

Unlocking the full potential of Lao PDR's tea sector

Lao Tea Consultation Meeting

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Background

- Tea plants are native to East Asia and evidence of tea consumption in China goes back to the 2nd century BC.
- Since early as the 7th century, tea was presumably cultivated and traded (Earth Systems, 2016)
- Forest tea has been grown in Northern Laos for centuries. This paper use “forest tea” as a generic term for ancient and wild tea.
 - Ancient tea and wild tea are the same variety but ancient tea refers to the original standing trees usually found deep in the forest.
 - Wild tea can be tea that is naturally regenerating from seeds or is planted by farmers in their land using seed and seedling from the forest.
- In the 1920s, the French brought tea from Vietnam to cultivate on the Bolaven plateau and recognized the quality of wild forest teas from Xieng Khouang (Pedersen *et al.*, 2016).
- In the 1930s, the development of the tea sector however was halted by a preferential trade agreement between the British and the French.

Background (con.)

- Early 1990s, tea production resumed after the adoption of the “New Economic Mechanism” in 1985 and the development of private tea companies.
- Early 2000s, a growth in Chinese demand boosted the tea sector again.
- Today, the main tea production areas of Laos are located in the Northern Uplands. Phongsaly and Oudomxay Provinces are the leading provinces in terms of tea planted surfaces, volumes produced and number of households engaged in tea production.
- Smaller yet well-established tea production areas may be found in other areas, such as Paksong district in Champasack province or in Peak district in Xiengkhuang province.

Tea for livelihoods

- Tea has positive economic impact of tea production on the livelihoods of smallholder farmers, rural communities, ethnic minorities and women.
- Tea is mainly grown and harvested by smallholder farmers and tea is cultivated in a traditional way
- A very low use of chemical inputs with little processing after harvest
- Tea sector has great potential to alleviate poverty alleviation and contribute to rural development.
- The 8th NSEDP recognizes the potential for the tea processing industry to generate value within the country, encourages the development of local tea factories.
- The ADS to 2025 focuses on developing tea production in the Northern Uplands and on the Boloven Plateau and encourages tea certification (organic, GAP).



Photo by TABI

Tea plantation areas by province*

Province	Planted Area (ha)								
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Phongsaly	620	2,460	2,585	2,650	2,655	3,230	3,235	2,811.93	2,370.75
Oudomxay	0	555	225	305	215	385	445	122	123
Luangprabang	1,300	450	430	125	695	710	785	785	1,334
Huaphanh	15	110	135	30	45	65	80	110	402.69
Xayabury	0	0	0	0	0	0	639.31	789.90	789.92
Xiengkhuang	0	0	0	0	0	120	135	290	291
Champasack	220	220	285	285	285	460	460	458	458

Source: Department of Agriculture and PAFOs, 2018

*There are some missing information on tea production from provinces

Tea varieties and Production models

Variety	Local terminology	Production Management	Market Conditions
Var. assamica	Ancient tea	<ul style="list-style-type: none"> • Tea tree are old and usually located in remote protected forests • Villagers communally manage tea trees • Tea trees are under the authority of the government, based on 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 tree	<ul style="list-style-type: none"> • Ancient tea trees that naturally regenerate in fallow or forest • Farmer propagation and planting of seedlings from Ancient tea trees • Tea tree are young and short • Tea trees belong to individuals or households • Tea trees are harvested by farmers • Organic or clean agriculture 	<ul style="list-style-type: none"> • Minimum price • Chinese and EU market
Var. sinesis	New Chinese & Vietnamese clones	<ul style="list-style-type: none"> • Investment model is usual land concession or contract farming • Tea plantation areas are managed by (1) individual households, (2) 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 Processing

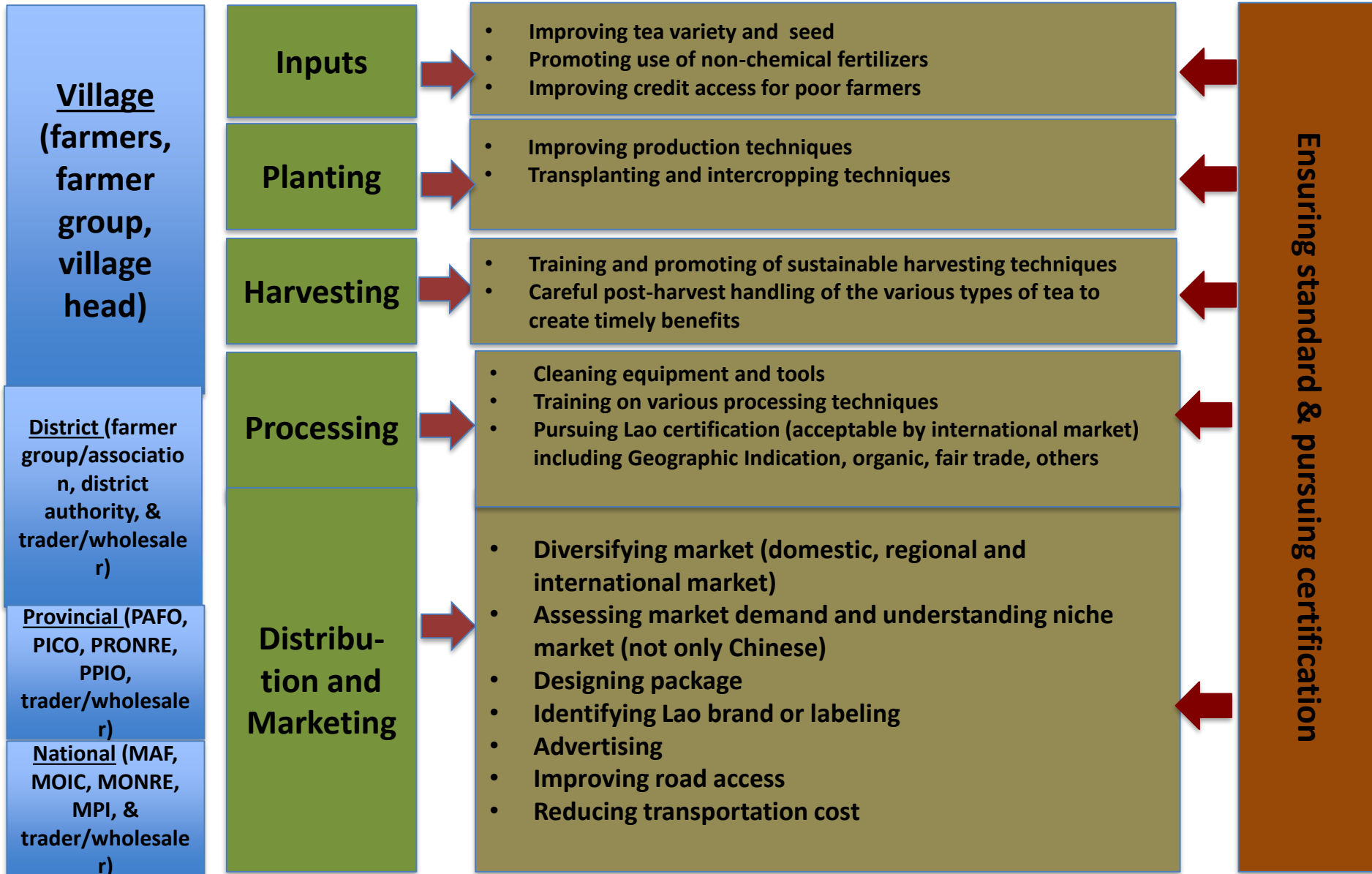


Cleaned
equipment is
a key factor
in ensuring
tea standard

Photos by TABI



Tea Value Chain – Need Assessment



Opportunities

- Tea produced in Laos has a high market potential that comes from: favorable production conditions (e.g., climate, soil types, and altitude) and the low use of chemicals, especially for wild and ancient tea varieties.
- This might provide Laos with a comparative edge in the production of organic teas for niche markets, provided that producers are able to become certified.
- Laos already has its own set of organic standards and a local certification body.
- Fair trade could offer an additional opportunity for tea farmers grouped into cooperatives or associations.
- Promising strategy could be to develop private tea brands and/or geographical indications to promote the country's long tradition of tea production and unique tea trees.
- Eco-tourism activities could be developed to further promote Lao teas.

Key Challenges

- Minor value added from tea export as most of Lao tea is exported as semi-processed or unprocessed.
- Only buyer/company from import country can export agriculture product from Laos.
- Increase use of chemical subsistence throughout the agriculture production.
- Changing farmer's behavior in maintaining standards and keeping records throughout production value chain.
- Maintaining quality standard during processing by farmers.
- Approving concession seems creates monopoly and dependency.
- Lack of clarity about protecting genetic variety of ancient/forest tea.
- Enforcing the national policy especially translating into practice at the local level requires efforts and resources.

Recommendations & Proposed Actions

Improve production

- Good Agriculture Practices (GAPs) and organic guidelines need to be administered effectively to ensure safe production practices of food and food products at the local level.
- On-farm cultivation trials and demonstrations will help to improve farmers' skills.
- Private sector plays important role in providing technical assistance and support during tea production, increasing access to inputs and materials and to ensure quality control, and providing market access and funds.
- The government provides technical service and advice throughout the production management to maintain its competitiveness including promoting local seed varieties.

Improve Harvesting and Post- harvesting

- Weather conditions impact tea quality, tea leaves should only be harvested when conditions are optimal –*e.g.*, cloudy weather, early in the morning, before the sun becomes too strong.
- Tea leaves should be kept in a shady area to prevent the tea from becoming bitter.
- Sustainable harvesting techniques should be promoted and disseminated among farmers or tea collectors.

Improve processing

- Processing equipment should be cleaned
- Smoking of tea minimized to ensure high quality standards are maintained.
- Expanding tea exports requires quality assurance wherein Lao certification should be upgraded and proven acceptable by imported countries.

*Improve
distribution
and
marketing*

- Improve market access through market research and an assessment of market linkages.
- Lao teas should be promoted by developing tea differentiation strategies (*e.g.* Geographical Indication, organic and fair trade certifications, brands) together with attractive and credible product labels that draw attention to the uniqueness of Lao tea.
- Support the access of tea producers, traders, exporters, and marketers to high-value export markets.

*Enhance
service
delivery and
enabling
environment*

- Investment approval process should take into account the livelihood and benefits of smallholder farmers.
- DAFO staff and farmer leaders should receive expert-level training to become tea specialists.
- Enhance basic knowledge of tea for all producers.
- Tea producers should be registered and meet certain quality standard levels - maintain records on the origin of tea seeds, plants, diseases, yields, prices, sales and buyers.
- A need for establishment of Learning Alliance or Task Force to capitalize past experience, and support the coordination of future development of the sector
- Agreement between development partners on who will take the leading role in supporting the sector.

Research Gaps

Value Chain	Gaps
Inputs	<ul style="list-style-type: none">• Tea variety selection and protection of tea seeds• Identification and protection of Lao tea varieties through inventory and characterization (e.g. niche, unique, GI)• Identification of forest tea (wild tea and ancient tea) and cultivated tea (external variety e.g. Chinese or Vietnamese clones) areas
Planting	<ul style="list-style-type: none">• GAPs in cultivated production systems, organic tea production• Techniques for expanding tea gardens (wild/ancient tea)• Increasing productivity during dry season• Pest and disease control

Specific research gaps in Lao tea

Value Chain	Gaps
Harvesting	<ul style="list-style-type: none">• Sustainable harvesting and post-harvesting techniques
Processing	<ul style="list-style-type: none">• Assessment and comparison of existing processing techniques (CBA)• Improving general tea processing (water content, smoke, etc.) and GMPs
Distribution & Marketing	<ul style="list-style-type: none">• Detailed market analysis for different teas
Whole VC	<ul style="list-style-type: none">• Assessment of the economic, social and environmental sustainability of different economic models (spot, CF, concessions).• Statistical analysis from production area and volume, export volume• Understanding the distribution of value between from the farm to the border and to the final consumer.

Key message

- Lao tea has a strong potential to contribute to poverty alleviation and rural development.
- Despite a relatively large production area, the volumes of tea produced and exported remain low, and farmers are confined to low value adding activities and have little bargaining power.
- Laos could take advantage of favorable production conditions, unique varieties and traditional know-how to develop a high quality tea sector.

Key message (cont.)

- Challenges include improving quality at early stage of production as well as farmers' processing capacity.
- Improving farmer capacity can be successful if the value chain is organized in a way that they can reap the benefits from their efforts towards improved quality.
- The investment approval process should take into account the livelihood and benefits of smallholder farmers, and promote fair trade practices between farmers and buyers.

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Thank you for your attention.