

# National Multi-Stakeholder Dialogue on Responsible Agricultural Investment

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## Contract farming in Laos: Responding to a rising agricultural trend

Sengthong Soukhathammavong, Consultant, IPD  
Dr. Robert Cole, RAI Adviser, MRLG

Sengthong\_s@hotmail.com  
robcole.mrlg@gmail.com



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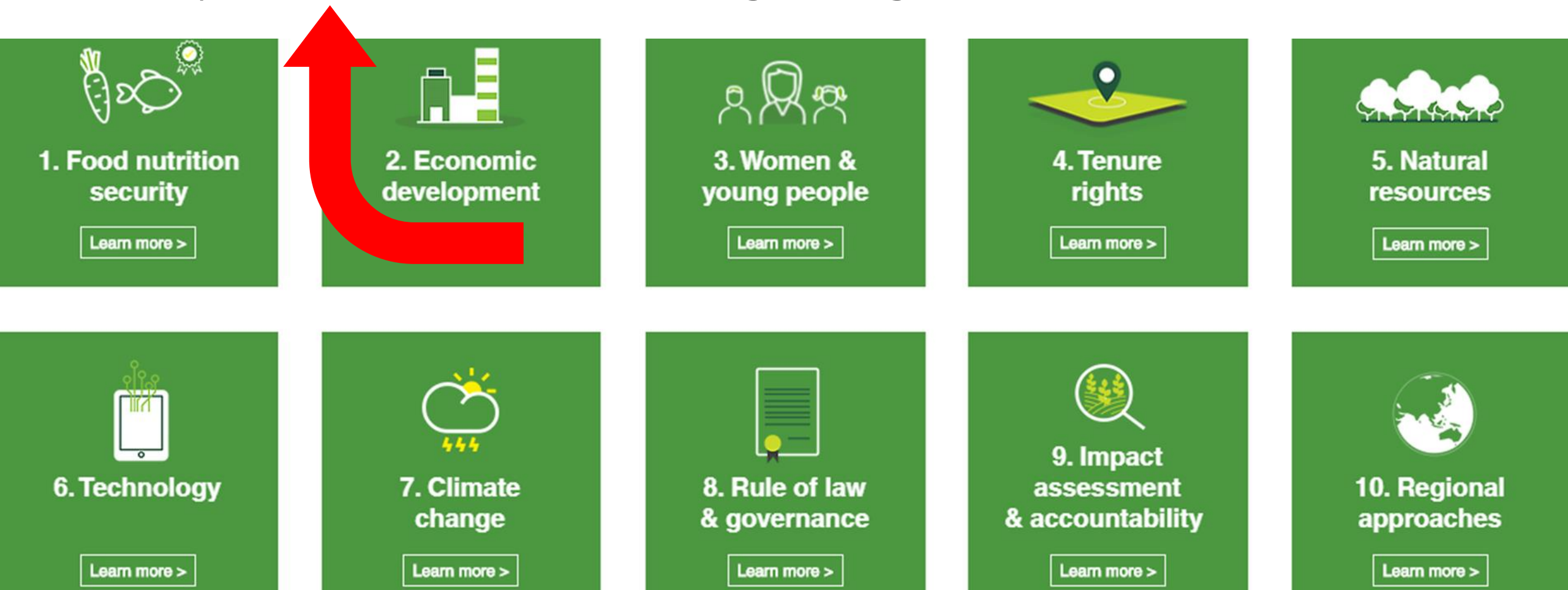
# Why CF is important – and why now?



- Contract farming is expanding and likely to continue
- CF is considered to be a **smallholder-inclusive** alternative to concessions
- But there are also **risks** – exploitative conditions for farmers, monoculture impacts
- What do existing studies tell us about how policies can best support farmers and investors?

# Linking CF to ASEAN-RAI Guideline 2

- Promote smallholder-inclusive alternative investment models
- Fairer, more transparent contracts between buyers and producers
- Improve awareness of contractual rights/obligations



# What are the key policy issues?

- Most contracts are informal/verbal → work well if there is trust, but increases risks both to smallholders and investors (NIER 2020)
- Informal contracts also mean CF schemes mostly are outside of government oversight, with minimal records or data
- 1990 contract law (amended 2008) does not specifically cover CF

## ***Key issues for CF in Laos are mostly about clarity:***

- Who is responsible for what? Govt depts/investors/farmers
- What should be in a contract? Guidelines/templates can help
- What happens when contracts go wrong? Dispute mechanisms

# Perspectives of farmers, investors and local government on setting up CF

## Notes from field visit, Luang Prabang prov. 2021

Farmers	<ul style="list-style-type: none"><li>- Unfamiliar with contract requirements and production techniques</li><li>- Unsure of government role and relevant documentation processes</li><li>- Women need an equal role in signing and managing contracts</li><li>- Some farmers prefer minimum price guarantee, others want to choose who to sell to</li></ul>
Investors	<ul style="list-style-type: none"><li>- Could not identify a clear process for registering a CF agreement</li><li>- Concerns about side-selling due to competition by brokers, farmers' need for quick payment and inexperience of farmers in CF</li><li>- Concerns about sufficient participating households, not enough production</li><li>- Unsure how well farmers understand contract content</li><li>- Would like govt to communicate policy to farmers, support CF management</li></ul>
Government	<ul style="list-style-type: none"><li>- Would like to be involved in drafting/concluding contracts between parties</li><li>- Need to raise public awareness about importance of contracts</li><li>- Policies should represent needs of all parties including investors &amp; farmers</li></ul>

# Most frequent recommendations of CF review

Categories	Recommendation	Frequency recommended
Institutional arrangements	* Clarify roles/responsibilities among govt agencies	11
	* Strengthen local govt capacity to manage CF	8
Regulatory frameworks & contracts	* Standardise/improve laws and regulations	9
	* Establish grievance mechanism, awareness of rights	5
	* Provide simple templates with clear definitions, rights and obligations	5
Support farmers' organisations	Support development and capacity of farmers' organisations	7
Support agribusiness	Promote domestic agribusiness and processing	6
	Formalise/improve management of border trade	6
Support farmers	Build awareness/capacity to negotiate contracts	4
	Strengthen capacity of extension service	4

# Conclusions



Sub-legislation on CF can be most effective by focusing on addressing **near-term needs**:

1. Clarify roles and responsibilities and build institutional capacity to manage CF
2. Clarify rights and obligations of contract parties (e.g. using contract templates)
3. Establish a grievance mechanism for resolving contract disputes

→ Policy response needs to reflect the different CF models in the Lao context – investors find many ways to work with smallholder farmers, **flexibility** is needed



Thank you!

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