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Final Report

Organic Agriculture in Laos PDR: Overview and Development Options



**Vitoon Panyakul
Earth Net Foundation / Green Net**

January 2009

**International Trade Center's project
"Support to Trade promotion and Export Development in Lao PDR"
Project Number LAO/61/89**

Final Report

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29th January 2009

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Acronyms and Abbreviations

PROFIL	Promotion of Organic Agriculture and Marketing in the Lao
ICS	Internal Control System
IFOAM	International Federation of Organic Agriculture Movements
ITC	International Trade Centre
DOA	Department of Agriculture
NOP	National Organic Program (of the USA)
PGS	Participatory Guarantee Systems
LCB	Laos Certification Body
MAF	Ministry of Agriculture and Forestry
MOIC	Ministry of Industry and Commerce
NAFES	National Agriculture and Forestry Extension Services
NAFRI	National Agriculture and Forestry Research Institute
NGOs	Non Government Organizations

1. Purpose, Scope and Methodology

This report is intended to help ITC formulate a national organic agriculture programme for Lao PDR. It can also be used as an input into the development of organic agriculture policy and action plan by Lao national government and the organic sector itself as it contains some concrete recommendations for the country organic development.

This report focuses on issues specific for organic agriculture in Laos. Generic challenges facing agricultural sector, irrespective whether organic or conventional agriculture, e.g. infrastructure improvement, supply-chain facilities, financial services, are not addressed unless it is critical for organic agriculture as there are many reports dealing specifically on these matters. See, for instance, ITC's report on Export Potential Assessment in Lao PDR (2005).

Also this report does not describe the reasons and benefits for Laos to embark on organic agriculture and the general opportunities and threats of organic agriculture unless it is specific for Laos. For those interested in the generic information, there are many good documents on this subject, such as CBTF (2008).

The report is based on 4 sources of inputs (a) review of various reports and documents, (b) interview and discussion with key stakeholders visited during 26 – 30 November 2008, (c) comments and suggestions collected from national stakeholder workshop on 21 January 2009, and (d) consultant's personal observation based on experiences in organic agriculture in Thailand as well as other Southeast Asian countries.

The reports and documents reviewed include:

- Ministry of Industry and Commerce (2006), Organic Product Strategy (2007-2009), Ministry of Industry and Commerce.
- PROFIL (2005), Organic Farming in Lao PDR, PROFIL.
- PROFIL Organic Matters Newsletter 2005 Vol 1 No 2, PROFIL.
- Phouvong Chittanavanh, Phonthip Sommani, Kiseum Sanaphanh and Walter Roder (2005), Opportunities for organic products in Vientiane – Perceptions of consumers and traders: Consumer and trader awareness and interest, PROFIL.
- Khamxay Sipaseuth, Phonthip Sommany, Viengngeune Bouasipaseuth, and Andrew Wilson (2008), Organic Vegetable and Fruit Production in Lao PDR: A Pre-feasibility Study Report, PROFIL.
- Vitoon Panyakul (2007), Training and Visit Report: Local Certification Organization Development Workshop, PROFIL and PRORICE
- Phouvong Chittanavanh (2007), Country Case Study of Lao PDR, presented at the regional conference on Organic Agriculture in Asia, Bangkok, 12 - 15 December 2007
- PROFIL Annual report 2004, 2005, 2006

- ITC (2005), Export Potential Assessment in Lao PDR, as part of the project Support to Trade Promotion and Export Development in the Lao PDR.
- PROFIL (2007), Promotion of Organic Agriculture and Marketing in the Lao PDR Project Document Phase II (2008-2011)
- CBTF (2008), Best Practices for Organic Policy - What Governments of developing countries can do to promote the organic agriculture sector, UNEP-UNCTAD.
- Källander and Rundgren (2008) Building Sustainable Organic Sectors, IFOAM.
- Internet searches

Key stakeholders interviewed are:

- Phouvong Phommabouth, Deputy Director General, Department of Production and Trade Promotion (DPTP), Ministry of Industry and Commerce (MOIC)
- Thepsavanh Kitignavong, ITC National Project Coordinator, Project LAO/61/89A
- Dr. Sisaliao Svengsuksa, Laos Farmers Products
- Mr. Thou Bountarath, Laos Farmers Products
- Mr. Viravanh Phannourath, Director General, Department of Agriculture (DOA), Ministry of Agriculture and Forestry (MAF)
- Mr. Khamxay Sipaseuth, Project Manager, PROFIL
- Mr. Somesack Kethongsa, Project Manager, PRORICE
- Mr. Ruedi Luethi, Country Representative, HELVETAS
- Mr. Somvang Phanthavong, Clean Agriculture Development Center (CADC), DOA
- Mr. Sinouk Sisombat, President of Coffee Traders Association
- Mr. Khamlouang Keoka, Oxfarm Australia
- Mr. Bong Munsayaphom, Oxfarm Solidarity Belgium
- Mr. Vorasone Dengkayaphichith, Laos representative, Jhai Foundation
- Ms. Silinthone Sacklokham, Department of Rural Economics and Food Technology, Faculty of Agriculture, National University of Laos
- various organic producers participating in the weekend market
- various consumers purchasing organic food at the weekend market

National stakeholder workshop on 21 January 2009 was attended by 26 participants, representing all stakeholders from public sector, organic business, NGOs, academic and producer organizations.

2. Status of Laos Organic Sector

Lao PDR is a landlocked country with an area of about 236,800 km² and a population of 5.859 million (2005 estimate). Around 4% of the land is arable, of which 80% are cultivated with rice, mainly for farmer's own consumption. Around 70.4% of rice production is grown under lowland rain-fed condition, 18.2% as upland rice and only 11.4 % in irrigated fields. After rice, other important field crops are maize and peanut. Less than 0.5% of land is under perennial crops, of which coffee is the most important. Subsistence agriculture is the main feature of Lao countryside which provides employment to 80% of the country population. For agricultural export, coffee is the most important product, bringing more than USD 29 million in 2007.

2.1 Laos's Agriculture policies

According to the eight national development priority programs, the Laos government hopes to accelerate its national economic development with a goal of lifting its economic status from less developed country by the year 2020 through a strategy of sustainable economic growth and people-centred equitable development. The objectives of the government for the agriculture sector, as detailed in the eight national development priority programs, include:

- Achieving food self-sufficiency;
- Increasing agricultural exports through diversification, commercialization and processing (cash crops, livestock, forest products);
- Stabilizing slash-and-burn agriculture by land allocation for upland farmers, terracing, and supporting alternative agricultural activities including agro-forestry and livestock;
- Irrigation development to increase rural incomes and stabilize food availability by expanding irrigated area in both the wet and the dry seasons and improving operation and maintenance;
- Agriculture and forestry research: studies and surveys of agriculture, forest, land and water resources, rehabilitation of research stations, development of new technologies;
- Human resource development in agricultural related fields (upgrading technical skills, and vocational training)

At the eighth congress of the Lao People's Revolutionary Party in 2006, the congress resolved that the country should embark on agriculture development which is stable, sustainable, clean, non-toxic and low cost (Phannourath 2008 – interview). Responding to the congress resolution, the Lao government instructed the MAF to develop a clean agriculture programme. The DOA, as part of MAF, thus restructured the Crop Multiplication Center and changed its name to Clean Agriculture Development Center (CADC). The CADC, formally approved by the MAF on 9 June 2008, is an implementation agency with 4 areas of work (information, technical development, inspection-certification, and food processing). It has a mandate to cover 4 agricultural systems, i.e. safe

conventional agriculture, good agricultural practice (GAP), pesticide-free agriculture and organic agriculture. However, the CADC is very much under resources, with 22 staff and annual budget of USD 20,000 (Phanthavong 2008 – interview).

2.2 The status of the organic sector in Laos

2.2.1 History

Like in many other developing countries, the development of Laos organic agriculture has been promoted by either rural development NGOs and by private sectors interested to gain access to premium markets. Also, the Laos government has been involved in the sector development since the early stage.

Almost all NGOs in Laos are foreign NGOs having office and development projects in the country. These foreign NGOs introduced the concept of sustainable agriculture and organic farming to Laos since late 1990s. Sustainable farming technologies and practices have been incorporated into various training activities of public agencies like the DOA and later on National Agriculture and Forestry Extension Services (NAFES) as well as NGOs own activities, reaching out thousands of farmers throughout the country. As most of the NGOs programme at that time did not support market linkage, the products from these sustainable farms were all sold as conventional products with only few were sold as natural products or pesticide-free products with slight premium prices.

It is not until mid 2000s that organic farming with market linkage became an important agenda among Lao agriculture authorities and NGOs as many international development institutions and donor agencies realized the potential opportunities of organic agriculture as poverty eradication. The collaborative project between HELVETAS and the Department of Agriculture launched a project for the promotion of organic farming and marketing in Lao PDR (PROFIL) in 2004 made a major milestone of Lao organic farming history.

2.2.2 Extent of production and marketing

As large parts of Lao agriculture are still under subsistent production, there possibly exist “organic by default” farms in many areas around the country. Also, there are several wild products collected from forest or fallow land which are consumed by local farmers and some are sold for cash income. If better organized, these wild produces can be certified and sold as organic products. PROFIL (2005) identified several wild products which have potential marketability, e.g. bamboo shoot, banana inflorescence, "Posa" (*Broussonetia papyrifera*), Cardamom (*Amomum* sp.), "Mak kha" (*Pahudia cochinchinensis*), and rattan.

For commercial agriculture crops, there are few organic projects in Laos that received organic certification and some more are in the pipeline. The main organic products are coffee, rice and vegetables (the vegetables currently for

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local market only). There is an attempt by PROFIL to investigate the possibility of organic vegetable production for export, especially from Boloven Plateau, Champasak province in southern Lao PDR (Sipaseuth, K.; Sommany, P.; Bouasipaseuth, V.; and Wilson, A.; 2008). From the report, it appears that this is still in a very early stage of development and no organic vegetables are expected in the near future.

Based on information collected by a workshop organized by PROFIL at the end of 2007 (Panyakul, 2007) as well as updated information collected during this mission, Table 1 shows commercial organic production in Laos and those in the pipeline. Those in the green box are already certified or in the process of getting certification, while those in yellow box are said to have strong interest and those in white box have expressed some kind of interest before.

Table 1. The Current and Potential Organic Projects in Laos

Who	No. of farmers	Products	target market	when	Note
Laos Farmer Product (LFP)	204 (189 ha)	Tea	Laos, EU	Since 2006	Tea also certified fairtrade since 2006
Sinouk Coffee	2 (70.6 ha)	Coffee, tea	EU	Since 2008	Assisted by Profil & APO
Jhai Coffee Farmer Cooperative	589 (1,543.93 ha)	Coffee	Laos, New Zealand, (US)	Since 2008	Already certified fairtrade since 2005 Technical assistant from New Zealand In the process of getting certification
Green Field Miller Group	390 (433.37 ha)	Rice	Laos, EU	(2008)	Assisted by PRORICE In the process of getting certification
Vientiane Vegetables	111	Vegetables	Laos	(2008)	Assisted by PROFIL Being monitored by LCB and PROFIL through ICS programme
Vang Vieng Organic Farm	4	Mulberry tea	Laos	(2008)	Assisted by Profil & PADEC Said to be interested in organic certification
Lao Mountain Coffee	-	Coffee processor	Laos	???	May be interested in organic certification
Arrowny corporation ltd	2,500 (800 ha)	Rice	Japan	Since 2003	Claimed to have 2nd party certification by the Japanese importing company, not sure whether it is organic or just safe production
Coffee-OXFAM	200 ???	coffee	Laos, Japan	???	--
Paxong Development Enterprise Export-Import	(493 ha)	Vegetables	Thailand, Korea	???	Owned by Ms. Impeng Samountee
Wilaikul International	???	Soybean	???	???	--

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Who	No. of farmers	Products	target market	when	Note
Group					
STE Lao-International Import-Export	9	herbs and fresh vegetables	Japan	???	--

Note: Producers/operators with green colour is already having organic certification. The yellow are those who in the process of applying for certification. White colour are those who has expressed or shown interest to apply for organic certification.

Domestic organic market in Laos appears to be growing rapidly. Since December 2006 when the first organic farmer market was organized by PROFIL at Wat Thatluang, the market expands significantly both in term of number of farmers participated, range of products, market frequency, and sale volume. At the beginning, the market was organized once a month and later on became weekly event. The average sale has risen to around 24.758 million kip per week of which around 2.49 tons of vegetables and rice are sold weekly (PROFIL 2008 – interview). And around 111 organic farmers, mainly vegetables producers around Vientiane city, are participating in this market. Based on an interview conducted during the weekend market on 29 November 2008, producers seem to be quite satisfied with the organic vegetable production as well as the sale at weekend market. The interview with consumers however reveals that they are less aware about organic agriculture but was confident about the integrity of organic products sold at the weekend market. With the success, from next year onward, the organic farmers plan to have additional sale in the middle of the week, making the market to occur twice a week.

2.2.3 Training and research

Though several NGOs offers training on sustainable agriculture, few has training course specifically on organic farming. Among the active NGOs working on the promotion of sustainable agriculture are:

- PROFIL
- PRORICE
- Jhai Foundation (Laos)
- Oxfam Solidarity Belgium
- Oxfam Australia
- CIDSE
- SAF, CUSO

All these NGOs would have their own project site, mostly working in collaboration with national or local government agencies, to promote organic and sustainable agriculture in local areas. No generic training on organic agriculture is offered to interest persons or organizations as all trainings are tied to a particular project. Organic training so far is done with external consultant but PROFIL hopes to start offering generic organic agriculture training in the near future.

There is also an NGO network called the Sustainable Agriculture and Environment Development Association (SAEDA) that promotes sustainable farming.

Currently, there is no education institute in Laos offering subject or course on organic or sustainable agriculture. However, there is a plan initiated by the Agriculture Faculties in three universities, i.e. National University of Laos, Suphranuvong University, and Champasack University to work together to develop a subject on organic agriculture to offer to their respective bachelor students.

General agricultural researches in Laos are normally carried out by staff of NAFRI and researchers from the National University of Laos. There are several research project currently on highland agriculture but there appears to be no research specifically on organic agriculture by local researchers from these two institutions either currently or in the last 5 years (Sacklokham 2008 - interview).

2.2.4 Standards and certification

In collaboration with the DOA, PROFIL had developed national organic standards since 2004 based on IFOAM Basic Standards. The standards, covering organic crops production and wild harvest, were approved by the MAF on December 2005. PROFIL also assist the DOA to develop a national organic seal, to be used for organic products certified against DOA's organic standards. The seal, owned by the DOA, was registered with the Science Technology Environment Agency. From 2005, the DOA had began developing local certification body, focusing especially on grow group certification (with internal control system). But it was not until early 2008 that the Laos Certification Body (LCB) was established by the DOA, under the CADC. At present the LCB has not yet offering its certification services as it still embarks on competency development. Also, no seal is used with any products at the moment as the DOA is still developing the policy and procedures on seal use.



Currently, only a handful of foreign organic certification bodies offer services in Laos, all have their base in Thailand. These include Organic Agriculture Certification Thailand – ACT (Thailand), BCS (Germany), ICEA (Italy) and Bioagricert (Italy).

In early 2008, the LCB entered into an Asian region certification collaborative platform together with other 8 Asian organic certification bodies, known as Certification Alliance. This regional collaborative platform allows members to offer multiple organic certifications with integrated inspection as well as market support and institutional development.

2.2.5 Government policies and programmes

In 2006, The MIC, in cooperation with ITC, has initiated a national export strategy plan. The strategic plan for agricultural sector aims “to develop organic agriculture in Lao in order to generate employment opportunities for youth, particularly women, among the multi-ethnic group in rural and remote areas and improve the well-being of farmers and environment protection ...” (MIC 2006). The strategy plan was approved by the Minister of Industry and Commerce in mid 2008 and it is expected to be approved by the cabinet in December 2008 (Phommabouth 2008 – interview). Key interventions of this strategy plan are (MIC 2006):

- Development of organic supply capacity through extension services, provision of loan
- Business and entrepreneurship development through training and information dissemination among the existing operators as well as potential operators
- Development of certification system
- Competency development to improve “social capital” especially on human resource, extension, research and development, and training

Besides putting efforts to operationalize the LCB, the DOA also are considering how to set up a regulatory framework for organic and safe food production, under the broad term of “clean agriculture”. The framework would include the approval of certification body (with possibly requirement for accreditation).

2.3 Market access issues in the main export destination

2.3.1 EU regulations for organic

Currently, there is only one export of organic products from Laos to EU, i.e. Lao Farmers Product, but a few operators are in the process of organic conversion or gaining the certification. The existing export to EU is done through a derogation option (stated in article 11.6) in the EU regulation for marketing of organic products (2092/91). The regulation 2092/91 is now about to expire by the end of 2008 but would be allowed to exist until the new system fully operate. And a completely new regulation (834/2007) will enter into force. The new import rules (regulation 1997/2006) have similar requirements and procedures to the provisions in the Regulation 834/2007. The new regulations contain three possible options for import approval:

- (1) Products certified according to the EU regulation by certification bodies recognized by EU Commission. The certification bodies shall be ISO65 accredited (article 32). The exporter shall have a valid certificate.
- (2) Products certified to equivalent standards to the EU regulations or the Codex Alimentarius by certification bodies recognized by the EU Commission. The certification bodies shall follow equivalent rules to the ones in the EU regulation and must be under the supervision of an accreditation body or a competent authority (article 33 paragraph 2). The products must be followed by a certificate of inspection.

- (3) Products from countries listed as recognized third countries. Such countries need to have a system that ensures that the exported products are produced to equivalent rules and certification procedures as the EU regulation or the Codex Alimentarius (article 33, paragraph 1 and 2). The products must be followed by a certificate of inspection. The last option is more or less the same as the current third country list, the only difference is the explicit reference to the Codex Alimentarius.

2.3.2 Thai Organic Markets

The Thai organic markets have been growing rapidly in the last few years after the introduction of organic products into supermarket shelves by various large scale supermarket chains like Tops Supermarket, the Mall, Tesco, etc.

Currently, there is no regulation on the import of organic products into Thailand. However, as the awareness of Thai consumers on organic products is growing, the Thai importers would likely require the imports products, including those from Laos, to have some kind of organic certification according to international rules.

2.3.3 Implications for Laos

As Laos Certification Body (LCB) is already in the Certification Alliance, who has make arrangements for all certified operators to gain market access to all major markets, e.g. EU, US, Japan, Canada, Thailand, Malaysia, etc. There is no immediate concern for market access for Lao organic operators as for as import requirement is concerned.

Within the Certification Alliance arrangement, the LCB personnel are to be trained so that inspection can be done by local inspector. Therefore it is important that the LCB receives continue supports in order to be able to provide such local inspection services to its operators.

2.4 Stakeholders' Perspective

The section below is based on the interview and discussion with stakeholders during the visit mission in November 2008 as well as their comments in the national stakeholder workshop on 21 January 2009.

2.4.1 Department of Agriculture and Clean Agriculture Development Center

DOA sees the future of organic development in Laos must include:

- The National strategy for organic agriculture should be updated in line with the government's policy on clean agriculture and MAF (DOA) should participate in the strategy development
- A need to clarify and set up regulatory framework for organic agriculture, applicable to other clean agricultural systems

- Awareness raising among all sector involved in the organic supply chain
- Competency development

CADC

- Suggest that the organic strategy should specify the targeted crops, so that it is clear what production technology to be focused
- Producing organic production manuals for rice, vegetables, other important organic crops
- Lack of awareness and knowledge about organic agriculture, even at the ministerial level, leading to low commitment to organic farming from the government. But local producers are operators are confused about organic farming and other clean agriculture.

2.4.2 Department of Production and Trade Promotion

- The organic agriculture strategy should address in-country export (selling organic foods to tourists via hotels and restaurants), selecting priority, and having broader stakeholders to oversee the implementation of the policy
- The organic agriculture development must be appropriate to local Laos condition, not imposing a fix model from outside
- Need to encourage foreign investors or joint ventures to develop organic business in Laos, so entrepreneur gap can be overcome in the short-term

2.4.3 NGOs and civil societies

- The extension capacity building may be better done through the Provincial Agriculture and Forest Office (PAFO) and the District Agriculture and Forest Office (DAFO) instead of NAFES. This is because the NAFES has national scope and has too many projects already at hands. It is better to selected some districts and provinces where organic projects are (or will be) and work with the PAFO and DAFO rather than spreading out the works thinly
- The objectives of the NGO programme need to be able to address poor farmers, especially in the upland areas. Key crops of particular focus are rice, coffee, vegetables, tea, and wild products.
- Agreed that the organic project must take the value supply chain approach, which must address also the quality and food safety system like HACCP, GMP.
- Also agreed that the key missing link is the private sector interested in organic markets
- Expressed concerns regarding the un-clarity and overlapping of work among various government agencies
- Agreed that it would be good to have an organic sector platform or forum as a consultative body to the government. Not sure whether there is a need for legality of this structure.
- Interested to see legislative or regulations concerning farmer cooperative or organization, an important factor in organizing production supply chain.
- The advancement of organic agriculture requires cohesive and comprehensive government's policies which should include complementary

agricultural policies, taxation policies, trade policies, especially the boarder trade

- Concerned that certification fee may be too high for small-scale producers

2.4.4 Agri-business entrepreneurs & exporters

- Some of the private sector had participated in the MIC's Organic Product Strategy plan (i.e. Laos Farmer Product) but they also expressed dissatisfaction with the plan, mainly about the lack of practical knowledge of the plan (unable to implement effectively) as well as the plan is out-dated
- Keen on having a joint market development for domestic markets, e.g. open a retailed shop and raising consumer awareness
- Interested to have their field staff trained on several subjects, including internal control system, quality management, crop specific technology
Lack of interests by other Laos private enterprises to engage in organic project is because there are very few entrepreneurs in Laos and almost all are pursuing lower market end, selling cheap products with large volume. Organic entrepreneur is likely to be small-scale who wishes to sell quality products, differentiate itself with others. There are very few of these quality-oriented entrepreneurs in Laos.
- Expressed concerned on unscrupulous traders taking advantages, making self claim on their products as organic
- Agreed that it would be good to have an organic sector forum, but concerned that big business may dominate the forum
- Agreed that the key to successful organic project must address the full supply chain and quality management
- Many producers and private sectors are still confusing between organic agriculture and other clean agricultural systems, especially the pesticide-free and good agriculture practice.



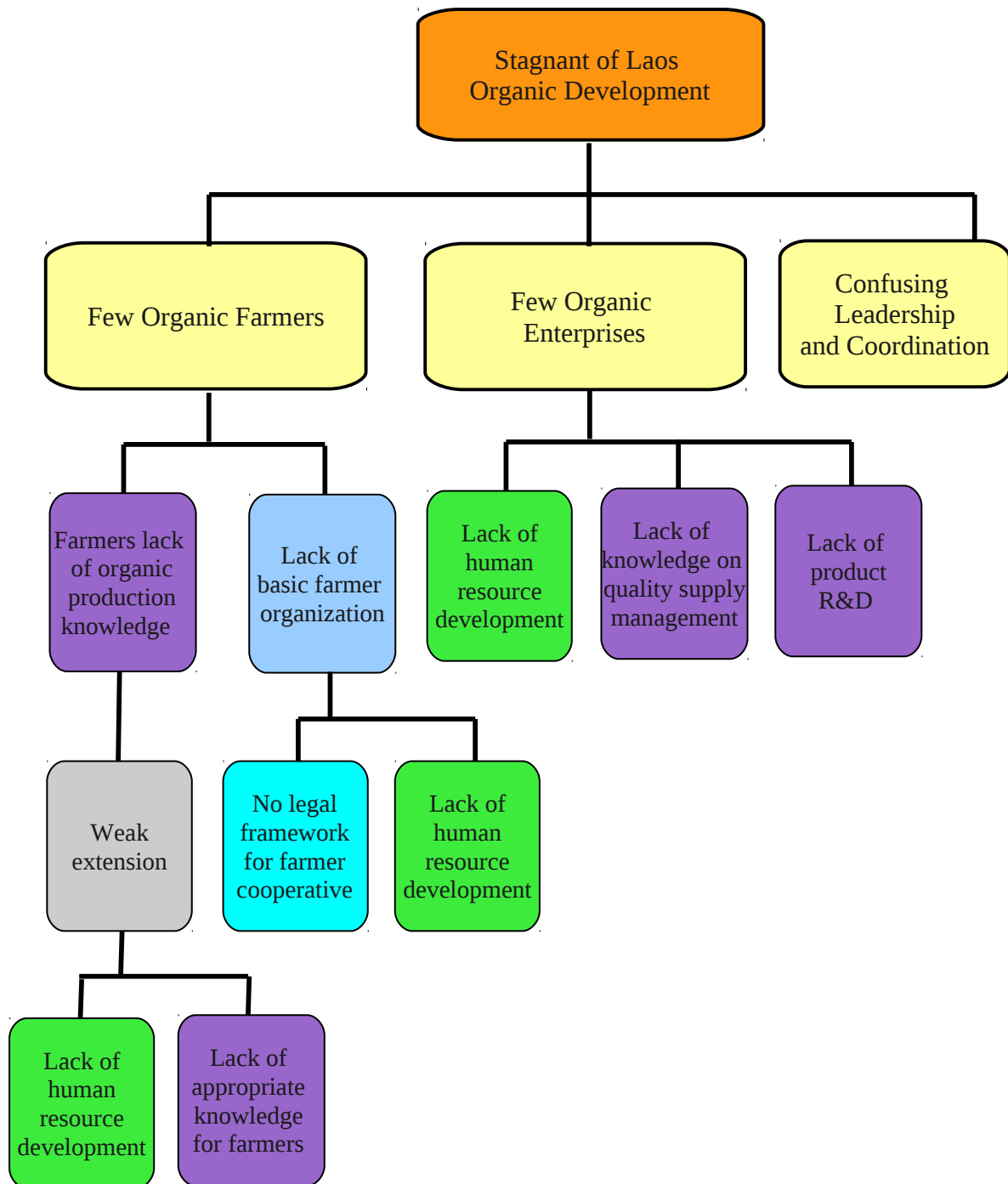
3. The Way Forward for Laos Organic Sector: Recommendations

3.1 SWOT analysis of Laos organic

The following SWOT analysis is based on the findings collected during the mission visit, but draw especially from 2 documents, i.e. the MIC report on Organic Product Strategy (2007-2009) and PROFIL-PRORICE report on Local Certification Organization Development Workshop.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Large and productive arable land with low population density (24hab/km²) • Sufficient labour • Low intensive labor cost • Less polluted environment • Continuous supports from foreign organization (technical) • Emerging domestic market (weekend market) • Traditional farming practices are close to organic farming (low use of agro-chemicals) • Having local certification body with collaborative relationship with foreign certification bodies (under the Certification Alliance platform) • Clear government policy supporting organic agriculture • Cost competitive compared to other countries 	<ul style="list-style-type: none"> • Small farmers had limited access to relevant information to improve their knowledge and skills, thus slow to adapt to new innovation • Public extension system to organic farmers is weak • Lack of entrepreneurship among the business sector to work on high-quality business like organic products • Lack of basic organization among small-scale farmers • Lack of clarity regarding leadership and coordination (within the public / private / donors) within the organic sector • Low level of human resource and coherent human development programme • Lack of R&D system to generate technical production knowledge appropriate to local Laos conditions
Opportunities	Threats
<ul style="list-style-type: none"> • Increasing demand of Organic agricultural products in EU countries, USA, Japan, ASEAN and China markets. • Organic products carry price premium, helping to improve farmers' income and reduce poverty • Synergy among international aid agencies to assist development of rural private sector • Develop agro- and eco-tourism 	<ul style="list-style-type: none"> • Promotion of industrial crops (e.g. rubber, palm oil) reduce land for organic farming • Unscrupulous farmers and traders taking advantage of the growing organic markets •

When we chart the identified weaknesses, we come up with the following flow chart.



From the diagrammatical analysis above showing cause and effects of the weaknesses, it becomes clear that there are 3 areas of intervention needed to address to root causes of the stagnancy of Lao organic agriculture development:

- (a) Lack of human resource development
- (b) Lack of knowledge in various areas (i.e. appropriate production knowledge for farmers, quality supply management for entrepreneurs, product research and development)
- (c) Lack of legal framework for farmer cooperative

These root-cause weaknesses are to be addressed as an integrated part of the overall organic agriculture development plan (see below).

3.2 Recommended plan of action for organic development in Laos

3.2.1 Developing the strategic and action plan

In order to ensure a healthy development of the Laos organic sector it is recommended that a national strategic and action plans are developed. These plans should be a joint public-private sector collaboration effort. To facilitate this, two permanent bodies shall be established, i.e. an inter-ministry body bringing together all relevant public agencies and a private stakeholder forum, having representatives from various sections of the organic supply chain as well as consumers and environmentalist organizations. The development of such plans should be a consultative process for all stakeholders and relevant government agencies and they should include:

- A clear vision for the organic sector linked to national development policies in general and in particular to agriculture and environmental policies
- Clearly strategic objectives and realistic targets
- Innovative activities and responsible agencies and bodies
- Financing mechanism
- Monitoring and Evaluation

The Organic Product Strategy (2007-2009) developed by the MOIC with the assistance from ITC can be used as a basis to further develop the strategic and action plan. Some researches are needed to prepare background information especially other initiatives in Laos that organic programme can integrate with and how to align with other national policies. Also, it would be necessary to organize some kind of information sharing workshop so that various stakeholders are brought to more-or-less the same level of understanding on organic agriculture.

3.2.2 Market development

There are apparent opportunities in the export market. However, it should be realized that not all products are suitable for export, considering the high transport costs (as Laos is land-locked country), logistic infrastructure, and other comparative disadvantage. Identification of suitable export products for Laos has been already done by other ITC project, i.e. Export Potential Assessment in Lao PDR by the ITC in 2005, taking into consideration the current export performance, the domestic supply capacity, and the characteristics of the international environment. According to the report, high potential agricultural products are tea, vegetables, processed fruits and vegetables and cardamom while medium potentials are coffee, live bovine animals, medicinal herbs, rattan, and handicrafts (textile) (ITC 2005). Further building on this study could be a useful exercise to identify the potential organic projects.

Main challenges to address for exports are lack exporters, there are few exporters and entrepreneurs exist in Laos and they are not interested in organic trade. This is mainly because of the nature of existing exporters that they are only involved in raw material transaction and targeting low end of the market. These entrepreneurs therefore have little or no interest in going for organic trade. To change the nature of these traders are difficult and will take much a long time, and may even be not so appropriate. For few private sectors who are interested in organic business, their main obstacle is the lack of staff and management capacities to deal with organic supply chain management and certification requirements.

To address the entrepreneurship bottleneck, it is therefore recommended to set up a mechanism to encourage joint venture between local private sectors and foreign investors to establish an organic (fair trade) marketing company. This joint venture should help to overcome the short-term bottleneck in Lao organic development and bring in the necessary knowledge and technology for organic handling and processing. In the long-term, it would be important to encourage the local private entrepreneurs to be interested in organic markets and assist them to develop capacity as required.

For the domestic market, the weekend markets in the capital city, Vientiane, should continue to be supported as it helps to promote organic agriculture in the country as well as providing market access for small farmers and operators. The farmer market can be improved by:

- Initiating vigorously check and monitor the production whether they are complied with the DOA organic standards (PROFIL is already planning to do this) so that consumers' confidence can be strengthened;
- Improving communication with consumers, either through on-spot display at the markets to explain about organic farming and/or short newsletter distributed to consumers during the sale;
- Improving the general hygienic and environmental conditions of the markets, e.g. restrict use of plastic bags for shoppers, all organic wastes are put back to compost (not dispose to city garbage system).

It would also be useful to supports initiative for organic "box scheme", delivering fresh organic produces to consumers in Vientiane city as well as to high-end hotels and restaurants with many foreign tourists. This would help to expand the domestic market as well as promoting the awareness on organic foods in the country. It also serves as a good linkage to eco-tourism.

In particular, there should be a special programme to introduce Lao organic coffee to high-end restaurants and hotels throughout the country, targeting foreign tourists who is quite well aware about organic foods and would appreciate good quality coffee. This not only helps to expand domestic market but also increase more domestic awareness. The government should take a lead role in this campaign.

To facilitate the domestic awareness, the government should support the use of "Laos Organic" label as a common seal for all organic products sold in the country.

3.2.3 Standards and conformity assessment

At present, there appears to be no key bottleneck on these issues, except the need to build capacity of the LCB for inspection and certification. However, both PROFIL and Certification Alliance are already having work programme for this.

In the near future, it may become necessary to establish regulatory authority on organic agriculture which should also have oversight of all other “clean agriculture” systems. This would help to protect local consumers from misleading claim as well as protecting producer from unfair competition. The establishment of the regulatory system would require formulation of legal frameworks and capacity development for the staff of this regulatory body. At that stage, the issues on separate function may become critical and the CADA/DOA may need to consider giving up the LCB to private sector or finding way to separate the LCB from their regulatory work.

3.2.4 Production and Extension

Any successful organic project would need to address a combination of production technology and comprehensive farmer support scheme. Normally, these would include knowledge and production technology appropriate to farmers, provision of organic inputs (e.g. seeds, bio-pesticides and organic fertilizers) if not available locally, and credits. Often, it is also necessary to help establish and/or strengthen existing producer organization so that it can function and provide necessary services for the organic projects, e.g. ICS, distributing farm inputs, take part in some extension activities, and collect the products after harvesting.

Generic knowledge on organic farming for various crops is available, in various publications and internet, but specific knowledge on production system appropriate for small-scale farmers in Laos is lacking. Generating own knowledge is useful but takes time and requires lot of resources (see recommendation on research issue in 3.3.5). It would be more appropriate to tap on the existing knowledge and experiences from the region with compatible local conditions, e.g. Thailand, and use them as starting points for local adaptation.

Currently there is no local body in Laos offering train courses on organic agriculture, especially for extension staff who can then work with farmers. Existing training, if available, is done by foreign experts. There is an urgent need to develop such training capacity in Laos. However, such trainers must have good experiences on organic farming so that their trainings are practical and grounded on the local conditions. It is therefore recommended to establish a private-sector organic extension institute in collaboration with foreign institutes in the Asian region who have good experiences in organic extension. Initially, this institute would provide free or subsidized extension supports to any organic projects in Laos, or if necessary, organize its own organic projects in order to gain sufficient experiences and practical knowledge. Once the institute has accumulated sufficient knowledge and practical experiences, it may start to offer

the training by it own without the need for foreign institutes and may charges fees for its services.

3.2.5 Research and education

Adaptive research on organic farming would be beneficial to help validating the production knowledge appropriate to local Lao conditions. It would be sufficient to start with one team of committed researchers, say 4 - 5 persons to form the core group of the organic researcher team. The research team should work closely with the extension institute described in 3.2.4 as well as other NGOs and private sector to identify research topic and design the research methodology as participatory as possible.

For education, it would be appropriate at this stage if organic agriculture is being offered as a compulsory subject in the bachelor curriculum in Lao universities. As there is already initiative along this line, though it currently plans to offer it as selective subject, it is sufficient to ensure that this initiative goes ahead.

3.2.6 Sector organization

The legal framework for other private organizations, beside private company, is confusing and in some areas lacking. There is no possibility to establish farmer cooperative or association of traders together with producers. It would be useful if such legal framework is established and/or clarified so that producers and farmers can have their own legally-approved organization. Without this, it would be difficult to further develop organic sector organization at national level.

3.2.7 Monitoring

In almost all countries, lack of data on organic farming and trade is a major hurdle for the organic sector. It is difficult to monitor the organic development and to measure the impact of various initiatives when data is unavailable. The two permanent bodies of the public and private sector (as mentioned in 3.3.1) in cooperation should develop a system to collect relevant data on production and marketing.

3.3 Recommendation to ITC for future technical assistance

Based on the above information and the SWOT analysis, the consultant believes that there are five strategic areas needed urgent attention if we are to unlock the present stagnation of Lao organic development. The ITC can play catalytic role to support this process through its technical assistance in the following areas:

- (a) Improving the coordination of the Laos organic agriculture development planning by various public and private sectors in order to synergize the on-going and future organic projects and programmes implemented by various agencies;

- (b) Catalyzing the establishment of organic extension institute through necessary technical and financial assistances with special focus on extension staff training as well as extension supports (e.g. training curriculum, training materials, follow-up activities, provision of organic inputs, etc) that allow effective conversion of farmers to organic agriculture;
- (c) Facilitating the gap-filling in organic entrepreneurship through joint-venture with foreign investors as there is the key missing link in the development of organic projects;
- (d) Building mechanism that support the adoption and implementation of organic supply management with the focus on helping private sector to comply with the organic standards and to improve their quality management system.
- (e) Supporting the enlargement of domestic markets, targeting specially foreign tourists and affluent consumers

At the stakeholder consultation workshops on 21 January 2009, participants gave top priority to the enlargement of domestic markets (point (e)), followed by planning coordination between public and private sectors (point (a)) and support private sector to adopt and implement organic supply chain management (point (d)).



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Appendix

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