peak district, Kham district, Phoukood district).
• Two main types of tea: wild or ancient tea growing naturally in the forest; planted tea gardens using wild tea seeds from the forest.
• Tea provides better incomes and requires less labor than upland rice.
Key findings

- **Tea farmers:**
  - derived a large share of their incomes from tea;
  - were not organized (did not see the benefits).
  - relied on Chinese traders & tea buyers.

- **Traders & processors**
  - Financial support to build small factory / drying house
  - 30% of processed tea sold to trader

- **Challenges:**
  - lack of packaging & quality control; poor trust of farmers in the market; lack of research on the quality and value of Phou San Tea.

- **2016:** investment agreement signed between provincial authorities & Chinese tea processing company (land concession, 2+3 contracts).

- Potential conflict with Geographic Indication (GI) or ODOP criteria.
Tea Zoning and Registration

- TABI carried out zoning and registration of tea since 2011.
- Registered 2,000 Phou San Tea trees.
- Zoning and registration are essential for the conservation of ancient tea and a proper allocation of planted tea.

**Benefits:**
- Local management and tenure security
- Reduction in ancient tea destruction
- Identification of proper areas for conservation and planting
Tea prices

Fresh leaves (annual average)
- Rainy season: 15,000 LAK/kg
- Dry season: 25,000 LAK/kg

Dried leaves (different grades)
- Grade 1 - top leaf: 600,000 LAK/kg
- Grade 2 - top two leaves: 400,000 LAK/kg
- Grade 3 - top three leaves: 200,000 LAK/kg

(5 kg of green leaves = 1 kg of dried/processed tea)
Tea prices, Phongsaly

Project A
Wild / Ancient teas

Project B
Plantation teas
Recommendations

• Develop a development strategy or action plan.
• Develop certifications (organic, fairtrade).
• Increase the productivity of Phou San Tea.
• Encourage farmer organizations.
• Add value of Phou San tea (labels, packaging) and diversify markets (certification, GI, ODOP).
• Improve the investment approval process (selection of trustworthy investors, respect of traditional production methods) and quality investment.
• Share information among all stakeholders.
• Develop infrastructure and tea processing equipment.
Key messages

• The tea sector in the Lao PDR can contribute to poverty alleviation and rural development.

• **Current situation**: 1/ low volumes of tea produced and exported; 2/ farmers confined to low value-adding activities & have little bargaining power.

• **Opportunities**: favorable production conditions, unique varieties, traditional know-how → high quality tea sector.

• **Challenges**:
  • improving quality in the tea plantation;
  • improving farmers’ processing capacity: requires that farmers be able to reap the benefits from their efforts towards improved quality;
  • investment approval process: should take focus on farmer benefits and promote fair trade practices between farmers and buyers.
Thank you very much!