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PHONGSALY PROVINCE TEA DEVELOPMENT
STRATEGY BY 2025



Phongsaly, December 2018

Preface

Phongsaly province tea development strategy was based on the commercialization of tea production linking to stabilization of occupation and income generation of farmers in mountainous areas due to Phongsaly province is mountainous with elevation of 400-1,800 masl. Nowadays, Phongsaly province has been promoting tea plantation in 6 districts, of which, Phongsaly district has the most production. At the same time, Phongsaly also has ancient and wild teas of more than 400 up to 1,000 years in Phongsly, Khua and Nyot-Ou districts. It is well known that tea plantation provides better income, less labour requirement than upland rice; however, promotion of tea plantation and processing does not have high productivity and limited linking to stable markets.

Therefore, Phongsaly province authorities has proposed to the Community Organization, Participation & Empowerment Program (COPE) to provide budgetary and expertise support to prepare the strategy together with the committee through steps of information collection, brainstorming of outline, writing of strategy, finalization of strategy and approval of strategy. All processes were participated by related agencies at district, provincial, private sector and farmer representatives. The main content of the strategy reflects previous campaign on production, processing and marketing of tea in Phongsaly province as well as set up guidelines to develop tea in Phongsaly province by 2025.

Committee for
Phongsaly Province Tea Development Strategy

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Chapter I

Phongsaly Tea Development Strategy by 2025

1. Context

1.1 Provincial tea production and sector analysis

Phongsaly province has suitable location for tea production and is located close to the famous Yunnan Tea production zones of Mengla in Xishuangbanna and Puer city itself is not far from the Phongsaly Border. The famous Yunnan tea mountain of Yiwu is located on the Phongsaly border with part of the mountains extending into Laos. Phongsaly is thus geographically contiguous with some of the most famous and ancient tea production zones in Yunnan and indeed China as a whole. This is reflected in the presence of ancient tea resources within Phongsaly and Nyot-Ou districts.

According to Phongsaly PAFO (2015), Phongsaly province has 2,811.6 hectares, produces about 3,248 tons of fresh leaves (table 1), of which about 71% is produced in Phongsaly district which 95% is female farmer's labor. Based on Phongsaly province SEDP for 2015-2025, the province produced 563 tons of dry tea in 2015, of which 80-85% is exported particularly, to China with the rest is sold in domestic markets. Traditionally almost all Phongsaly tea was processed into Mao Cha (Rough tea) the precursor material for the production of Puer tea cakes. This has changed recently in line with trends in that lower value wet season pick teas are now often processed to black teas rather than Mao Cha.

Table 1: Tea production in Phongsaly province, by district, 2015

Districts	Planned 2015				Implemented 2015			
	Planted area (ha)	Harvested area (ha)	Yield (t/ha)	Production (t)	Planted area (ha)	Harvested area (ha)	Yield (t/ha)	Production (t)
Phongsaly	1,584	1,567	1.5	2,429	1,552	1,539	1.5	2,388
Khua	23.8	22	0.5	11	24.6	22.6	0.5	11.3
Samphan	53	53	1.3	71	53	30	1.3	40.5
Bounneua	320	300	1.4	438	300	300	1.4	438
Nhot-Ou	547	374	1.4	534	530	280	0.09	25
Bountai	388	328	1.4	482	352	239	1.4	345

Source: Phongsaly PAFO, 2015

Table 2: Exportation of Phongsaly tea made during the period of 2012-2016

Year	Exportation			Destintion (Country)
	Unit	Amount	Total (USD)	
2011-2012	Ton	104	275,220	China
2012-2013	Ton	177.7	275,250	China

2013-2014	Ton	191	829,500	China
2014-2015	Ton	76	194,500	China (1 ton for Germany)
2015-2016	Ton	60.6	125,300	China

Source: Phongsaly PAFO (2016) and Phongsaly PICO (2016)

According to scientific data showed that tea leaves have caffeine and theophylline which is good for health such as increase the body's ability to burn fat, improved muscle endurance. Moreover, regular drinking tea could help to reduce the risk of heart attack and help protect against cardiovascular and degenerative diseases.

Phongsaly tea is recognized within Yunnan and Guangxi has being of free chemical and is show good image in marketing; however, due to tradition and compounded by low profit margins, tea cultivation tends to be organic by default although in some areas herbicides are being used to reduce the burden of weeding. To protect the reputation of Phongsaly tea, provincial authorities (PAFO, PONRE, etc.) have set up regulations to prohibit the use of herbicides and apply strictly into the practical for who break the regulation by the village authorities collaborated with DAFO to closely monitor and fine for which famer who uses herbicide, and it was confirmed that herbicide use has been reducing in recent years.

While tea plant density per Ha is often approaching Yunnan levels production methods are 'natural' and typically organic by default with limited or no use of organic fertilizers. This has depressed yields and limited intrinsic leaf quality. Appropriate pruning is rarely undertaken and combined with poor plant nutrition results in low shoot yield and higher picking costs and low return on labour compared with other sectors.

While margins are low, tea provides a regular income during the picking season and that can meet daily life needs with a more attractive income occurring at the time of the spring pick. Besides stable farming system, tea typically offers better returns than upland rice cultivation. The cost-benefit analysis of tea production in Phongsaly district shows that net income from tea production is 2,5-32.5 million kip/ha/year. The returns is probably lower than Guangdong cardamom (24.0-30.0 million kip/ha/year) or coffee of 10-15 million kip/ha/year. However, tea production is normally in high elevation with limited condition for other cash crops. Moreover, tea can be produced and processed locally and transported to both domestic and abroad markets, generating income for poor, rural communities (table 3).

Table 3: Comparison of tea production with other crops in Phongsaly province, 2015

	Ave. yield (kg/ha/year)	Ave. price (Kip/kg)	Ave. income (mill. Kip/ha/year)	Characteristics
Ancient /wild tea	500	5,000-65,000	2.5-32.5	Limited resources, high market demands
Plantation tea	1,500	3,000-12,000	4.5-18.0	Can be planted in where not suitable for others

Guangdong cardamom	600	40,000-50,000	24.0-30.0	Limited eco-environmental conditions
Paksong cardamom	1,400	4,000-6,000	5.6-8.4	Can be planted in fallow areas
Coffee	5,000	2,000-3,000	10.0-15.0	New in the north with difficult in foggy areas
Upland rice	1,870	1,500-2,500	2.8-4.7	Low yield, high labor required

Source: Phongsaly PAFO and consolidated by Thiphavong, 2016

The bulk of farm sales is of fresh leaf to Phongsaly tea processing factories, but households also process to MaoCha any unsold fresh leaf and in some locations produce a compressed, smoked tube tea for sale; however, there is limited market for such processed tea. Processor lack working capital and as a result may restrict volumes purchased or in other cases only pay after processing and sale.

There is a high level of competition amongst buyers to purchase the higher value spring pick with multiple unregistered local and Yunnan traders entering the province to buy tea at this time. However during the longer and lower value wet season pick period there is much less buyer demand with tea producing households often unable to find a buyer for their production. Tea prices fluctuate significantly with ancient and good wild teas commanding a significant price premium over other varieties.

Sales to Yunnan are sometimes blocked as a result of a number of different factors and has a serious impact on Phongsaly based traders, reducing the predictability of their operations.

1.2 Opportunities and Constraints

Opportunities	Constraints
<ul style="list-style-type: none"> - Close proximity to Yunnan and Guangxi tea markets and developed tea sectors. - Suitable land, potential on tea cultivation and labor available to increase production areas. - Reputation in Yunnan tea markets for chemical free production methods. - Significant scope to increase on farm productivity and leaf quality. - Scope to improve processing quality and thus product value. - Scope to improve equipment within processing factories. - Scope to further diversify the range of tea products produced. Black tea now produced from wet season pick teas by many factories. - International buyers interested to source from new locations. 	<ul style="list-style-type: none"> - Low productivity and low return so that farmers are not committed to tea production - Fragmented small scale production without collective action and farmer organization on production, processing and marketing. - Limited technical knowledge on tea production and processing at all government levels and within communities and private sector hinders development of the sector. - Lack of tea processing technicians at factory levels. - High levels of price fluctuation. Limited local demand for wet season fresh leaf production. - Some processors do not meet Sanitary & Phytosanitary Standards (SPS) and other standards.

<ul style="list-style-type: none"> - Clarifying roles and responsibilities and improving coordination amongst local government agencies in support of tea development. - Increase enforcement of regulations regarding registered tea processors/traders. - Potential to link with tourism activities. - Scope to raise profile of Phongsaly tea in Chinese tea sector through linking with Chinese researchers and tea writers. - Modern communication technologies to advertise through internet and website. - 	<ul style="list-style-type: none"> - Limited markets, mostly relies on Chinese markets. Limited marketing information. - Sales to Yunnan sometimes blocked. Limited coordination of Phongsaly and Yunnan authorities on tea. - There is copy of Phongsaly tea in Yunnan markets. - Limited access to credit for both working and fixed capital. - Poor road infrastructure. - Limited government budget to support development of the tea sector.
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1.3 Lessons learnt

- Northern Laos is part of the geographic center of origin for tea, which explains the presence of so many wild tea sites.
- Low return on investment (labor and capital) has limited farmer willingness to invest time and resources into tea production making intensive style cultivation less-viable. In many locations closely planted tea plants exist but are of very low quality due to inadequate (non-existent) fertilization regimes and poor (non-existent) good pruning practices.
- Opportunities appear to exist for less-dense cultivation models that utilize ground covers to reduce weeding requirements and suitable shade trees to encourage shoot production. In many locations some level of organic fertilizer application will be needed to boost production quality and quantity. At the same time, producing of organic fertilizer should be promoted.
- Appropriate technologies should be adapted in each production step particularly, for new tea areas. Besides improvement of good farm management, good technologies should be introduced from land preparation, plantation, farm management, picking and post-harvesting.
- Fresh leaf quality has a significant price impact in Yunnan, farmers should improve picking technique and time, carrying and storing.
- The promotion of group based production, processing and marketing has the potential to improve product quality and strengthen price negotiation power. Particularly linking to new markets.
- Producing high quality tea is essential if farmer incomes from tea are to be raised and this requires action along the entire value chain. Higher quality teas will enable entry into higher value markets and a reduction in price fluctuations.
- Some MaoCha from ancient and wild teas can command very high prices in Yunnan (e.g. wild tea MaoCha from Nyot-Ou selling for about 160 USD/kg, Phousan MaoCha from Xieng Khoung selling for 35 USD/kg, wild tea from Pakbeng selling at 25 USD/kg processed).

- Ancient and good wild tea tree MaoCha prices in Laos remain below the equivalent in Yunnan due to poor quality picking and processing. Ancient tea from Yiwu in Yunnan province reached 320 USD/kg whilst some other ancient teas could sell at higher price based on the protection, management, picking and processing.
- The possible further protection and valorisation of the specific origin-linked tea in the Province through the use of the Geographical Indication (GI) system has been identified as relevant by the authorities to increase the visibility of the tea origin and profile of tea from the Phongsaly province to relevant markets, allowing for producers to be able to fight against the usurpation the tea geographical name as well as to develop potential additional revenues to local communities through the development of eco-tourism activities
- The prices able to be paid for spring pick MaoCha by actors in Yunnan's Pu'er tea sector exceed those able to be borne by other tea products or markets so a diverse strategy is required with the spring pick going to produce MaoCha and the wet season picks being processed to other forms of tea for other both Chinese and other markets.
- With training and limited additional equipment Pu'er type tea cakes could be processed locally.
- Domestic retail prices for Lao tea are very high with also high levels of competition present.
- The province has encouraged open competition between traders and processors over production areas and this has translated into advantages for the farmers during spring picks. By contrast, at district levels there is still support for monopsony systems whereby one trader is given exclusive purchasing rights to tea from a particular geographic area.
- Opportunities for companies to attend regional and international events to enable them better understanding and linking to new markets.
- Ancient and wild teas have value as germplasm and should be protected as they are in Yunnan.
- Local government in Yunnan provides subsidies and support to tea production and marketing.
- Tea trading with China involving only private sector, no government interesting and supporting; Therefore, there is a need to improve coordination of Phongsaly and Yunnan provinces.
- External support, including financial, is needed in Phongsaly to assist the sector achieve its potential.

Chapter II

Tea Development Strategy and Action plan for 10 years (2016-2025)

1. Provincial overview and vision of tea development plan

1.1 Phongsaly provincial overview

Located in the most-north of Lao PDR, Phongsaly province has a land area of 16,270 km² of which 99.9% is of high mountainous topography with an average elevation of 1,183.5 masl. Phongsaly has borders China (361.5 km) to the north and southwest, Vietnam (385.3 km) in the east, with Oudomxay and Luang Prabang provinces to the south and southwest. The province consists of seven districts namely Phongsaly, Mai, Khua, Samphan, Bounneua, Nyot-Ou and Bountai.

Phongsaly climate is cool in the northern areas whilst warmer in central and southern parts of the province with provincial average temperatures of between 14.6 °C and 23.2 °C. The average rainfall is 1,557 mm per year with sunshine of some 3.7 hours per day.

By 2015, Phongsaly province has population of 178,000 people, of which 90,700 is men and 87,300 is women. Average population density is 11 people per square kilometer. The province has 15 ethnicities mainly Khor, Khmu, Lue, and Phunoi, etc.

By 2014/2015, the provincial GDP reached 140 million USD with an average GDP of 798 USD per capita with 27.02% of households being under poverty line. The main commercial production includes tea, sugarcane, rubber, coffee, cardamom, dry season crops and NTFPs. Tea plantation has been promoting in six districts of which Phongsaly district has the most production. The main labor of tea production has 95% of female farmer which apply natural planting and traditional harvesting (source: Agriculture, February 2015)

1.2 Tea development policies

Tea is a main agricultural product of Phongsaly province with long history of ancient tea resources of more than 400 years in Ban Loungching/Ban Komaen in Phongsaly district. With such good resource and potential to commercially produce the tea, Phongsaly district and provincial authorities has been promoting tea plantation since 1994/95, aiming at stabilization of agricultural farming system, reducing slash and burnt, generation of income and contribution to the poverty reduction in the province.

In the past 20 years, the province has implemented each NSEDP, specifically, to focus on development of agriculture linking to economy, integrated farming system, insurance of food security, etc. Tea has been considered as one of the seven prioritized products for the province; however, there has been no specific tea value chain promotion and development policies.

Currently, Phongsaly tea development policy links to vision and development strategy of the province through focusing on promotion and scaling out potential to comprehensively develop agriculture and forestry, improvement forward clean agriculture, expansion of modern farming system and high

productivity, adoption of modern technologies in production with promoting the participation of women. Especially, linking to vision for development of agricultural sector: develop sufficient food production, stabilization and commercialization of locality, generation of income, eradication of least development linking to building of local awareness for clean and sustainable agriculture without violence against women and child labor-based industrializing and modernizing of agriculture.

1.3 Goal and objectives

1.3.1 Goal

Sustainably increasing Phongsaly province tea profile and income of tea smallholder producers through application of high quality environmentally friendly tea production technologies, improvement of processing quality, diversification of tea products, provision of viable business conditions for private sectors, as well as continuously and effectively improve tea knowledge of all actors along the tea value chain. These actions will help stabilize tea markets and improve prices. Promote Phongsaly tea to be the quality product for regional and international markets.

1.3.2 Objectives until 2025

Achieving the Goal requires action at all points along the value chain to comprehensively improve the quality and increase the quantity and thereby value of tea products in order to best contribute to poverty eradication amongst smallholder farmers in Phongsaly province and economic growth of no less than 11% per year.

- Establish model tea gardens to support smallholder farmers adopt environmentally friendly tea production systems that maximize returns to labor and capital through improving the quality of tea cultivation, picking and post-harvesting.
- Improve quality of processed tea including through use of improved industrial processes, enabling entry into higher value and more diverse markets.
- Promote Phongsaly tea including through linkage with tourism activities and facilitate its entry into new and more stable and sustainable domestic and international markets, including through promotion of the use of relevant intellectual property rights (Geographical Indications and trademark in particular).
- Create an enabling business environment for tea processors and traders that reduces transaction costs and uncertainties.
- Establish and develop a sustainable Tea Development Centre and capacity building to support the sector's growth and strategy.

2. Content of the strategy

2.1 Improved on-farm production and post-harvest

2.1.1 Objective:

Establish model tea gardens to support men and women smallholder farmers adopt environmentally friendly tea production systems that maximize returns to labor and capital through improving the quality of tea cultivation, picking and post-harvesting.

2.1.2 Indicators:

- By 2025 expand tea production area to 3,000 ha and productivity to at least 3.5 tons of fresh leaf per ha.
- By 2025 increase participating farmer returns to labor and capital through tea cultivation by 15% per year over baseline in 2016.
- Over 60% of female farmers accessed to the technical services on production, harvesting and processing.
- At least 10 farmer tea producer models follow the fully technical service on tea production; and receive organic certified by at least 6 ha with productivity to 5,5 tons/ha/year

2.1.3 Activities:

- Improving the intrinsic quality of tea fresh leaf requires improvements to cultivation methods whilst maintaining cultivation style that minimizes agro-organic inputs and enables higher picking rates with better quality, with an average of 4,5 tons/ha/year.
- Establish 'model' smallholder tea gardens through partnership with tea production groups, private investors and Tea Development Center (TDC) to improve production technique through variety selection, land preparation, plantation, farm management, picking and post-harvesting.
- Support selected farmer managed demonstration sites through provision of training, including cross-visits to relevant domestic and foreign sites and inputs including fertilizer, pruning equipment and planting materials.
- Support allocation of land for tea production at a rate of a minimum of 0.42 ha per laborer in a household.
- Establish tea producer groups from small to the large groups for becoming the Phongsaly tea association by 2025, which is able to access the long term markets.

2.1.4 Description:

Good Agricultural Practices: Authorities have promoted the organic production of tea in Phongsaly and this is widely recognized in the major market of Yunnan. However, the absence of fertilizer use has resulted in poor intrinsic quality of much Phongsaly fresh leaf and low levels of shoot production. Opportunities to engage in good agricultural practices that might involve the use of organic production technique such as legume ground covers to reduce weeding labor requirements with use of suitable shade trees to stimulate greater shoot production. Use of standard merging,

pruning and picking techniques to develop tea bushes shape will improve the efficiency of picking and thus the returns to labor associated with tea picking. Model farms using such techniques could be established within existing tea production groups with inputs being free/subsidized by TDC.

Chemical Free Tea: Efforts to enforce bans on the use of herbicides and pesticides should continue and be expanded to ensure that the market reputation for chemical free production is maintained. However, challenges associated with heavy labor requirements for tea production especially associated with weeding need to be acknowledged and strategies developed as described above.

Tea Resources: Undertake an inventory of Phongsaly tea resources including wild and ancient cultivated teas and ensure the protection of these resources and sustainable management by local communities. In sites with wild or ancient teas with high commercial potential seek to propagate tea resources on tea station plots and support further research and as appropriate wider utilization.

2.2 Improved processing quality

2.2.1 Objective:

Improve quality of processed tea including through use of improved industrial processes, enabling entry into higher value and more diverse markets.

2.2.2 Indicators:

- By 2025, wet season black tea production volumes have increased by 50% over 2016 baseline.
- By 2025, 9 processing factories have improved processing technique as per SPS
- By 2025, average price per ton of processed tea has increased by 25% over 2016 baseline.
- By 2025, Phongsaly tea has diversified to products over 2016 baseline.

2.2.3 Activities:

- Establish a processing improvement committee comprising of tea processors in Phongsaly and support them to understand the key quality constraints associated with their production and to develop action plans – with TDC support – to address such problems through a combination of improved equipment and external technical assistance.
- Support improvements in processing quality, cleaning and grading through promotion of modern technologies for tea processing.
- Promotion of tea processing technical assistance to Phongsaly processors to improve quality of production including traditional practices, handicraft and modern technologies.
- Improve picking, post-harvesting, grading and no mixture between ancient and new teas.
- Ensure adherence to SPS standards and accreditation of factories meeting such standards enabling their use of the Phongsaly Tea ‘brand’ logo.
- Support capable farmer groups to pilot self-processing of fresh leaf using available equipment and the marketing of this produce.
- Provide training and access to improved simple equipment to reduce smoke contamination and improve the quality of household produced MaoCha.

- Promote the production of different tea products e.g. Black, White, Green, Pu'er tea, Powder tea, etc. to maximize prices and reduce price instability.
- Set up related regulations to support processors wishing to aim for organic, food and drug standard, fair trade and other certifications in the future.
- Promote tea quality improvement through holding an annual tea festival with awards and prizes for the best teas of different types.
- Support tea processors produce tea soft drink (green tea, black tea) to access domestic and international markets.

2.2.4 Description:

Farmers typically process unsold fresh leaf during the wet season into Mao Cha for later sale to traders or visitors. There is a need to improve the quality of village level Mao cha production with an emphasis on reducing smoke contamination through improved processing, drying, storing, and packaging techniques and technologies. Opportunities to support village level processors to also produce black teas from wet season fresh leaf also exist and could be supported. Opportunities may exist for collective group based processing using improved technologies for both Mao Cha as well as black teas and possibly green teas also.

Opportunities to increase the value of the wet season pick produced black and other teas exist through processing improvement and the introduction of grading technologies and product diversification. Arranging for specialist tea processors to provide training to Phongsaly producers to improve quality should be undertaken.

Expanding processor access to credit services to improve the quality of their factories and meet SPS standards as well as improving the quality of processing should be considered. Credit services are also required to enable processors access larger volumes of working capital especially during the wet season where cash flow is reported to currently limit purchasing.

Phongsaly could consider establishing a brand for Phongsaly produced teas that meet production including chemical free and SPS standards and act as a benchmark for tea quality. Establishing and managing such a standard could be a function of the TDC if suitably skilled and trained staff were employed.

2.3 Marketing promotion and tea product development

2.3.1 Objective:

Promote Phongsaly tea including through linkage with tourism activities and facilitate its entry into new and more stable and sustainable domestic and international markets including through promotion of the use of relevant intellectual property rights , Geographical Indications and trademarks in particular.

2.3.2 Indicators:

- By 2025 a Phongsaly tea 'trade mark' and/or a Geographical Indication is established for tea in the province with strict certification processes undertaken for those using the brand/GI.

- By 2025 Phongsaly tea is being sold into a minimum of five new national markets such as Taiwan, USA, Netherland, Switzerland and Germany
- By 2025 there is increased Yunnan trader interest in wet season tea production and competition for supply.

2.3.3 Activities:

- Support Phongsaly based tea producer groups and processors to attend domestic and international tea fairs to promote their products.
- Establish a Phongsaly Tea 'brand' that can be used by Phongsaly based processors and producer groups and is a guarantee of a quality product and effective SPS practices. The brand to be 'owned' and its use managed by the TDC.
- TDC operates as a tea tourism 'hub' providing access to key information on tea production in the province and how to visit key tea areas.
- In partnership with Chinese researchers and writers, document, classify and promote ancient and wild tea sites in the province and ensure such areas protection.
- Hold an annual Phongsaly tea festival with links to tourism and use the festival as a way of promoting Phongsaly tea in national markets. Award prizes to best teas per category from across Laos.
- Phongsaly tea has been promoted and linked to AEC markets and as one district one product (ODOP).
- Develop a marketing campaign for national level promotion of "Branded" Phongsaly tea through mass media marketing activities.
- Develop infrastructure to promote marketing and linking to tourism such as tea tasting and visiting places...
- Promote through multi medias including modern media such as internet, website, etc.
- A Geographical Indication protection has been supported and GI association validated for relevant tea area in the province, with a GI registered nationally and internationally and promoted

2.3.4 Description:

Increase national and international appreciation of Phongsaly as the home of clean and chemical free Lao tea by building a 'brand' based on quality production and the natural environment and engaging in supportive promotional activities including through links with the tourism sector. The goal here is to simultaneously a) enable entry into new markets and b) strengthen the position of Phongsaly tea within the Yunnan, Guangxi and other markets.

Phongsaly Tea Brand: Establish a Phongsaly Tea brand under the auspices of the Tea Development Centre (TDC) that is initially linked simply to

- Laos and international organic production systems do not use chemical herbicides or pesticides

- Processing is undertaken in a way that meets SPS standards. Only companies and production areas that comply with the above requirements would be eligible to use the Phongsaly tea “trade mark” on their packaging and promotional materials.
- The brand would be built upon the following key characteristics and themes:
 - Natural and environment friendly
 - Presence of both Ancient and Wild tea resources in the province
 - Clean and safe processing methods and factories.
 - Fair labor in tea production and procession

International Promotion: Phongsaly tea and the brand would be promoted at regional (e.g. SW China, Taiwan etc) and international trade and marketing events with the aim of developing business to business linkages and export orders. Processors adhering to the brand requirements would be eligible for subsidies to attend these regional and international marketing events together with TDC representatives.

Explore and tap into the tea sector press within China and invite respected journalists and writers to write about Phongsaly tea drawing upon its geographic relationship with Yunnan and the highly natural nature of tea production in the province as well as its ancient and wild tea resources. The objective here is to develop a wider recognition within SW China tea sector and consumers of the distinctive and natural nature of Phongsaly teas to stimulate demand. With rapidly increasing links between China and Laos and easy road access to Phongsaly it is opportune to strengthen the presence and reputation of Phongsaly tea.

National Promotion: Support national level promotional activities through advertising, placing of articles in publications and newspapers, TV, radio, promotion of tea health giving benefits. Promote tea tourism through the development of tea discovery tours that take tourists through the process of tea picking and processing to different tea types such that they are able to take home a sample of tea that they made while on the tour.

Tea Festival: Develop and hold an annual Phongsaly tea festival during which prizes would be awarded to the best quality locally processed teas, exhibitions of processing methods undertaken and business to business linkages developed. The tea festival would also be accompanied by marketing of the event within national press and linkages to tourism, especially from adjacent promoted.

Document Ancient and Wild Tea Resources: The presence of wild and ancient tea resources within Phongsaly has value both as germplasm but equally importantly as a marketing tool. Within Yunnan such resources are well known, protected and visited by tourists. Phongsaly has an opportunity to build on its existing resources and make them better known within Yunnan and Guangxi through supporting Chinese researchers to visit and document such reserves in Phongsaly and write up their findings for the SW China tea press.

The definition of tea types in this strategy have been indicated according to the document No.001/2018 from the National Agriculture and Forestry Institute (NAFRI)

Ancient tea: Tea trees are more than 100-400 years of age and are usually located in remote protected forests, which are managed and harvested by villagers.

Wild tea: Tea trees that naturally regenerate in forests of the northern part of Laos. It is called organic tea. In general, the trees are managed and harvested by villagers.

2.4 Business environment

2.4.1 Objective:

Create an enabling business environment for tea processors and traders that reduces transaction costs and uncertainties.

2.4.2 Indicators:

- By 2025 the exportation of Phongsaly tea to China is more convenient than 2016 baseline, by receiving special quotas under cooperation projects to reduce poverty.
- Time spent in processing documentation for export is reduced to one day by 2025.
- Regulations that only registered processors and traders are able to purchase fresh or processed tea are fully enforced by 2025.

2.4.3 Activities:

- Establish a multi-sector tea business working group under the Tea Development Committee (TDC) that combines private sector actors and relevant government departments that identifies and rapidly responds to challenges facing tea processors and traders.
- Clearly defined roles and responsibilities of Tea Development Committee (TDC), such as Provincial Agriculture and Forestry Office (PAFO), Provincial Industry and Commerce Office (PICO), etc.
- Develop attractive, low interest credit mechanisms for better access to capital and enable investment in higher quality production methods (including use of organic fertilizers) and establishment of new tea gardens and purchase of processing equipment by farmer groups and small and medium sized enterprises. This credit line could be managed by the TDC or one of the banks.
- Comply with relevant regulations. In order to achieve this there is a need to precisely define and clarify the rights and responsibilities which reduce duplication of all concerned stakeholders such as roles of: MAF, MoIC, and other relevant organizations.
- Reduce exporting cost by streamlining steps taken to process documents and services which currently add considerably to business costs. Documentation such as: Certification of Origin (CO), Certification of Quality (CQ), Plant Quarantine Certification, receipts and other pertinent documents need to be more speedily processed to ensure a favorable investment and trade environment as well as to reduce obstacle and gate keeping which currently burden logistics, transportation or roadside checks.
- Reduce uncertainty in marketing through developing a high-level cross-border communication mechanism with Yunnan authorities to ensure that Lao tea exports to Yunnan are not blocked.
- Cooperate with central authorities to discuss on export policy with the destination authorities.

- Promote competition amongst registered traders and processors while suitable, strictly enforcing bans on non-registered traders. Move away from local area exclusive purchasing rights systems towards open and free trade by registered operators.
- Enforcement of law and regulations on investment promotion and others.
- Establishing one door service for tea export with regularly discussion with private sector on tax and fee linking to market price.
- Shorter the process for renewing business licenses and other documentations.
- Strictly manage, enforce, inspect, M&E of related private sectors and timely interact and solve issues.
- Provide timely, effectively services and projection of market information for tea actors, particularly for trading and exporting and related information and data.
- Support improvements in road access to tea production areas to enable trader access.
- Strengthening producer group capacity as well as support both male and female farmer's ability (at least 50% are women) to access input credits to upscale proven technical approaches to improved leaf quality and increased production volumes.
- Establish 'model' smallholder tea gardens through partnership with tea production groups, private investors and Tea Development Center (TDC) to improve production technique through variety selection, land preparation, plantation, farm management, picking and post-harvesting.

2.4.4 Description:

Promote private sector investment in the Phongsaly tea sector by providing a business environment that is predictable in nature, consistent between different departments, transparent and responsive to their needs and that supports them to obtain fair profits enabling greater re-investment in the business and stimulate a stronger growth trajectory in the sector.

In short term, review and enforce fair collection contract. At suitable period, enable competition between buyers at the farm gate, measures to establish local level monophonies will not be supported.

Coordination: Establish a multi-sector tea business working group that combines private sector actors and relevant government departments that identifies and rapidly responds to challenges facing tea processors and traders. Specifically this group will work based on the following principals:

- Improved financial returns to farmers is best achieved through enabling competition between buyers at the farm gate, at suitable period, measures to establish local level monopsony's will not be supported.
- Preferential treatment is provided to those buyers that purchase tea on a year round basis rather than just the spring pick.
- Traders/Processors purchasing tea in the province have to register with the relevant Industry and Commerce departments.

Access to Finance: Tea processors and (in the future) production groups require access to loan finance to enable both investment in appropriate tea processing technologies as well as working

capital to increase volumes of tea purchased and processed. A preferential credit scheme should be established to service registered processors (including farmer groups when they reach this stage) enabling access to both long and short term loan facilities to meet their investment and working capital needs. Credit should be provided at preferential interest rates through one of the existing banks in the province. Preferential treatment and loan access should be provided to those Phongsaly processors that purchase wet season produced fresh leaf.

Reducing uncertainty: Enforcing regulations that only processors and traders registered with the industry and commerce department are able to purchase fresh leaf or processed tea is required. This will enable local processors to gain an increased market share of the more lucrative wet season pick allowing greater future investment in the sector locally. Strictly enforcing such regulations will therefore increase processors ability to expand wet season pick purchase and processing to the benefit of tea producers.

Current occasional blocking of Phongsaly tea imports into Yunnan has a significant effect on processors and traders resulting in disrupted cash flow and stock storage difficulties. The causes for these temporary bans are multiple and need to be addressed through improved level coordination between Phongsaly and Yunnan authorities such that blocks can be rapidly addressed when they are introduced. High level relations between the provinces are positive and establishing an interprovincial working group to address such problems could help reduce the frequency of such issues.

Streamlining export and business registration procedures:

Current export regulations require some three days of activity to process a shipment for export, this reduces business efficiency and slows down capital circulation within the business. Opportunities exist to establish a one-stop shop services where all necessary paperwork is able to be completed in a single location within a single day. At the same time, shorten documentation and process for business registration procedures.

2.5 Develop supportive institutions and capacity building

2.5.1 Objective:

Establish and develop a sustainable Tea Development Centre and capacity building to support the sector's growth and strategy.

2.5.2 Indicators:

- Tea Development Centre TOR finalised and approved by 2019.
- Tea Development Centre fully staffed and operational by 2021.
- By 2025, Tea Development Centre has stable financial sources and is able to self-manage the center.
- By 2025, province has 2 tea expertise staff, 2 in each district and producer group and suitable number in processing factories (female 50%).

2.5.3 Activities:

- Allocate resources from related departments to TDC.

- Discuss with private sector to see if they can support the TDC.
- Secure partnerships with tea producer groups to establish model tea farms and resource.
- Identify opportunities for TDC staff training in Yunnan and invest in such training.
- Develop relationship with key organizations and departments in Yunnan and elsewhere.

2.5.4 Description:

The tea sector development strategy is an ambitious program of works that requires an implementation agency to drive inter-sectoral coordination and achievement of key activities. As such there is a need for a key institution to drive the sectors development in a strategic manner so that it best serves the Provincial Development Strategy and Plan as a whole. This proposed TDC would be under the overall guidance and supervision of the high level Provincial Tea Development Committee (PTDC).

The public sector needs to take the lead in supporting the development of smallholder tea production models and in sectoral promotion in a manner that best contributes to value addition and income for households, processors and the province as a whole. This requires a commitment to invest over the medium to long term in the sectors strategic development.

The Tea Development Centre is envisaged as an autonomous, operational entity with staff seconded to it on a long term basis from relevant government departments that will have the responsibility to drive strategic plan implementation and multi-sectoral coordination in a manner that best achieves the plans objectives. The TDC would report directly to the Provincial Tea Development Committee, chaired by the Provincial Vice-Governor. The TDC will develop into a centre of excellence for Phongsaly tea and indeed tea in the country as a whole. The TDC is envisaged to be comprised of four operational units:

Monitoring and evaluation unit (M&EU)

- Monitoring and evaluation of provincial strategy implementation
- Tea development and extension, institutional support to producers' groups (toward a cooperative) and private sector
- Securing of land resource for expansion of production areas.
- Registration of tea processors and ensure enforcement of regulations regarding tea purchasing by registered buyers only.
- Manage statistics and data on the sector, lead studies and works linked to relevant local, national and international organizations (WTO, ASEAN, etc....)

Technical research unit (TRU)

- Develop provincial research plans and programmes according to local production conditions and domestic and international market's needs.
- Undertake on farm trials and extension of improved production methods that maximize returns to labour and inputs.
- Provide training to farmer groups in improved production techniques and tea garden management.
- Mobilize resources to support technical improvement of tea growers

- Monitor international best practices in the production of tea with low chemical residues and promote adoption of appropriate techniques in Phongsaly.
- Tea development and extension, institutional support to producers' groups (toward a cooperative) and private sector
- Ensuring high quality varieties are planted in any new expansion of production areas.
- Collaboration with international tea researchers to ensure the classification and protection of ancient and wild tea stands and varieties.
- Collect good practices from activity implementation and elsewhere to produce information materials such as handbook on tea planting, processing, exporting, etc.

Quality, promotion and information unit (QPIU)

- Provision of technical assistance to producer groups and major processors in improving tea processing techniques including production of new tea types (e.g. Black tea from wet season pick).
- Facilitate improved access to credit sources for investment in processing equipment and working capital.
- Organize promotional events such as annual tea festival, produce wider communication tools and represent Phongsaly tea at international fora.
- Develop linkages with the tourism sector to promote linkages between tourism and tea sector.
- Support Phongsaly tea processors to attend regional and international marketing events with a view to entering new and more stable markets.
- Play an active role in the building of the relevant Geographical Indication(s) for tea in the province and of its promotion as well as in the use of other relevant intellectual property rights for the national and international branding of the products and associated certifications
- Develop linkages with SW China tea researchers and writers to promote the Phongsaly brand.
- Streamline export regulations (one-stop shop) and processes to minimise time spent by exporters in such processes.
- Develop the Phongsaly tea Brand and certify that companies accredited to use the brand are meeting brand requirements associated with agro-chemical use and meet SPS standards.
- Support the PTDC liaise with Yunnan authorities to prevent Phongsaly tea exports from being blocked and facilitate easier and freer tea trading regulations.
- Provide information services to stakeholders along tea value chain.

Administration, finance and fund-raising unit (AFFU)

- Collect and manage funds in accordance with directives and regulation of the PTDC
- Enable a smooth implementation of activities for the overall structure, in accordance with provincial policies and regulations
- Raise some additional funds for specific needs or activities
- Manage daily operational activities.

Chapter III

Implementation Methodology of Tea Development Strategy

1. Implementation methodology

- 1) Strategy implementation will be the responsibility of the tea development committee, its secretariat or Tea development centre and individual at provincial and district levels to promote and disseminate the strategy to tea farmers, farmer organization and private sector in order that the objectives is clear and accepted.
- 2) Annual and five-year action plans and detailed protocols for each activity should be developed in order to achieve successful objectives of the strategy. A clear activity, indicator, timeframe, responsibility and budget should be planned.
- 3) A clear implementation schedule for project/ activities should be identified so that project partners and stakeholders could understand the gaps and priority issues of the sector and seek resources needed for implementation.
- 4) Relevant authorities should be in place to determine policy and regulations to improve production, processing, marketing and exporting; to create favorable environment for business operation; to support technical work as well as tea research for development; and to coordinate among themselves and development agencies.
- 5) Private sector and farmers could form association and cooperative for quality product and stable price and market. Traders should share producing, processing and marketing technologies, experience and information with smallholder producers and groups.
- 6) Setting up the clear indicators and methodologies for monitoring and evaluation of the project/ activities at the same time, regularly collect regarding qualitative and quantitative information and data under direct responsibility of secretary unit under TDC.
- 7) Identifying clear tools to disseminate information and communication with all stakeholders so that clear and transparent role and responsibility of those involved could be reviewed in order that the successful implementation of the strategy.
- 8) Setting up the secretariat for PTDC, the secretariat will prepare to set up the TDC
- 9) Highlight role of women in all activities implementation.

2. Organization and roles of stakeholders

2.1 Structure of Organization and Coordination

Phongsaly Province Tea Development Committee (PTDC) is a government organ officially approved by the provincial governor. Its core responsibility is to advice the Government on all matters related to the producing, processing, marketing and exporting of tea within and outside the province and the country.

PTDC is not only a semi-political institution but is already an executive instance with a proper Tea Development Centre (TDC) as secretariat and an important management/implementation team

responsible of key units to monitor and evaluation of the implementation of activities in the contents of strategic and action plans, etc.

The TDC works in close collaboration with representative bodies of provincial tea value chain stakeholders such as farmers organizations, larger scale tea growers and private companies collecting/exporting/ trading tea, experts and development partners and of course other in charge local authorities. It plays a role of facilitator and technical/institutional support to projects and stakeholders activities.

The PTDC is financially autonomous, with a specific *tea fund* allocated by the provincial governments in most of cases, but with a major contribution from the provincial sector itself. Such fund functions are to ensure the existence of a management or executive team which translates strategic orientations into concrete actions. This team is often established and launched by development programs with the partnership of provincial offices in charge during conception and building phases, before more sustainable mechanisms are set up based on each category of stakeholders' agreement.

The PTDC is entitled to lever internal and external funds and to request some governmental support, but always owns a proper fund to cover running costs and manage fundamental aspects of tea value chain.

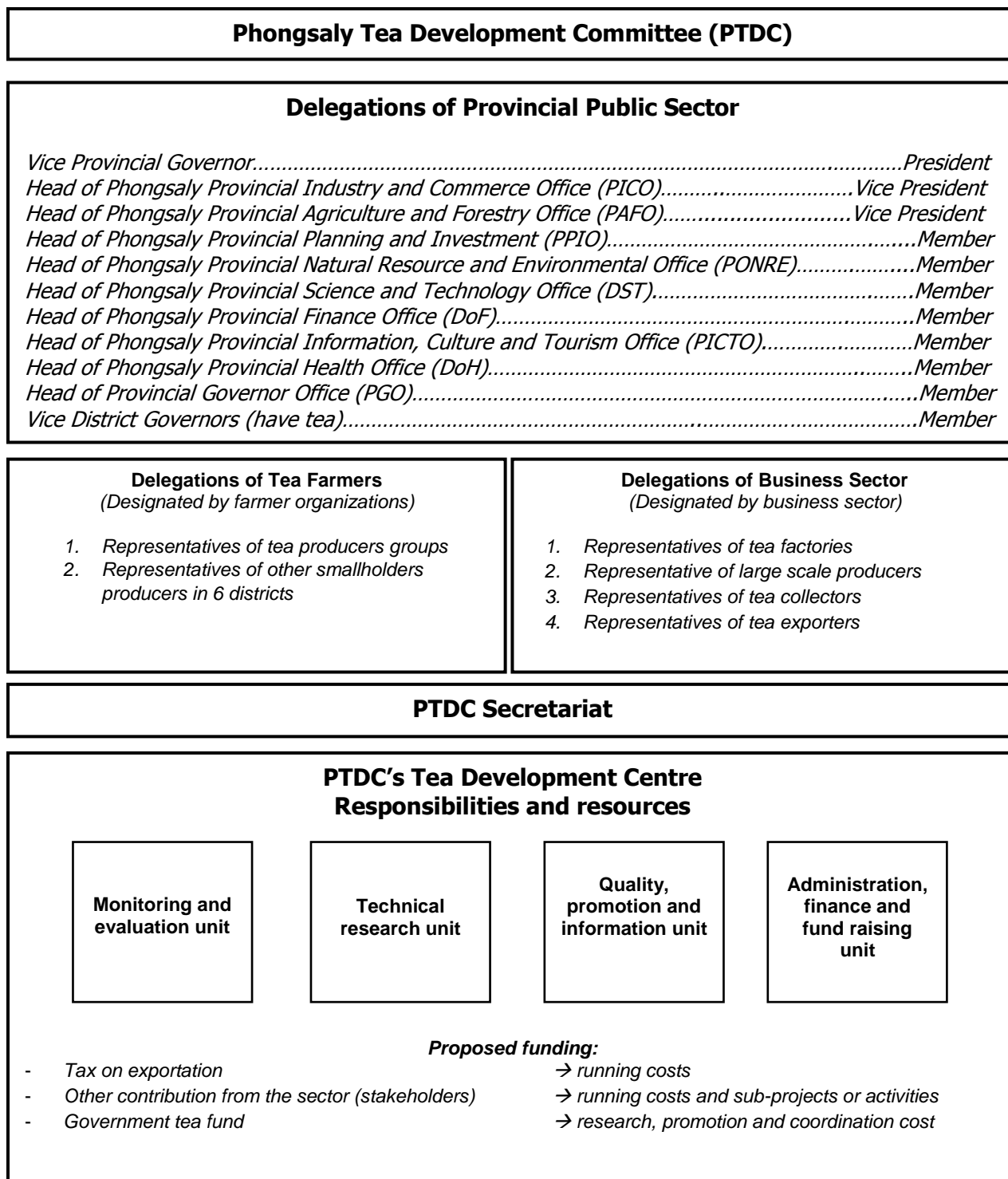
Cross-sector coordination is necessary for effective delivery of local authorities in the following areas: contribution to provincial socio-economic growth, production development, processing improvement, marketing promotion, improvement of business environment and capacity building and organizational arrangement. Indicative of the local authority services is following:

Table 4: Local authority services to be delivered

Objectives	Lead agency	Coordinating agency
• Production development	• PAFO	• PONRE, Banks
• Processing improvement	• PICO	• PAFO, DST, Banks, DoH
• Marketing promotion	• PICO	• PGO, PICTO, PCC, Banks
• Improvement of business environment	• PICO/PPIO	• PGO, PICTO, PCC, DOF, Banks
• Capacity building and organizational arrangement	• PGO/PAFO/PICO	• PONRE, PICTO

Note: PAFO (Provincial Agriculture and Forestry Office), PICO (Provincial Industry and Commerce Office), PPIO (Provincial Planning and Investment Office), PONRE (Provincial Natural Resources and Environmental Office), DST (Department of Science and Technology), PICTO (Provincial Information, Culture and Tourism Office), PCC (Provincial Chamber of Commerce Office), Banks (State or Commercial Banks).

Chart 1: Organizational chart of Phongsaly Tea Development Committee (PTDC)



2.2 Roles and Responsibilities of Provincial Tea Development Committee (PTDC)

- Policy and governance of the overall sector, involving a proper coordination and arbitration of all stakeholders of the value chain, and related actions aiming to encourage their initiatives and organization.
- Reinforce and monitor research activities and extension services in the frame of strategic plans, to ensure quality of implementations on the long term.
- Give the voice to value chain stakeholders with a particular attention to smallholders and their organization, while private sector is seen as a privileged partner to be part and possibly to contribute to general interest activities (co-funding, sometimes full funding).
- Regulate and promote provincial tea sector on the international and domestic scenes, defending its interests in internal affairs and ensuring directly or indirectly commodity marketing actions.
- Produce and manage statistics and data on the sector, lead studies and works linked to relevant national, international organizations.
- Define provincial strategic planning, policy and enabling environment on development and promotion of Phongsaly province's tea.
- Submit this planning to the provincial government for approval and notify its implementation.
- Control, monitor and advise associations, producer groups and economic actors on the implementation of the strategic plan Communicate and get financial *tea fund* and technical support, with provincial, national and international partners.
- To successfully implement the strategy, it is necessary that leading agencies and coordinating agencies have clear roles and responsibilities, indicators, Monitoring and evaluation projects or activities. At the same time, regularly collect quality and quantity information and data under responsibility of units under TDC.

2.3 Phongsaly province tea development centre (TDC)

TDC is secretariat of PTDC to ensure that all activities in the strategy are implemented and coordinated daily activities efficiently. The center has four units (as 2.5 of Chapter II).

2.4 Roles of other stakeholders

2.4.1 Farmers

Smallholder farmers are more likely to benefit from joining farmer organizations to improve their ability to obtain equitable terms from key market actors. Improving production quality and increasing production quantity and economic empowerment of farmers will ensure the continuity and sustainability of tea smallholder agriculture and rural livelihoods. Although local authorities can be provided and market-linked livelihood opportunities made available, farmers need to respond with enthusiastic, systematic, and entrepreneurial conduct.

It is necessary that farmers and their organization participating in detail plan and implementation. Producers groups are important actors in improving processing quality, modeling and demonstrating improved technologies in order that better return on labor.

2.4.2 Private sector

The PGO expects to mobilize capital from provincial, national and foreign private sector sources to invest in tea sector. Public-private partnerships (PPP) between government agencies and tea factories are encouraged, aiming to mobilize private sector financing for tea sector development in the province from which tea farmers will be important beneficiaries. Tea Small- and Medium-scale enterprises (SMEs) are expected to play an expanded role in providing agricultural production inputs, technology transfer and post-harvest handling services through the assigned staff (s) of individual private sector, and preliminary processing of primary products.

It is necessary that private sector participating in detail plan and implementation and acting in sub-committee as well as involving in solving issues in order that better processing and enabling environment is achieved.

2.4.3 Development partners

The coordination of official development assistance (ODA) follows the principles of the Vientiane Declaration, wherein government and development partners are responsible and accountable for their actions and committed to working together. The 8th Phongsaly Provincial Socio-Economic Development Plan (PSEDP) states that the Government anticipates that some 3,470 billion kip of the funds required to achieve the Plan's objectives of which 6% will be sourced from development partners through grant or loan¹. To this end, the strategy requires development partner support to promote and encourage sustainable and environmental friendly tea production to ensure food and nutrition security, food safety, and product quality; manage the use of natural resources to obtain maximum benefits, yet maintain sustainability of resources; allocate land and forest to landless farmers; and, increase coordination between different directly related and indirectly related sectors.

Provincial Governor

¹ Phongsaly province SEDP for 2016-2025, P16

References

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- Phongsaly PICO, 2015. Phongsaly Industry Development Strategy by 2025, Vision by 2039

Annexes

1. Process for the draft of Phongsaly provincial tea development strategy by 2025



2. Some key words

- **Ancient Tree Tea** - tea produced from leaves of tea trees that were planted in tea gardens more than 100 years ago. In general, these tea trees have matured to heights of at least 2 metres and were deliberately planted at some stage in the past.
- **Wild Tree Tea** – tea produced from leaves of old tea trees growing naturally in a forest environment. Wild tree tea includes a number of different varieties of *Camellia Sinensis* and also a number of different *Camellia* species.
- **Cultivated Tea** – tea planted in organized plantations and generally kept pruned and managed to facilitate plucking and increase yields.
- **Green Tea** – tea produced by withering, heating, shaping and drying. Unlike **black tea**, green tea does not undergo any oxidization.
- **Black Tea** – known internationally as black tea and within China as **red tea**. Produced by a process of withering, rolling, oxidizing and drying to reach the characteristic black tea flavour.
- **Orthodox** – traditional method of producing **black tea** that produces various grades of whole leaf, broken leaf and small tea pieces. Used to produce both very inexpensive black teas and the highest grades of black teas.
- **White Tea** – tea produced by sun/shade withering over an extended period, followed by drying. Usually produced from buds or 1 leaf and one bud, white tea is one of the most delicate and lightly processed teas, and also one of the rarest and most expensive.
- **Shaiqing Maocha** – sun dried rough green tea. Produced by withering, pan firing, shaping and sun drying. Base material for **Pu'er Tea**.
- **Pu'er Tea** – compressed tea made in Yunnan utilizing **Shaiqing Maocha** as the base material.

3. Letter of nomination to appoint the Provincial committee to prepare the draft of Phongsaly province tea development strategy by 2025, No. 07/ຈຂ.ຜລ, dated 06 January 2016