

UNLOCKING THE FULL POTENTIAL OF LAO PDR'S TEA SECTOR

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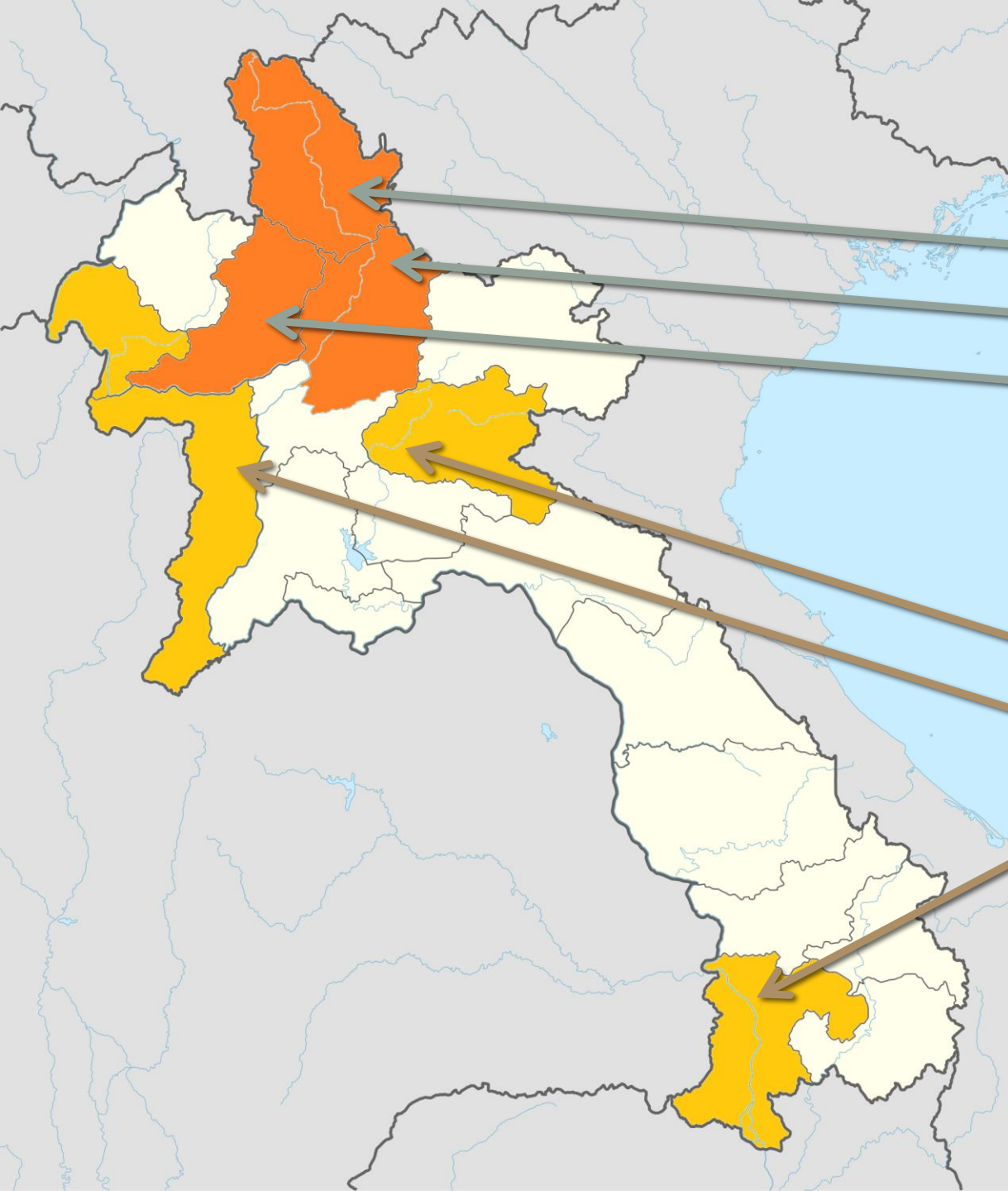
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GENERAL OVERVIEW

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

Variety	Name	Production Management	Market Conditions
Assamica	Ancient tea	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Higher price • High market demand • Chinese market
	Wild tea	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Minimum price • Chinese and EU market
Sinesis	Plantation tea	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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.

Tea processing



Photos: TABI, Kinnari .

Challenges & Opportunities

Challenges	Opportunities
<ul style="list-style-type: none">• Low value addition from tea exports• Maintain high quality during processing by farmers.	<ul style="list-style-type: none">• High market potential due to favorable production conditions, tea varieties and cultivation methods.
<ul style="list-style-type: none">• Increasing use of chemicals• Organic by default does not really exist (certification, record-keeping, labor)	<ul style="list-style-type: none">• Comparative advantage in the production of organic tea
<ul style="list-style-type: none">• Trade barriers: only buyers from import countries can export tea• Approving concession creates monopoly and dependency.	<ul style="list-style-type: none">• Fair trade for tea farmers grouped into cooperatives or associations.
<ul style="list-style-type: none">• Lack of clarity about the genetic variety of ancient/forest tea	<ul style="list-style-type: none">• Private tea brands, geographical indications to promote the tradition and uniqueness of tea production
<ul style="list-style-type: none">• Low enforcement of national policies.	<ul style="list-style-type: none">• Eco-tourism to promote Lao tea

THE CASE OF PHOU SAN TEA, XIENG KHOUANG PROVINCE

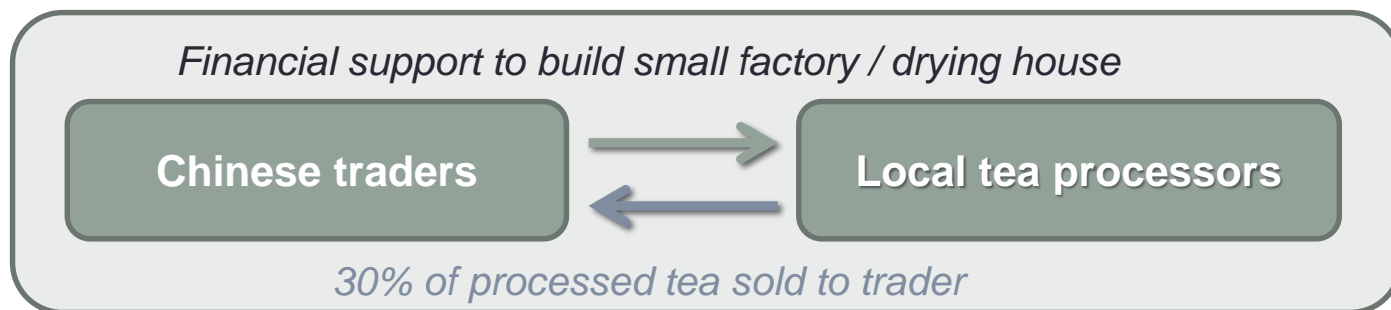
Phou San Tea

- 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.

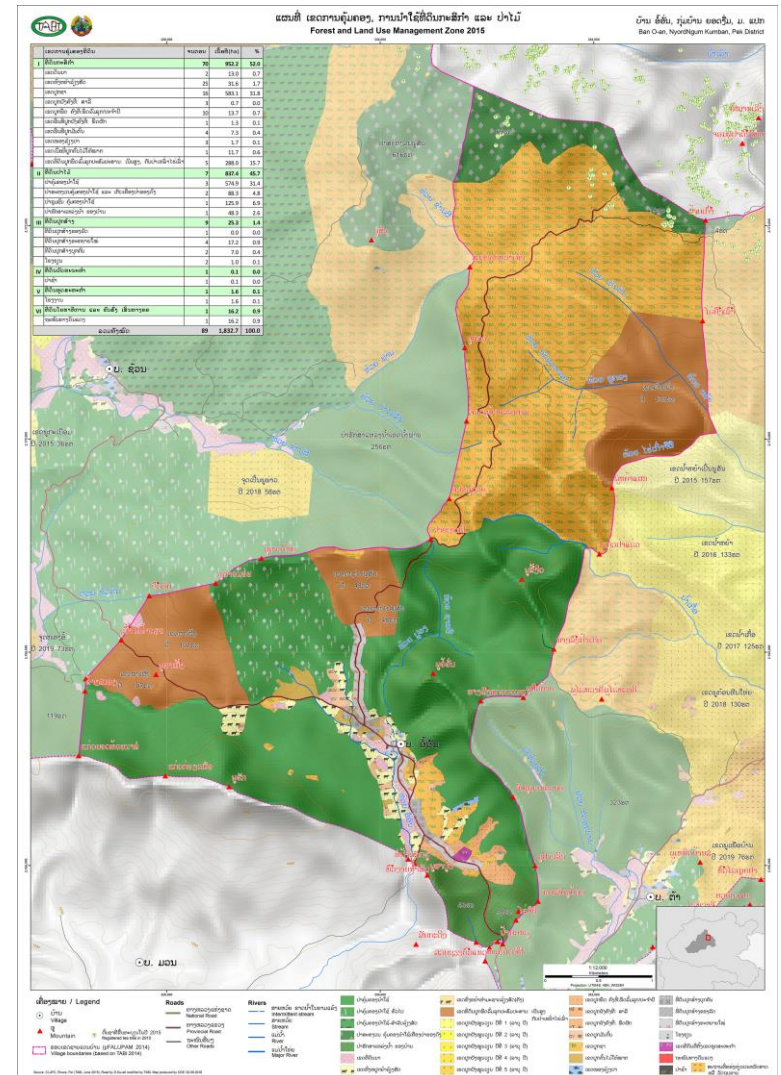
- **Traders & processors**



- **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

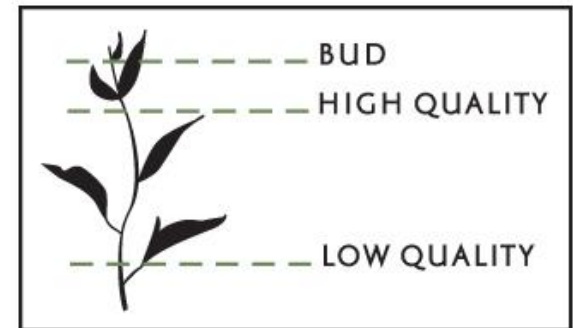
Fresh leaves (annual average)

- 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: 200,000LAK/kg

(5 kg of green leaves = 1 kg of dried/processed tea)



Tea prices, Phongsaly



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!