Meta - Study on Farmers and Agribusiness

Synthesis of Lessons from SWGAB Studies

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Overview of presentation

- Objectives
- Methodology
- Key Findings

Objectives

- ToR of SWGAB – Oversee a capitalization process to synthesize lessons on farmers and agribusiness development in Laos
  - Empowering smallholders
  - Policy options
  - Capacity building priorities

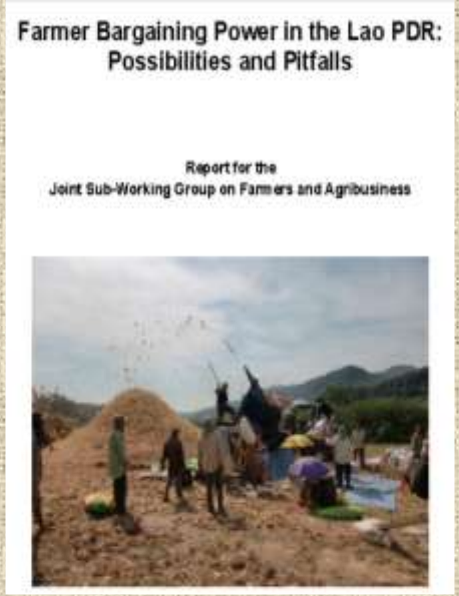
- Meta study to synthesize lessons learned from previous studies done by SWGAB

Methodology

- 7 studies organized previously by SWGAB were selected
  - Contract Farming – cases and questions, 2008
  - Farmers Voices, 2010
  - Farmers Bargaining Power, 2010
  - Contract Farming – qualifying success, 2011
  - Farmers Organizations, 2011
  - Farmers Indebtedness, 2012
  - Non State Actors in Agriculture Extension, 2012
- Farmers Statements from Farmers conferences

Methodology

- 10 key findings from these studies are summarized
- Factors that contribute to success are synthesized



** All these study reports are available in LaoFAB repository www.laofab.org*

Findings

1. Commercial agriculture have mixed results

Findings

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- Some farmers are making good incomes from commercial agriculture as a result of market integration while some are losing
- New products are being introduced competing with traditional livelihoods systems in rural area, challenging their coping strategies and exposing to increased risks
- There is a competition between “economy of ecology” (environmentally sustainable, subsistence, diversity of products) versus “economy of extraction” (high chemical inputs, cash oriented, monocultures)
- Large scale agribusiness concessions often compete with smallholders livelihoods and their access to natural resources including land and water

Findings

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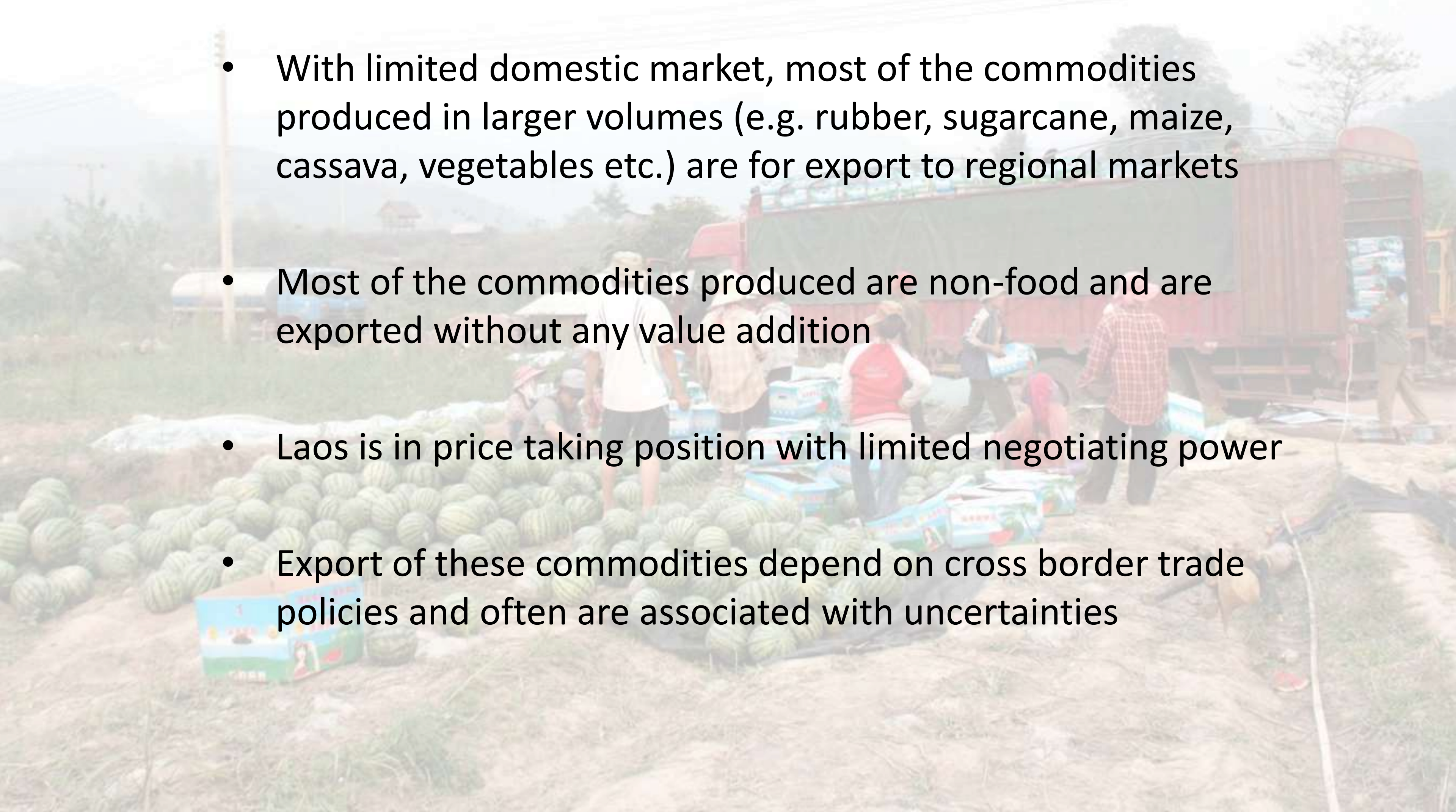

- With limited domestic market, most of the commodities produced in larger volumes (e.g. rubber, sugarcane, maize, cassava, vegetables etc.) are for export to regional markets
- Most of the commodities produced are non-food and are exported without any value addition
- Laos is in price taking position with limited negotiating power
- Export of these commodities depend on cross border trade policies and often are associated with uncertainties

Findings

3. The traditional distinction between "uplands" and "lowlands" is no longer applicable

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- Expansion of commercial agriculture, contract farming, use of agro chemical is as fast, if not faster, in the uplands in the past decade
- Road access to regional markets - Chinese, Vietnamese or Thai boarder is more important than elevation
- Some investors have found elevation as an asset e.g. for fruits and vegetable production

Findings

4. Negotiated agreements help reduce risks to both farmers and investors

Findings

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- Having a written agreement with price set by a recognized benchmark market and advance payment are key success factors in production agreements

- Building trust, social ties and facilitation to foster ties reduce breach of agreements

- Access to information and balancing production with contract and open markets help to negotiate a fairer agreement

- Agencies should intensely focus on doing a few things well rather than trying to do everything with clear divisions of authority, jurisdiction and responsibility

Findings

5. Farmers value on receiving needed services than who is providing the services

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- Private sectors are increasingly providing services to farmers (input supplies, technical production, market linkages) to ensure consistent supply of product
- Monopsonies are inhibiting the development of service provision by the private sector
- Impact of these services on farmers depend on enabling environment e.g. farmers making their choice, closed or open market conditions
- Public service delivery sector has started to make the transition, but has a long way to go

Findings

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- Farmers are organised in different types and forms of groups
- Most groups are established to “receive” services – inputs, credits, trainings etc while only a few are involved in collective production, value addition, marketing and negotiating fairer terms
- Objectives and functions of group are more important which should decide on structure, roles and responsibilities of the group
- Internal setting within the groups and more importantly extenal factors (physical, geographical and economical setting) determines the farmers bargaining power

Findings

7. Cases of farmers indebtedness are increasing

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- Commercial production requires higher capital inputs (seed / breed, fertilizers, chemical etc.) and farmers are increasingly borrowing for these investments
- Most of the products are new to farmers with lower outputs compared to neighboring countries which are used as reference in price setting
- Farmers often lack confidence and business skills to deal with rapid commercialization
- There is limited consultation and negotiation to agree the terms and conditions of investment and benefit sharing
- Deceptive behavior of traders toward farmers as well as farmers investing borrowed amount in other activities

Findings

8. Most commercial production practices are not sustainable

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- There is an increasing use of agro chemicals in commercial and intensified monocultures
- Yields under commercial production are declining and higher levels of agro chemical are applied to maintain productivity but degrading land
- Lack of oversight on import and application of types, quality and dosages of chemical
- Investors and capital move on but immobile farmers suffer damaged ecosystems, environment and health

Findings

9. Demand for farm wage labourers are increasing

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- Hired wage laboures are increasingly carrying out work in commercial production
- There are oppurtunites for smallfarmers with limited land and capital to earn income
- In some cases, farmers are renting out their land and turing into farm labourers as it is less risky than farming
- A prominent need of an agency to ensure that labour laws and occupational health and safety standards are followed

Findings

10. Farmers have clear ideas about the services they need

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Commercial farmers collectively requested for

- Lower interest loan for a reasonable period
- Access to market information from local and regional markets
- Learn new production techniques
- Reduce foreign direct investments that cause negative impacts to local producers
- Tax exemption for production and trade of agriculture product
- Reduce impact to health and environment from use of chemical

Factors that contribute to success

A. Farmers are making "choices"

- Farmers are making decision on what to produce and whom to sell
- Farmers are organising themselves for collective action and negotiating
- Farmers are learning and sharing information with other farmers

B. Access to information and services

- Farmers and service providers are receiving informations and making informed decisions
- Farmers have access to need based services from different sources – public, private, civil society as well as farmers organisations

C. Enabling Environment

- Fostering above mentioned points A and B
- Public sector is "facilitating" delivery of pluralistic services and linkages
- Policies are promoting "market based approaches"

Thank You





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2. Most of the commodities produced are for regional markets
3. Traditional distinction between “uplands” and “lowlands” is no longer applicable
4. Negotiated agreements help reduce risks to both farmers and investors
5. Farmers value on receiving needed services than who is providing the services
6. Most farmer groups exist simply to receive services
7. Cases of farmers indebtedness are increasing
8. Most production practices are not sustainable
9. Demand for farm wage labourers are increasing
10. Farmers have clear ideas about the services they need