



POLICY BRIEF

Pro Poor Policy Recommendation to Combat Risks in Smallholder Organic Production in the Hadxayfong District of the Lao People's Democratic Republic



Highlight

Organic vegetables are one priority of the Lao government in achieving food security and commodity. In addition, organic vegetable production is an important activity for smallholder farmers, source of food and income. Smallholder farmers in Lao PDR generally face diverse constraints under wider categories of production, marketing, exporting and value chain-related. These categories contain constraints linked to agronomy, weather irregularities, capital and input costs, infrastructure, knowledge dissemination, certification and farmer capacity, gender, and exist at varying degrees often interlinked with one another. Short term and long term policy recommendations were included to improve efficient production.

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Background

Lao PDR is a Southeast Asian country with a total land area of 236,800 km². Neighboring Vietnam, Thailand, Cambodia and China, it is the most rural country in South-East Asia. The annual gross domestic product (GDP) real growth rate is 6.7%. The main sectors of agriculture, industry and services share value added annual real growth rates of 2%, 8% and 8.5% respectively for the year 2015. The agriculture sector has contributed to 27% of Lao's total GDP. 2.3 million of the country's total population are engaged in agriculture, representing 70% of Lao's workforce, which includes most smallholder farmers. Though Laos has drawn a 0.8% agricultural development during the 2000-2012 period, it is still the lowest among the region's other nations. Lao PDR is considered one of the world's largest vegetable consumers with a staggering annual average per capita consumption of 90 kg.

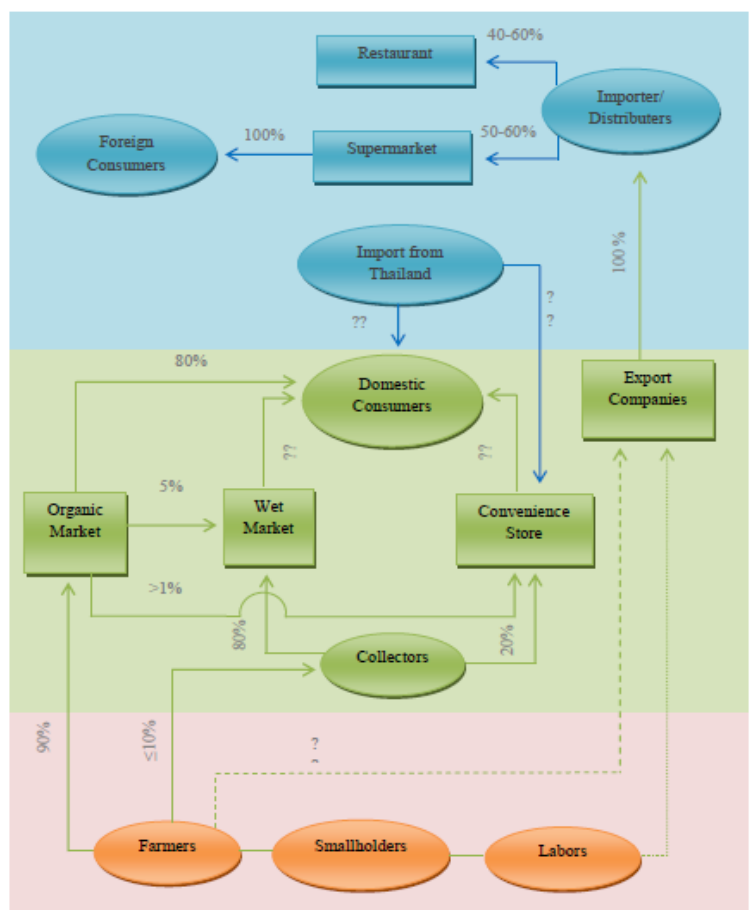
The country's recent entry to the ASEAN (The Association of Southeast Asian Nations) community is likely to boost the sub sector's growth while paving the way forward towards the regional economy. Furthermore, food safety, security and nutrition are integral areas requiring governmental attention in Lao PDR and organic products may contribute towards an export market. This policy brief assesses critical risks and vulnerabilities arising from market integration for small scale organic vegetable farmers in the Hadxayfong district and examines inclusive pro-poor policy recommendation for smallholders in the new organic vegetable value chain.

The current condition of organic vegetable production and marketing in Lao PDR

The agriculture and forestry sectors are top priorities for the Lao government in achieving food security and better livelihoods for its people. The production of organic vegetables and fruits is a compelling project in the agriculture subsector when compared with neighboring countries, as the use of chemical fertilizers in Lao PDR is only 12 kg per hectare on average and most remote areas use no chemical fertilizers whatsoever. Constraints related to production, marketing, exporting and value chains have influenced the quantity, quality and food safety of small-scale organic vegetable producers in Lao.

Organic Vegetable Value Chains in Lao PDR

Organic vegetable value chain could identify into three levels in the chain, i.e., production, domestic market and foreign market. Smallholders are the main actor in the production process. They produce and sell organic vegetable to customers and Export Company. The other role of smallholders is to supply labor for Export Company. The second level is the domestic market for organic vegetable where they include organic market, wet market and convenience store. Main actor in domestic market is organic market that organizes by organic farmers group. The third level is foreign market, which covered import and export of organic vegetable. Main actor in foreign market was export companies. Although most of organic vegetable was domestically produced, certain amount was imported from Thailand.



Critical constraints to the inclusive progress of the organic vegetable industry

Production related constraints

- Organic certificate required huge fund and long time to approve in farmer field due to limited organic service offices in districts and provinces.
- Biotic (pests and diseases) and abiotic (extreme weather patterns due to climate change) stresses have severe effects on the organic vegetable supply to the market causing inconsistencies; excess supply during the dry season and scarcity during the wet season.
- Transportation difficulties during the wet seasons (Northern and Eastern Laos).
- Inappropriate land zoning measures may result in adverse effects such as pesticide contamination.
- Naturally poor soils depicting high acidity (pH 3.5-4) and low organic matter, generally found in Laos, distress production.
- Currently cultivated varieties are unsuitable and prone to both abiotic (droughts, floods, high temperatures) and biotic stresses (insect pests, diseases, nematodes).
- Inferior organic vegetable products due to limited understanding of post-harvest expertise, processing technology and water management by farmers.
- High production costs on labour, transportation and cold room facilities which cut down on farmers' profits.
- Poor role and involvement of female could influence to unfavorable markets and low benefit from organic vegetable production due to experience and skill of marketing were general found in Lao females.

Marketing and value chain related constraints

- Absence of a permanent business space to sell organic produce limits sales.
- Inadequate promotion of products leads to uninformed consumers unaware of organic vegetable preparation methods and the diverse varieties available in the market.
- The supply of value added products is insufficient to meet the demand.
- Limited distribution channels due to paltry supply and low value addition.
- Absence of a well-coordinated (MOAF and Organic Group) system for organic products has affected the local consumer's confidence on sanitation and safety while stalling export potential.
- The prevailing cumbersome procedures for organic product certification has deterred producers from obtaining organic certificates and this calls for a need of a simplified system.
- Lack of support and guidance from the authorities confines access to export markets.

Exportation related constraints

- Limited knowledge on export opportunities and organic produce standards.
- Farmers' inability to link their product with the value chain of the export market due to their susceptibilities and a lack of cooperation between exporter and farmer.

Policy Recommendations

1. Fostering the production of organic vegetables through systematizing the prevailing system

Short term policy recommendations

- Organic vegetable land zoning or land utilization for organic vegetable production; determine organic vegetable zonation by community, district, and province, assess suitable soil, organic land and return profits from production.
- Implement a low taxation policy in the land zoning process (area for organic vegetable production).
- Establish related services including material and service providers (land zoning) and support existing ventures to assist producers.
- Research and introduce suitable organic vegetable varieties which can withstand high biotic (pests and diseases) and abiotic (extreme weather) stress conditions to mature production.

- Research and transfer knowledge on ways and means to improve quantity, quality and safety of organic vegetables.
- Climate change adaptation for organic vegetable production; research and transfer technical know-how on cultivation under extreme weather (droughts and floods) and biotic stresses (pests and diseases).
- Promote crop variation as a climate change adaptation measure.
- Explore, develop, and pass on knowledge on low cost production to reduce inefficiency.
- Provide input subsidies for organic vegetable producers to accommodate high input costs.
- Promote processed organic foods such as pickled vegetable, vegetable juice, and canned food to broaden organic products as well as act as a postharvest measure.

Long term policy recommendations

- Encourage Women's Union to engage in organic vegetable production, especially in motivating young farmers to participate in order that they may boost female participation in marketing channels of organic vegetables.
- Establish new supportive services related to organic production (materials and so on) and reinforce existing ventures for the organic farmers' ease.
- Develop supporting industries; for instance, canned and frozen organic vegetable factories that could assist farmers in certain markets and increase employment opportunities.

2. The value chains' contribution towards carrying organic produce to the consumer

Short term policy recommendations

- Design innovative packaging that depicts food safety and quality to raise consumer confidence.

Long term policy recommendations

- Diversify supply chains by including many stakeholders and a variety of products. Collectors and distributors should work towards expanding distribution channels.

3. Bridging the gaps between the consumer and the product: refreshing marketing

Short term policy recommendations

- Board members of the Organic Group should find simple ways to determine quality through inspection. Food safety standards should be circulated among consumers.
- Organic Farmer Group should endorse themselves on mass media such as television, radio and the like and social media such as Facebook, Twitter and Instagram.
- Produce and broadcast programmes related to the cooking of organic vegetables and create an information board introducing unique recipes at the organic market's entrance.
- Networks such as the Organic Customers' Group, Healthy Food and Food Safety should be developed in order that farmers share new ideas among each other and thereby reap benefits.
- Present suitable packaging and price tagging for customer convenience.
- Experts in marketing from the National University of Lao PDR can help farmers apply promotional strategies to boost sales.

Long term policy recommendations

- Affirm anticipated quality of organic products through certificate issuance for members of the Organic Group who can then display certificates at the market. It should be backed by provincial and district offices of the MAF in terms of inspection and organic certificate issuance.
- Board members of the Organic Group with the MAF's cooperation ought to organize frequent sessions monitoring safety and sanitation and such reports must be available for the customer's perusal.
- The government should provide a permanent and convenient location for the organic market for both producers and customers in terms of accessibility and cost efficiency.
- The governing body of the Organic Group should include expertise from fields of marketing, IT and product design.

4. Positive international trade policies in pursuit of the global market

Short term policy recommendations

- Connecting the organic farmer to the export market is a priority of the Organic Group. The export market can be effectively promoted in neighboring countries through existing bi/multi-lateral trade agreements such as ASEAN, the Generalized System of Preferences (GSP) and Normal Trade Relations (NTR) where the EU, Japan and the USA allow zero tariffs for the import of organic vegetables from Lao PDR, AFTA and Joint WTO.

Long term policy recommendations

- The required quality and safety standards of organic produce in foreign countries must be translated and circulated among local organic farmers, who can then follow such standards to reach foreign markets.
- MAF and MOIC can assist exporters by enabling swifter export procedures, minimizing import costs of intermediate input for organic products and also back farmers seeking foreign markets.

5. Supportive strategies reinforcing the above recommendations

Short term policy recommendations

- Provide farmers with concessionary loans to meet high input and capital costs.
- Exhibitions and roadshows should be organized both locally and internationally; for instance, ministries can provide temporary opportunities for organic farmers to display and sell vegetables.

Long term policy recommendations

- Capacity development for farmers to explore markets, risk coping mechanisms, organic certification, etc.
- Supporting small holders to practice community-based adaptive measures while developing resilience.
- Mainstreaming climate change into the agriculture sector's policies, strategies and action plans through the planning and design of future investment programmes.