Lao People Democratic Republic

Peace - Independence - Democracy - Unity - Prosperity

Lao Coffee Sector Development Strategy by 2025

Vientiane Capital, June 2014

Contents

Introduction

Coffee culture has become integrated into modern life globally. Lao coffee has huge potential to create income for Lao PDR, and an international reputation for quality. This strategy addressed the issues and steps need to achive success in what is a promising market.

In order to achieve dramatically growth in the coffee sector, by for instance improving productivity, and quality processing at the same time, following environmentally friendly practices demands enhanced methods and strategic development of Lao coffee from now until year 2025. The implementation of the Lao Coffee Development Strategy (LCDS) has the potential to generate decent and stable incomes for farmers-producers, while creating a favorable business environment for private sector to fully contribute to national socio-eonomic development and poverty alleviation for Lao coffee producers.

The strategy provides the groundwork from which to initiatiate activities in order to develop productivity and competiveness of the coffee growing sector. Its ambition is to federate the private and public stakeholders so that they can share a common vision of global distrtibution and recognition. It is anticipated that the LCDS shall cohere public and private initiatives, planning and forecasting, The LCDS gives the credibility needed to build trust and a sense of partnership between all stakeholders along the entire coffee value chain.

The Lao Coffee Development Strategy is based on the principles of dialogue and partnership between the public and private sectors. The success of its implementation, for the whole sector depends on active and progressive partnerships. It is anticipated that the LCDS will also foster mutual respect, honesty and transparency as well as a clear understanding about respective roles and commitments undertaken by all of partners for mutual benefits

The strategy is based on an analysis of the current situation of Lao coffee production, particularly the major issues including (international competition with major producer countries. The key part of the strategy is the vision for the Lao Coffee Sector leading up to 2025, which is: *"A coffee growing sector, oriented toward quality and respect for the environment, providing sustainable and decent incomes for smallholder producers, as well as viable business conditions for private sector partners"*.

Part I. Evaluation of the Lao Coffee Production Status in the Past

1.1 Previous Lao Coffee Development Policy

In present day Lao, local farmers use artisanal practices inherited from many generations to produce the cash crop coffee. As a result of deliberations at a general government meeting held in April 2013, it was agreed to accord coffee priority as a national agricultural cash crop. The national meeting determined that *"agriculture is of primary importance and still plays a major role in national economy. To reorient from natural and traditional subsistence agricultural practice to cash crop production is needed to transition period to socialism in our country."*

In the past, government policy was to promote both national and international investment to produce and develop Lao coffee incrementally, in order to enhance productivity; enabling Lao coffee processing to meet the quality standards needed to compete in international markets. Significantly, some entrepreneurs have already made sizeable investments in the processing facilities needed to guarantee quality products as demanded by local and international markets. Some national entrepreneurs had adopted modern techniquesand stands in the front line of production capacity in Asia.

An organizational management body has been established to play mediating role with respect to coordination, management of national coffee sector supply chain and development. They also seek to cooperate with and create linkages between international coffee networks. In addition, they have applied for membership of the International Coffee Organization (ICO). So far, the application is in its initial stages of approval and it is expected that Lao PDR will be accepted as member shortly.

1.2 Previous Lao PDR Coffee Production Conditions

1.2.1. Coffee Production Areas

The past few years have seen more domestic and international investment support for dthe coffee sector as both demand and coffee prices rise. This has resulted in the expansion of coffee production to new locations and the replacement of old plantation areas with varieties that gives higher yield. Currently, around the country there is about 78,000 ha of coffee growing area, most located on and around the Boloven Plateau, which is known as the traditional and historical heart of Lao coffee. In addition coffee planting has expanded to areas in Northern Lao.

a. Traditional Production area/surface

The Boloven Plateau is the historical center of coffee production, covering three districts including: Paksong in Champasak province, Thaténg in Sekong province and Laongam in Saravan province. Between 2004 and 2005[1] about 98% of all Lao coffee production awas produced there. In 2011, coffee plantations in the three districts progressed to cover more than 70 000 ha[2], representing about 95% of the total area of coffee plantation in Lao PDR. In the recent years, two major trends have progressively modified the coffee sector on the Boloven Plateau:

1. The renewal of plantations and replacement of Robusta by Arabica in smallholder plantations;

[1] According to GTC, *"Participative Analysis of the Coffee Supply Chain in Lao PDR"*, Nov. 2007, p. 20.
[2] According to PAFO and DAFO using survey.

2. A significant development is that of large scale industrial plantations (Arabica variety mainly). This is illustrated in the Appendix section, Figure 1: coffee plantation area/surface in Lao PDR (year 2011-2012).

b. New/Non Traditional Production area

- **Southern Regions**
  - Coffee growing by small producer groups in Sekong province[3] is concentrated in two districts: Tateng district and Dak Cheung district which have a total production area of 9,209 ha, from a productive area of 6,760 ha;
  - Coffee growing in Sanamxai and Xansai district of Attapeu province covers 508 ha
  - Coffee plantations in Sepon district of Savannakhet province are estimated to be about 100 ha[4].
- **Northern Regions**
  - In Phongsaly province has a planted area of about 470 ha, with a plan to increase by an additional 4,000 ha[5] via contract farming;
  - Xieng Khouang province, has 283 ha of planted coffee;
  - Luang Prabang province, has 1,733 ha under coffee;
  - In Houaphan province, while the current acreage is merely 43 ha, the small producers plan to extend this to several hundred more hectares.

1.2.2. Production and exports

For the past 10 years, the estimated volume of green beans exported by Lao PDR varied between 11,000 t and 23,000 t. The production volume of the Robusta variety has decreased due to its sensitivity to climate variations/extremes. However, when observing the total volume exported statistic (Arabica and Robusta variety), it tends to increase continuously.

According to 2011 export statistics from Lao Coffee Association, export value (for both Arabica and Robusta) was 63 million USD (as illustrated Figure 2: Recorded volumes of green coffee beans exported by Laos from 2002 to 2011 in Appendix section).

By 2007, in-country (local) roasting of Lao coffee for the domestic market approximated 500 t of local style coffee and about 300 t of pure-roasted coffee. In other words, a total of 800 t of coffee was supplied to the local market.

In terms of processing and marketing, production and quality reremain unreliable. In 2011, the majority of green coffee exported was judged as “fair” in quality and was exported at world market parity pricing. But in previous years, exporters were penalized because of non-compliance with basic quality standards or lack of reliable control or certification. On the other hand, certified organic green coffee returned a higher export income. The quality of coffee roasted in Laos and sold on the domestic market is extremely different as illustrated in Table 1: Strengths, Weaknesses, Opportunities and Thread (SWOT) of the sector in Appendix sector.

[3] According to PAFO of Sekong province.
[4] According to the Deputy director of the SARC.
[5] According to the Deputy director of the SARC, who made a visit in Phongsaly in February 2012.

1.2.3. Lao Coffee in the international coffee market

Coffee is a major agricultural commodity exchanged on the world market. In 2010, the total volumes of coffee imported (from all origins) by importing members of ICO was 6.3 million tons or 105 million of bags[6] (60 kg/bag). Lao's coffee exports represent to date, about 23,000 tons or 0.4% of the world coffee market. Lao Robusta coffee still shows strong market indicators and acceptable quality for use by industrial roasters of instant/mix coffee.

The majority of coffee exported finds its way to Europe, Asia and some to America.

Globally the coffee sector went through a period of crisis, with very low prices starting in the late 90's persisting until the second half of 2000. Since 2009-2010, prices have been much higher and have been a driver for an increased and sturdy price competition. Prices peaked in 2011 on the back of increased global production peaking at 7.8 million tons (about 131 million bags)[7] . Overall, market dividends for Robusta increased.

1.2.4. Coffee Production as key contribution for socio-economic development

Socio-economics

On the Boloven Plateau, coffee production is a major source of income for smallholder farmers. In 2007, a study of the coffee value chain estimated that 15,000 households were engaged in coffee farming. Current high coffee prices could ensure decent incomes for those families, along with seasonal employment for numerous workers during the harvesting period. Because of the high demand for labor during that time of the year, decent payments to labor have to be made as well??

Companies' owning large scale coffee plantations have created opportunities for employment, income and better livelihoods. Currently, coffee production has created stable direct employment for up to 20,000 farming families and employment to 300,000 labourers.

❖ Importance of Coffee to the National Economy

Over the period of 2005 – 2010, the agriculture and forestry sector enjoyed an average annual growth rate of 4.1%, accounting for 30.4% of total GDP[8]. Coffee ranks first (in value) among the agricultural products exported by Lao PDR. In 2009, the value of coffee exports had increased due to increased in volume and higher global prices. The Food and Agriculture Organization (FAO) estimated the value of Lao coffee export at USD 28.4 million in 2009 (illustrated in Figure 3: Lao Exports of Agricultural Products in value in 2009 in Appendices) Moreover, as reported by the Lao Coffee Association, export value rose to USD 63 million in 2013.

1.3. Reasons for Success

- The Party and government have planned modifications to policy and supporting legislation, improving conditions and opportunities for concerned partners to be involved in the implementation of the Strategy.

[6] Source: ICO.

[7] - Source: ICO.

[8]-- Source: Lao Chamber of Commerce and Industry

- Farmers and business people have continued effective coffee growing practices, learned from those who pioneered coffee. They regognised the potential presented by the Bolovens where conditions - soil quality and climate - appeared to be ideal for producing quality coffee;
- The encouragement of enthusiastic supporters of quality production in improving productivity capacity, organizing groups and associations has been integral to developing databases and information about coffee, thus enabling gain information necessary to gain greater access to both domestic and international markets;.
- Access to and utilization of scientific knowledge is expanding, and has been promoted by the government. Balanced with the application of increasingly popular organic production systems the results are promising. Lao organic quality coffee is being accepted by both domestic and international markets, generating more income.;
- The government sponsored Lao Coffee Promotion National Committee comprising members from central and local levels, and geared to achieve both fair trade and organic certification, and the formation of producer groups has demonstrated direct results of this sector support. They government has permitted the organization of various groups, such as the Lao Coffee Association, smallholder coffee producer's association/cooperative, grower groups, roaster groups, trader groups, exporter groups to foster greater success.
- Private sector has involvement has also strongly encouraged production and producer groups;
- Domestic and international investment on coffee production has increased annually. Wet processing and export have demonstared increased investor confidence, enabling expansionof cofeee gradens to new locations where coffee was previously unknown. Many of these investment companies have contributed processing expertise and capital. Support from international organizations has also been significant.

1.4. Major issues and constraints to be addressed

- There is no doubt that quality has been affected by out of date storage methods and an inappropriate approach to processing. Moreover, production and trade are still lagging due to the lack of effective professional communication and marketing mechanisms;
- Short term market and price competition has created profit for producers, but in the medium-term it has created difficulties and more negative consequences because of the lack of systematic and reliable management of the trade, in particular pricing policies. The majority of producers have no role in determining their own selling price, informal charges, high credit interest rates and disprportionate profits made by middle men has eaten into farmer's profitability.
- Some producer's ability to expand still depends on high interest credit, or advances from buyers/traders, while other producers face significant debt;
- Small coffee producers, and small and medium coffee enterprises (SME) are clear that they still face major obstacles accessing favourable terms of credit
- In the absence of systematic system of land management or tenure in coffee growing areas, investors are reluctant to commit while titling is still ambiguous and insecure..

The competition for access to land, along with arbitrary decisions to allocate land concessions, has resulted in a climate of uncertainty and vulnerability.

- There is little or no cooperation or unity between concerned division/sectors at central and local levels, in particularly in arriving at unified policy, support along with budgetary and human resource allocations. This remains a major discincentive to investment.
- Producer groups need to be involved in discussions and programs to improve production and value chain development, while coffee producer group exist they have not yet performed their roles as effectively as they could if they had more room to move. Some groups are very strong but do not receive adequate support in the form of access to credit or other policy and procedural support.
- Despite increasing domestic and international investment for Lao coffee, the focus of the investment so far has been on processing and exporting coffee. There are few investments in research and development and technical promotion.

1.5. Lessons Learned

- Inverstment in the coffee sector has been assisted by the promotion of Government policies geared to attract both domestic and international to invest in the sector: namely SarmSang article (three), investment promotion law, decree on cooperative, decree on association, national export strategy and other relevant regulations. These have encouraged entrepreneurs to have more investment interest;
- In order to develop and improve the strength of producer groups, there needs to be practical support, personal skills training such as negotiating, and expertise available to improve productivity, encourage producers to understand the importance and benefits of being organized, in order that they benefit from consolidated production and access to credit; Any development plans for production improvement must be in line with processing plans, and with market and buying needs and trends.
- Converting the culture of Lao coffee production to be ‘*industrious and innovative*’ demands to the participation of producers to ensure effective growth of the sector;
- Improvement of coordination between relevant agencies at both central and local levels (agriculture and forestry, industry and commerce, science and technology, natural resource and environment, finance, national chamber of commerce and industry and local authorities and others) is a crucial to promote Lao coffee production, its continued success and global acceptance;
- Coffee production and promotion requires unfettered acess to and use of new technology and comprehensive services in line with global demand for st*andards and quali*ty. This requires flexibility, openness and two-way relationships;
- Promotion of coffee production must be in line with global and local potential, access to capital and up to date market information in line with the special characteristic of each area.

1.6. Environmental Expectation and Future Challenges

Currently, the world population is approximately 7 billion and is expected to increase up to 7.5 billion by 2015. With sustained world economic growth in particularly from countries in Asia, China, India, for instance have the potential to dominate the world's economy. Lao is increasingly being integrated into global and regional trade bodies such as the World Trade Organization (WTO), opening to ASEAN free trade, ASEAN+3 and East Asia which it is hoped will widen opportunities to gain more access to more international markets and integrate Lao PDR's economy into regional and markets. These possibilities were enhanced when Lao PDR becomes member of WTO at the end of 2012.

As mentioned above, despite the opportunities and enabling conditions, the development of Lao coffee still faces many challenges, in particular:

- Increasing demand for Lao coffee products from various markets. Lao coffee producers and entrepreneurs must upgrade safety standards and quality of coffee products in order to be able to compete within regional and international markets, with nations such as Indonesia which have more sophisticated and proactive systems in place.
- Entering ASEAN free trade, WTO will enable integration into international markets (more convenient in exporting coffee), but against stiff competition. Lao PDR has to negotiate reciprocal rights to protect the national economy from increased coffee imports. Lao PDR requires improved and responsive legislation, sophisticated and inclusive trade negotiations, improved transportation services, sector lobbying and other radical departures to enable Lao PDR to acheive favorable results and not be run over by the enormity and complexity of change. At the same time, it is essential to determine how to claim advantages and capacity to compete to avoid being disadvantaged by business competition;
- Development of value added and a special Lao 'signature', due to the unique qualities of Lao coffee production - for instance the Robusta grown in the Bolovens is alone in the world at surviving and reliably producing at high altitude - has the capacity to create an singular specialist reputation within international markets, leading to higher coffee value;
- Climate change and threats from natural disasters will affect future Lao coffee production. With education and knowledge, coffee farmers can pay more attention to planning for and avoiding threats, or taking measures to reduce the consequences. Research and development, land management practices and risk reduction specialists are needed. Changes to rainfall patterns are expected to have little effect on the quality of Robusta variety, but there is still need to conduct further research via a dedicated center and to imrpove the resilience of coffee variety/seedlings[9];

[9] -Support project from United States (USAID-) has conduted the study of the impacts from climate change toward agriculture products along Mekong, in which "coffee" is one of the studied producst. Results from this study wil be considered by Southern Agriculture Research center (SARC) and promotion sector..

1. Demands for secure land ownership in order to motivate farmers to expand coffee production has increased, until this is settled, it will contine to seriously affect the expansion of new and existing coffee growing area.

Part II: Sector's Objectives and strategic vision

2.1. Vision

The agriculture and forestry strategy aims to convert Lao framing to modern production, using technology, organizing producers groups, associations, and cooperatives in order to guarantee food security, have raw materials to supply to processing sectors and develop export products. This it is hoped, will contribute to the sector having an annual growth rate of 3.3% per year (covering 18.2% of GDP). In regards to coffee, growth can be achieved by upgrading growing technology and processing, marketing and roasting which can be used to develop complex tastes, and to produce organically, in line with consumer demands. Organic production has the capacity to achieve high prices in local and international markets, contributing to increased and more stable income for all those directly and indirectly involved in the coffee sector. The underlying Vision to promote Lao coffee towards 2025 aims to create *"An expanding coffee sector, oriented toward quality and respect for the environment, providing sustainable and decent incomes for smallholder producers, as well as viable business conditions for private sector partners".* The definitions of these terms are:

- A ***"growing coffee sector"*** means the growth in the coffee industry must guarantee development in both in term of volume of coffee produced and in term of total value (turnover) of the Lao Coffee Sector.
- ***"Orientated toward quality"*** means that improvements shall be made to achieve the standard for generic coffee market requirements and an increased volume of Lao coffee grown at premium quality level supported by recognized adequate labelling and/or certification.
- **"*Respect for the environment*"** being understood as the preservation of natural resources such as: soils and water and the application of responsible agricultural and agro-processing practices in line with (inter)national policies and regulations.
- **"*Providing sustainable and decent incomes for smallholder producers"***: it is understood that the development of the coffee production shall be mainly, but not exclusively, focus on reliable incomes for smallholder producers, in order to maximize poverty alleviation and NSEDP goals.
- ***"Viable business conditions"*** means the coordination and streamlining of various partners public organizations at central and local level in order to enhance good business practice along with regular and reliable supplies. A favorable business environment requires clarity, accountability and transparency in all areas of regulation, production, processing and trade of Lao coffee products.
- ***"Private Sector Partners"*** include all companies and commercial businesses including cooperatives or associations involved in processing, trade, export and roasting of Lao coffee, as well as relevant input suppliers or service providers playing a role in the Lao coffee sector production.

2.2. Objectives

2.2.1. Overall Objectives

- The national economy needes to grow, particularly agriculture and forestry. Commensurate with that, Lao coffee products will increase both in term of volume and quality, and thus be globally competitive at the higher quality level;

- Production and processing of Lao coffee products will meet with international and local health and safety standards, while at the same time using growing techniques that are sensitive to the environment;

- Production of Lao coffee has contributed in important role in poverty reduction by creating jobs and income for producers. It has also helped reduce growing inequity between urban and rural areas;

- Coffee is currently Lao's primary export agricultural product, generating significant revenue. This has resulted in enhanced reputation for Lao coffee products, to the point that Lao coffee is more widely known and accepted by domestic, regional and international markets.

2.2.2. Objectives until year 2025

Promotion of Lao coffee until year 2025 must ensure 4 main objectives: development of coffee production/growing; improvement of quality and markets to increase value and higher profit; increasing value added share returns to coffee farmers; and improvement of productivity, capacity to adapt value chain production, and cooperation between concern stakeholders. Detail of each objective as below:

a. Development of coffee production/growing

- In order to achieve these long term objective demands a significant iexpansion in the area of land given to coffee growing. It is planned to increase the area by about 28,000 ha before 2017 then additing a further 130,000 ha by 2025. These increases include the rehabilitation old coffee plantations which have ceased to yield significant amounts of coffee.. Specific attention will be given to expanding the growing area on the Bolovens Plateau. Other areas which are considered to have suitable growing conditions and in which investors are interested, need to be surveyed and then field trials conducted in order that effort not be wasted and to maintain the integraity of Lao coffee quality.

- Coffeee producers must be guaranteed land right/ownership of their land while also ensuring that the area free of threats arising from artirary granting of concessions for other uses . Adter determining an area suitable for development for coffee plantations land needs to be classified as dedicated single use and systematically allocated to farmers. This should apply to existing growing areas and areas designed suitable for future planting;

- Producers of seeds for growing coffee will receive technical support and state of the art knowledge on how to propagate seedlings that will enable certification guaranteeing coffee quality. Technical support shou;ld also include suitable equipment and facilities to assist propagation. This support will be particularly aimed at areas where coffee is a new crop, the farmers having limited experience. It is anticipated that the combination of technical inputs, improved propagation methods and land certification will ensure better productivity;

- Ther is a clear need to seek support and investment from wider sources such as the government to promote coffee growing. It is also desirable to partner with international development agencies, such as organic production experts, and gain support of non-government international organization, overseas coffe experts seeking new challenges and coffee buyers, all of whom can inform and assist farmers;

- Create an enabling environment for coffee development by providing credit mechanisms that offer low interest and flexible lending.

2.3. Improvement of quality and markets to increase value and higher profit

- It is difficult to attract skilled and motivated farmers to enter a volatile market. Attempts need to be made to ensure price stability through careful market and production monitoring. Forging contractual systems which meet international standards and protect against massive price fluctuations are vital.
- Support to improve quality so as to achieve high quality grading, has more potential to insure Lao's nascent coffee industry achieving quality grading (aiming at high quality – premium markets) to increase revenue and mitigate risk from dropping international coffee prices.
- To improve marketability by ensuring continuity of supply, deliciously and chacteristically roasted (to improve branding) and securely and attractively packaged,.
- To charactersise Lao coffee using symbols and images that are typical of Lao, and make Lao coffee instantly recognizable.
- To develop and improve legislation which protects the 'Lao Brand 'as well as rights and benefits of producers and businesspeople. This can be done by building support for trade marking and GI certification, allowing Lao coffee to be registered**.** Authentication and certification of Lao coffee as organic and from fair trade sources can only assist international marketing efforts and improve desirability of Lao coffee.
- Reduce sensitivity or vulnerability of Lao coffee production to world coffee price fluctuations by promoting two levels of quality designed to
  - to meet international standards for medium quality suitable for processing into instant or coffee syrups, with, no attendant price penalty and
  - to increase by 20% or more Lao's share in the premium quality market currently dominated by buyers (specialty coffee and organic coffee)

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c. Increasing value add share to benefit coffee farmers

1. To increase efficiency by creating benefits for small coffee producers and community in remote areas by systematizing and clarifying all returns along the value chain to ensure participation and reduce the risks of informal costs, in this way reducing hardship and inequity and improve people's lives.;
2. To promote and support organizing efforts by coffee producers so they can speak with an equitable and unified voice. To support them with regular information bulletins and training. Skills in negotiating fair contacts enable fairer distribution of the profits;

d. Improvement of productivity, capacity to adapt of value chain production, and cooperation between concern stakeholders:

It is important to strengthen Lao coffee production and develop more unity between producers and the business sector to ensure reliable supply and quality. This process can be overseen by organizations such as: the Lao Coffee National Committee (CNCL), Lao Coffee Association (LCA) and relevant technical sectors.

Part III. Contents of the Strategy

Lao Coffee Promotion Strategy envisaged to progress until 2025 will focus on development of production and processing improvement, and upgrading quality of Lao coffee products in order to be able to compete with regional and international markets.

The Lao Coffee Promotion Strategy has to date, determined several steps by which to achieve the objectives:

3.1. Production Development (surfaces and productivity) :

a. Objectives

- In addition to increasing the area planted under coffee, and securing land titling and organized producers, other components might be
- To promote consultation between coffee roasters and exporters, cooperatives or small size farmers in order to develop strategies that might improve trade potential, while providing useful technical input on quality standards;
- To cooperate and create partnerships with privately run projects. To grow the businesses expanding the reas of land under coffee will also allow farmers who supply seedlings to grow their business.
- To promote the expansion of local research and development, educational outreach, supply of equipment, and provision of tool boxes to technicians or trainers to upgrade efficiency and quality.

b. Activities to be implemented

- **To reach** onternational standards and adopt technical referencing points: The Southern Agriculture Research Center is in need of support in order to become the central information point for technical development of coffee around the country; research priorities and activities need to be arrived at after close consultation with stakeholders in order for the new knowledge to be relevant and directly applied. Producers need to be familiar with economic principles enunciated by the agreement of CNCL;

- **To improve human resources and build technical skills** will require relevant skills training by and for technicians at Provincial Agriculture and Forestry Office (PAFO) and District Agriculture and Forestry Office (DAFO) levls to improve their knowledge and abilities to provide useful and up to date inputs.

- **To promote technical support for producers in areas where coffee has never been planted before:** staffs from PAFO, DAFO have the responsibility to provide training and facilitation around activities needed for quality production such as: seedling propagation and selection, farm/plantation maintenance, soil improvement, processing after harvesting/picking. Farmer organizations will be developed initially to further Lao coffee production development, along with them understanding their responsibilities to a market that demands certainty. Organising is vital to knowledge and information sharing needed for future improvements.

- To promote technical knowledge to producers in the original/historical planting areas in order to regenerate and reinvigorate coffee production in southern provinces through the provision of field training and extension, particularly to the younger generation. It should be noted that extension staff also need to learn by spending time in the field so as to gain real understanding of farmer's problems and possible solutions.

- To prepare, produce and grow quality seedlings of certified quality in order to increase the chances of success. This is of particular importance in the face of the expansion of the growing area to more than 28,000 ha from 2012 to 2017. This expansion will demand an additional 140 million seedlings by 2017 or more than 23 million seedlings per year.

- To access to quality production and to improve Lao coffee productivity, the government must encourage the private sector to implement the strategic plan, the Association or coffee producers organization must provide correct technical advice and methods. Particularly organic coffee production must be properly managed in regard of importing and supplying and production inputs;

- The government should encourage private companies to take part in development, particularly in supplying equipment/tools and technical support to small producers. They should also modify the tax schedules which can be punitive to small holders and expand technical development. The government also needs to develop a responsive mechanism by which applications to partner in coffee production are quickly negotiated and approved. The agreement between company and producer can utilize the agreement framework that governs Contract Farming;

3.2. Quality Improvement

Improvement of quality Lao coffee needs common agreement by all those involved to determine standards and common referencing points resulting in an increased value added for those involved along the supply chain and eventually better prices; Middlemen or traders can also play important roles in conveying information about market placement and trends in consumer behavior, as well as assisting by advising on market price sensitivity for coffee of varying qualities. The public sector must have a role in supporting research and experimentation to improve important elements such as soil improvement, seedling propagation, natural fertilizers and pesticides that fit within the organic classification. Government laboratories can be utilized to check the quality of Lao coffee enabling it to meet required standards and achieve market trust.

Objectives

- To upgrade the quality of coffee produced in Lao PDR by aiming to meet the generally accepted standards defining various levels of quality. To be practical, it is important to also avoid penalties incurred by the supply for sub quality coffee or undercutting international rates, by standardizing systems and production and encouraging transparency and ethical behavior.

- To develop high quality coffee at sufficient volume to enable Lao access to premium markets which offer the best returns to labour.

B. Activities to be implemented

- **To determine the basic characteristics and control of medium quality coffee** in order to maintain the price and reputation of Lao coffee. Exporting must meet the Fair Average Quality (FAQ) standard which is accepted at international level. Provincial science and technology office staff are required to control quality, provide information and advice to producers and processors including traders/ medium men who buy at local level; The Lao Coffee Association has responsibility to disseminate information about quality standards to buyers and middlemen;

- To map the production area registered for certification as GI 'Boloven coffee' requires detailed geographic information, into which can be inserted detailed quality and production methodology data.

- To codify the meaning of the GI symbol/brand, its control mechanisms and then register the brand with the lead organization the Lao Coffee Association. Producers and traders need to be then informed about their responsibilities under to the GI sign after registration. The controls include internal organization and collaboration of contract/agreement with external certifying bodies; thus, monitoring and certifying must be established at the same time of providing training to domestic inspectors.

- To register producers and processors together with dissemination of actual implementation principles and the requirement in controlling or backward auditing, and guarantee the application of regulations determined by the authorizes to ensure unity in GI implementation and management. PAFO and DAFO have the role of dissemination for GI definition, actual activity plan and define a suitable promotion approach;

- To promote organic coffee currently surfing a wave of international consumer confidence, PAFO and DAFO have important roles to support the technical work and compliance with the rigorous standards required. Farmer’s group or farmer’s cooperatives have to organise themselves so compliance is established at peer – farmer to farmer - level.

- To be realistic, the in the absence of rigorous enfocement, farmers have to be prepared to estimate and manage potential risks of contamination to their organic production. A major motivator to compliance may be the premium price given to organic coffee. Exporters must develop pricing systems based on quality and taste, to circulate to farmers and offer in contractual form prior to seasonal production taking place.

- To promote investment, particularly in processing equipment/machines (wet processing, dry processing and other selection/sorting), in which the private sector plays an important role, the government must set clear and transparent guidelines regulations and incentives. Adhering to these would build and maintain investor confidence and enhance Lao's reputation in the world.

- To create favorable conditions for quality testing and confidence in the quality of Lao coffee along the value chain, requires adherence to established testing protocols and state of the art calibrated equipment being organized and managed by a respected and reliable organisation. This might fall under the SARC.

3.3. Promotion of the Lao quality coffee on domestic and international markets

Lao needs to develop a good international reputation for good quality and tasting coffee. Public relations campaigns need to focus on ensuring that the nation's name is automatically thought of in relation to high quality coffee and subsidiary products. Marketing promotion must also look to new market opportunities as well as promoting more domestic consumption. As well there should be room to find new products are uses for coffee such as syrups or cold brewing for cold drinks. This will require a media campaign and a broad range of marketing strategies to bring Lao coffee to the attention of global consumers and instill pride amongst producers.

a. Objectives

- To create a Lao coffee 'brand' focusing on good reputation and quality;
- To determine market opportunities for high quality Lao coffee and create satisfaction amongst consumers, focusing on the unique nature of Lao coffee products.

b. Activities to be implemented

c.

- **To develop marketing campaign** with assistance from all players, to develop a PR strategy that highlights the particular characteristics of Lao coffee and use that as the basis of promotional materials and campaigns.
- **To attend/participate in international exhibition and fairs** to gain exposure for initially the Boloven Coffee brand. Participants need to learn language and presentation skills, to participate in the international exhibition and in order to present their products, have tasting and to learn from others who do it well. The Lao Coffee Association must take the lead in this matter, with funds and the development of a marketing strategy accepted by, and participated in by producers and traders.
- **To organize domestic marketing** by making Lao public aware of their own products and to choose those over imports particularly those from giant food companies. In addition, maximize exposure of Lao coffee using the tourist industry, and by inviting traders to Lao to taste and see.
- **To link the marketing of coffee with tourism** such enabling tourists to spend time to visit and spend time in Boloven Plateau coffee plantations or construct permanent exhibition centers, or booths in major tourist centers, which free tastings and well as

information on procedures of coffee production in cooperation with the tourism sector.

3.4. Land Use and Allocation, Secure Land Rights for Coffee Producers and Land Quality Improvement

In order to expand coffee growing area and ensure an enthusiastic and well motivated production base, producers must have land use rights along with land titling in line with Lao law and regulation. There is a need to improve land quality to prevent land from being arbitrarily allocated to other purposes. This will require identification and geospatial mapping of suitable areas so they are set aside for coffee.

Objectives

To determine priority areas for development of coffee growing areas in the future as well as land improvement needs, and to prepare for future climate change in order to secure future prosperity.

To offer more opportunities to producers (giving priority to small producers depending on their capability) to have access to priority land in order to extend growing areas;

To protect coffee plantation areas from the risk of being converted into mining concessions or contamination from mining activities, or other potentially polluting activities, such as pesticide runoff.

a. Activities to be implemented

- **To guarantee land use rights to existing coffee farmers** by promoting land registration. Thus, it is the responsibility of local authorities (province, district, village) together with Natural Resource and Environment, and Agriculture and Forestry sectors to ensure this is undertaken and completed.;

- **To re-evaluate the importance/significance of having land rights on established plantations.** Did having title or ancestral rights guarantee effective usage of land resources?

- **To characterize and locate land suitable for growing coffee L**and ownership rights, registration of interested farmers or investors, available labor are the responsibility of the PAFO, with the SARC responsibility for coordination and implementation

- **To determine priority growing coffee areas,** is the responsibility of local authorities (province, district, and village) together with Natural Resource and Environment, and Agriculture and Forestry sector.

- **To draw up titles and systematize land rights is vital, for coffee growers, enabling** them to reach planned production capacity. This has to be implementing a systematic assessment and determining the priority and back up areas suitable for growing coffee. Care needs to be taken to avoid duplication with any current land owners, city expansion and overlap with forest protection and conservation areas

- **To improve land quality** in order to upgrade productivity for sustainable land use and production.

3.5. Improvement of Business Environment for Competitiveness and Cost Reduction

a. Objectives

In order to improve Lao's business performance environment, there is a need to reduce unnecessary costs, regulations and bureaucratic procedures which are seen to obstruct investment. To achieve this may take lengthy organizational reviews and investigations. In addition, there is a need to develop access to low interest credit to facilitate purchase of equipment, needed for processing, hiring labor and initiating the procedures needed for GIs registration.

b. Activities to be implemented

- **To develop more attractive credit mechanisms** for better access to capital and reduce production costs for coffee smallholders, farmer's cooperatives and small coffee businesses. This could be in the form of credit for new coffee growing (3 to 5 years), credit for processing equipment and seasonal credit or credit to encourage and motivate farmers groups, farmers' cooperative or small and medium business.

- **To profile administrative steps leading to GI registration** needed to develop under Intellectual Property laws, along with upgrading the capacity of knowledge of those officials responsible for GI registration. Measures to be taken in case of infringement also need to be drawn up and enforced.

- **To all comply with relevant regulations**. In order to achieve this there is a need to precisely define and clarify the rights and responsibilities which reducing duplication of all concerned stakeholders such as roles of: MAF, MoIC, LCA and others relevant organizations.

- **To 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 favourable investment and trade environment as well as to reduce obstacle and gate keeping which currently burden logistics, transportation or roadside checks;

- **To provide clear information about tax schedules** in order to allow entrepreneurs and coffee business dealers to correctly meet their obligation according to the law. The finance sector working in liaison with jointly with the Agriculture and Forestry sector, LCA and Lao coffee producers groups need to know and be informed as to their respective tax responsibilities. Tax schedules should be published to avoid uncertainty and confusion.;

- **An advisory service on law and regulations is required to educate farmer's organization regarding objectives and state controls on contract farming** in order to protect farmers and to avoid them being disadvantaged and abused. Media that deliver information in an easily understood format will be provided to farmers, small producers groups or their organization outlining the Fair Trade Contract process;

- The LCA, PICO, LNCCI in cooperation with relevant organization to work on need to **improve the methods by which they provide market information** to growers, ensuring that information on production, processing, import-export, price and other pertinent information reach small producers or local traders in a form that they will understand and are able to utilize,.

- **To establish and manage some form of labour exchange by which to link those seeking seasonal work with those looking for labour particularly during peak periods**. They should also regulate wages and payments, terms and conditions so that labour and employers enjoy equitable relationships.

3.6. Strengthening institutions and organizations capacities for coffee sector

The CNCL has to continuously improve to ensure a solid evolution amd guiding policies – and in liaison with the various stakeholders, put those policies into operation. To strengthen the LCA, and support the establishment of farmers groups leading to the formation of the Federation or Cooperative of Coffee Famers, is the long term strategy.

a. *Objectives*

- To facilitate and enable negotiation, consultation and discussion, in order to promote balanced relations between the various parties involved.

- To ensure regular monitoring, evaluation and reviewing mechanism intrinsic to the strategy, and to become a contact central point for producers and businesspeople. It is important to have a focal point through which to coordinate with other relevant sectors in order to achieve the objectives determined in this strategy;

- To encourage and search for additional resources, innovations and ideas so that they are evaluated and where possible adopted, in order to further the Lao coffee industry.

b. Activities to be implemented

- **To improve the CNCL** by enabling more direct participation of the private/business sector. A secretariat would enhance the effectiveness of the activities needing to be implemented. The secretariat should comprise about 3-5 persons responsible for facilitating, coordinating, monitoring and implementation of this strategy;

- **To organize frequent informal meetings such as round tables and seminars** to regularly update discussion, technical education, and trends to and between the various stakeholders. This is to ensure that the CNCL is seen as being in charge and taking the initiative.

- **To strengthen the Lao Coffee Association,** whose role is to recruit and consolidate the various actors within the broader Lao coffee industry, in order to strengthen their bargaining position. To achieve this, they must improve the internal management (human resources) of the Association. Thus, it shall be better able to determine and manage the standard of quality that characterise trademarked Lao coffee. They should also coordinate and lead marketing activities to promote and sell Lao coffee.

- **To promote the development of farmer's organization,** to reduce poverty by enabling a stronger bargaining position and returns to labour in line with their improved capacity to produce quality coffee.

- **To work on the adhesion to ICO,** bringing more advantages and benefits to the country by in particular, enhancing Lao PDR's reputation as a coffee producing country, thus will opening the way to receive more support from ICO in the implementation of this strategy, and more convenient access to international market information.

- **To seek sufficient resources in order** to support the implementation of this strategy, and achieve determined objectives. This will require more involvement from both public and private sectors, in particularly are Ministry of Agriculture and Forestry, Industry and Commerce, Finance, Planning and Investment, Natural Resources and Environment, local authorizes, Lao National Chamber of Commerce and Industry, Lao Coffee Association and many interested individual organizations and stakeholders.

Part IV. Implementation Measurements and Methodology

4.1 Implementation Measurements

The implementation of the **Lao Coffee Development Strategy - 2025** requires ongoing discussion, consultation and flexibility if monitoring reveals a need for finer tuning or change in emphasis by all of those in the coffee sector. Who holds primary responsibility for each component is outlined in the six pillars of the strategy. [10] The outcome of this vision and work is conceived as

A growing coffee sector, oriented toward quality and respect of environment, providing sustainable and decent incomes for smallholder producers, as well as viable business conditions for private sector partners.

There are concomitant measures required to achieve this vision.

1) **Policy and Legislation:** Technical and line government agencies such as MAF, MoIC, Ministry of Science and Technology (MST), MoNRE, MPI, MoF, must continue to establish more supportive policies which assist rather than hinder production and export of Lao coffee products. These include review of policies to do with protection of production land, low interest credit, pricing policies, fees and tariffs associated with production cost, agricultural extension, import/export and licensing and 'informal' fees which effect trade, research and development, education policy to favour agricultural production

2) **Coordination with Relevant Sectors:** The strategy's guidelines and endorsed by the Party at the Ninth Party Conference, dovetails with the Agriculture Strategy until 2025; These two parallel but similar strategies indicate a need to develop cross sectoral coordination after consultation with those involved both at growing and at business levels, Unilateralism has shown not be successful and the active participation by growers, traders and officials from all levels of government is vital to the success of the strategy and Lao PDR's place in the global coffee trade.

3) **Organization and Human Resources Development**: One of the most pressing and priority issues is that of improving the skills and knowledge required to make Lao coffee both viable and profitable. Public relations and marketing are vital to promoting Lao coffee on the world stage. In addition organizing skills for producers so that they can hold their ground and get fair returns on their products are also required.

4) **Financing and Supporting Fund Sources:** Funding is essential enable all of the activities integral to the success of the strategy and outlined above, to occur.

Support funding can be accessed from two main sources:

Public sector: To support the administration of the coordinating unit under the management of the CNCL secretariat;

[10] Every stakeholder (Public and Private) has the right to implement and provide resources that will contribute to the successful implementation of the Strategy, but there is a need to report of gthe module to coordination/monitoring unit.

Private sector and other partners/supporters: To support the implementation of associations or producer groups including promotion of small coffee farmers,

4.2 Implementation Methodology

The following methodology is required in order to achieve the strategy's stated objectives. Methodology includes:

- Relevant authorities, individual and associations at central and local levels must help promote and disseminate the strategy to coffee producers and traders in order that everyone is clear about the aims and accept the principles.
- Development of activity plans and detailed project protocols for each main activity plan need to be drawn up in order to achieve successful operational application of the strategy. There is a need to detail all central activities, indicators, timeframes and responsibilities.

At this stage it is assumed that responsibilities may be allocated most successfully as follows.

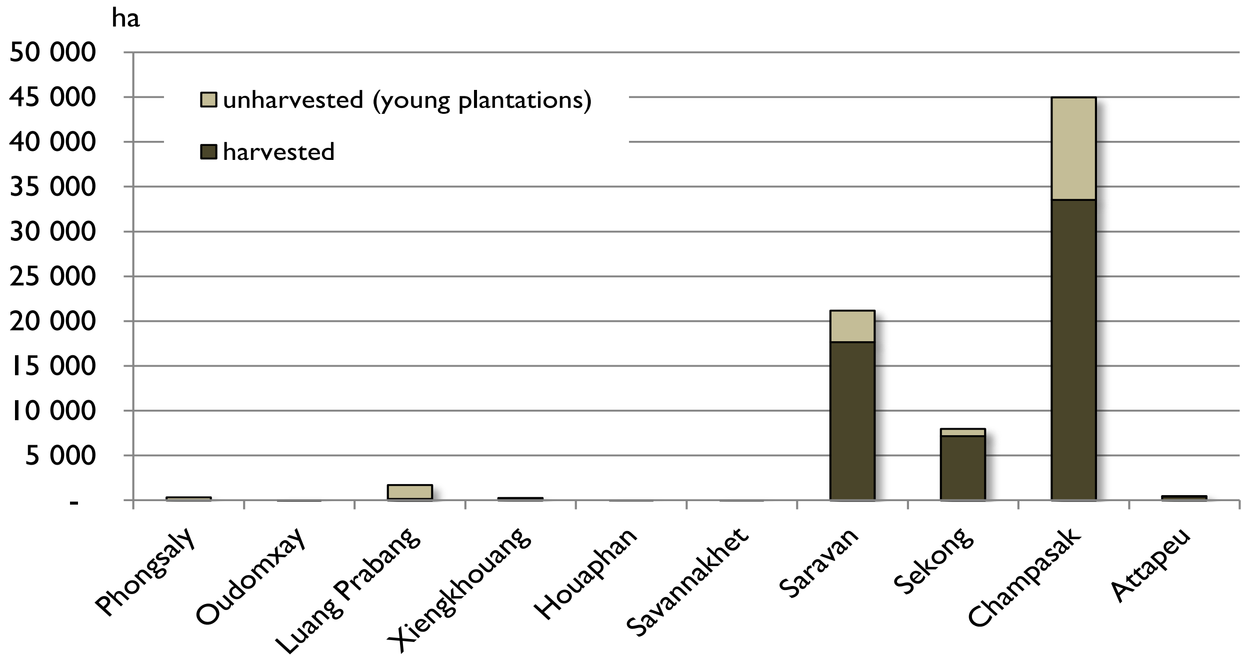
- **Relevant Public Sector Organizations** will have role in determining policy and regulations to promote production, processing and exporting; to create a favorable environment for business operation; to support technical work; to conduct research and development to assist the production of quality seedlings and varieties; and cooperation with international agencies;
- **The Private sector and Business:** Forming and association may be more conducive to guarantee stable prices and product quality. Leading to more stability in investment costs, cross sectoral sharing of techniques and experiences of entrepreneurs with small farmers.

- **Determining current implementation schedules for projects** in order to enable the project partners to achieve commonality in understanding the gaps and priority issues of the sector and seek resources needed for implementation;
- **Development of Methodologies for Evaluation and Step By Step Monitoring** to gather and summarize information and data regarding the implementation of the strategy at selected intervals, and being the direct responsible of the coordination and monitoring unit under the supervision of CNCL;
- **Identifying Methods by which to disseminate information, and communicate with all those involved** in order to protect the beneficiaries ensure the responsibilities of those involved, make the process transparent and public and their underline the importance of each person's participation in the implementation of the strategy.

Annexes:

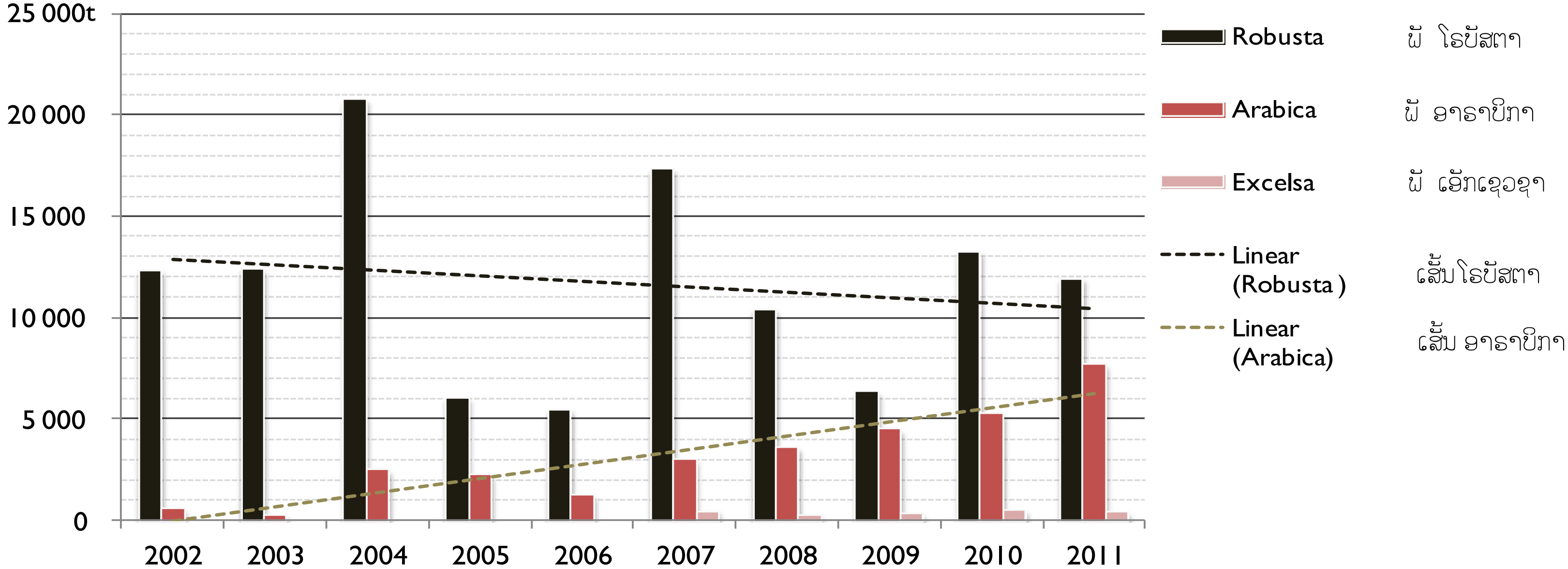
I. Figures:

Figure 1: Areas planted with coffee per province (year 2011-2012)



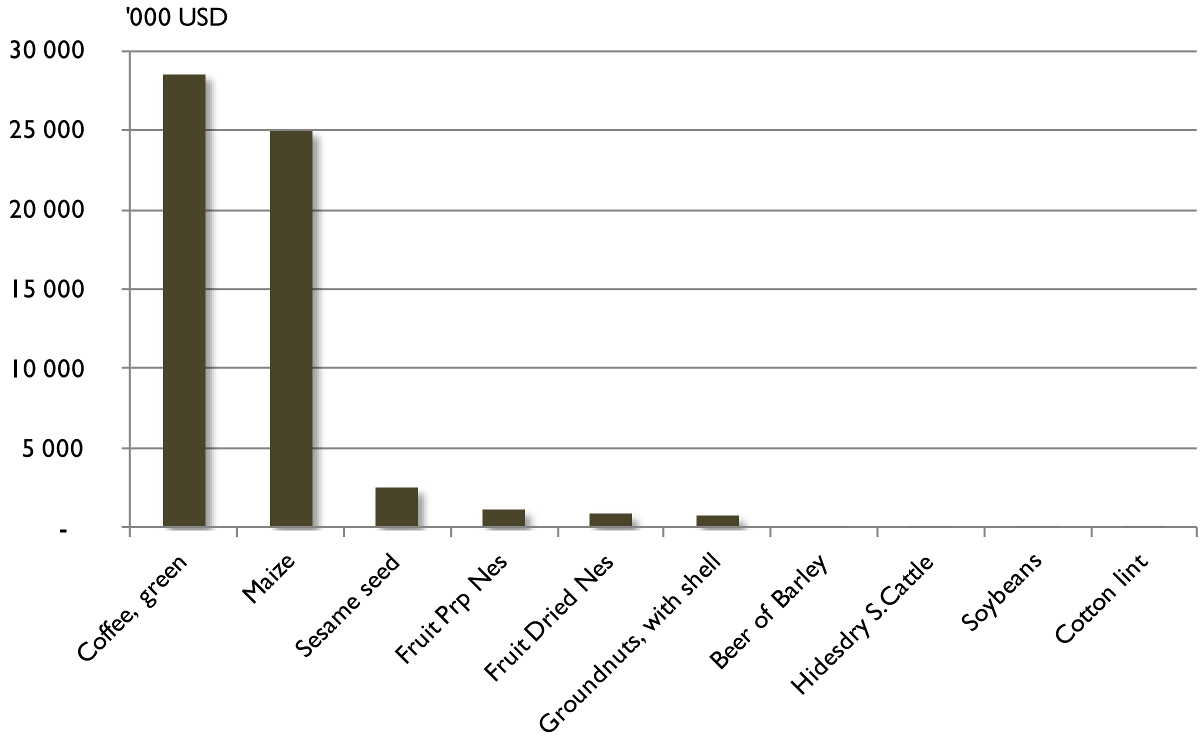
Source: PAFOs of relevant provinces.

Figure 2: Recorded volumes of green coffee beans exported by Laos from 2002 to 2011



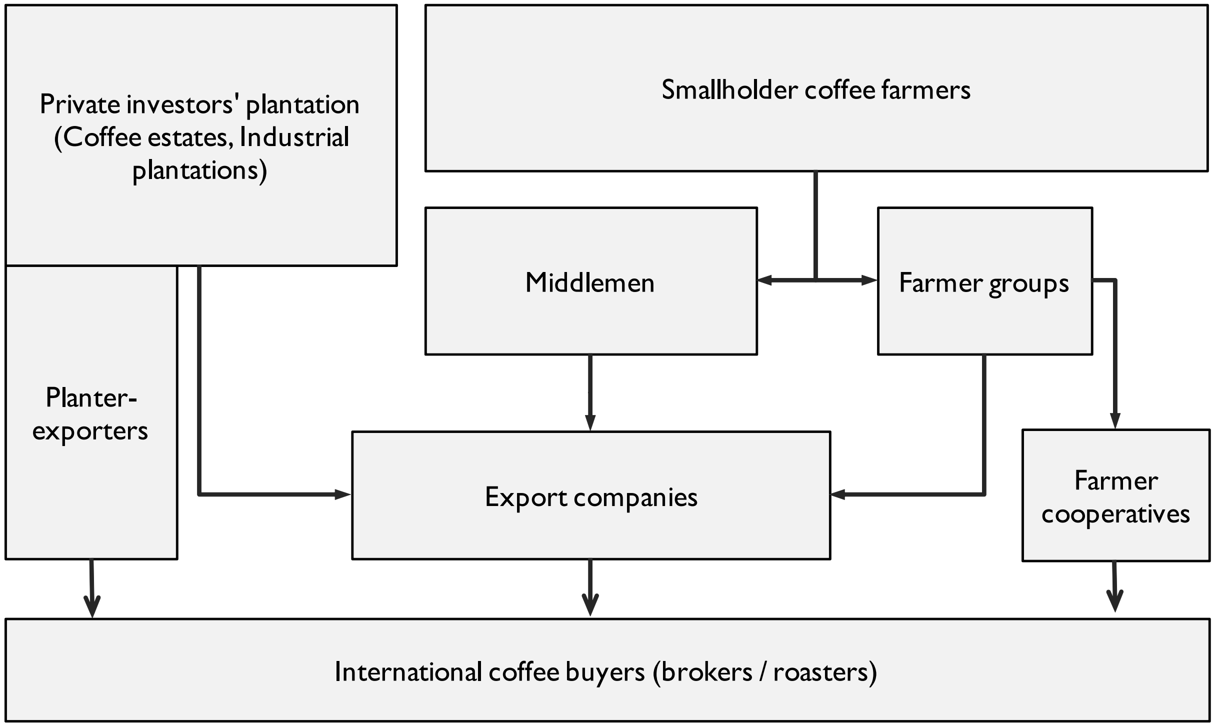
Source: Figures provided by the Lao Coffee Association.

Figure 3: Lao Exports of Agricultural Products in value in 2009



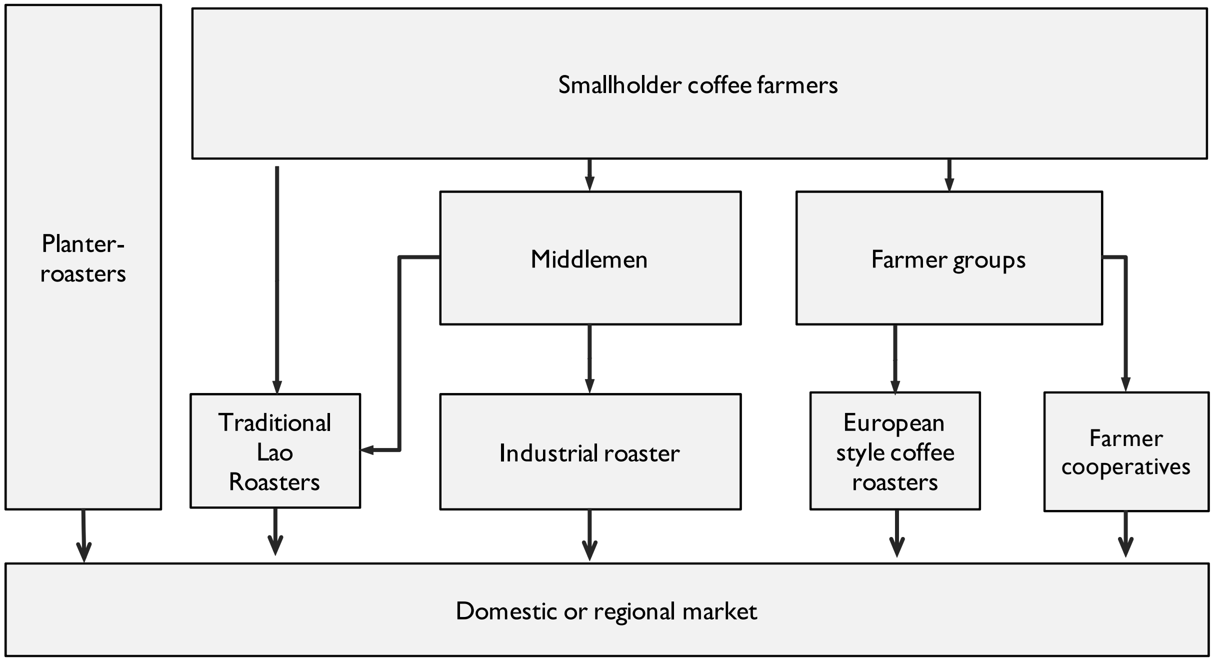
Source: FAO Stat (http://faostat.fao.org/site/342/default.aspx), based on estimated data using trading partners database, excepted for Beer of Barley figure which is based on FAO estimates.

Figure 4: Simplified structure of the Lao coffee supply chain for export of green beans.



Source: Adapted from the GTC Participative analysis of coffee supply chain in Lao PDR, Nov. 2007.

Figure 5: Simplified structure of the Lao coffee supply chain for roasted coffee.



Source: Adapted from the GTC Participative analysis of coffee supply chain in Lao PDR, Nov. 2007.

Figure 6: International Coffee prices (Monthly averages Jan. 1990 – Sept. 2012)

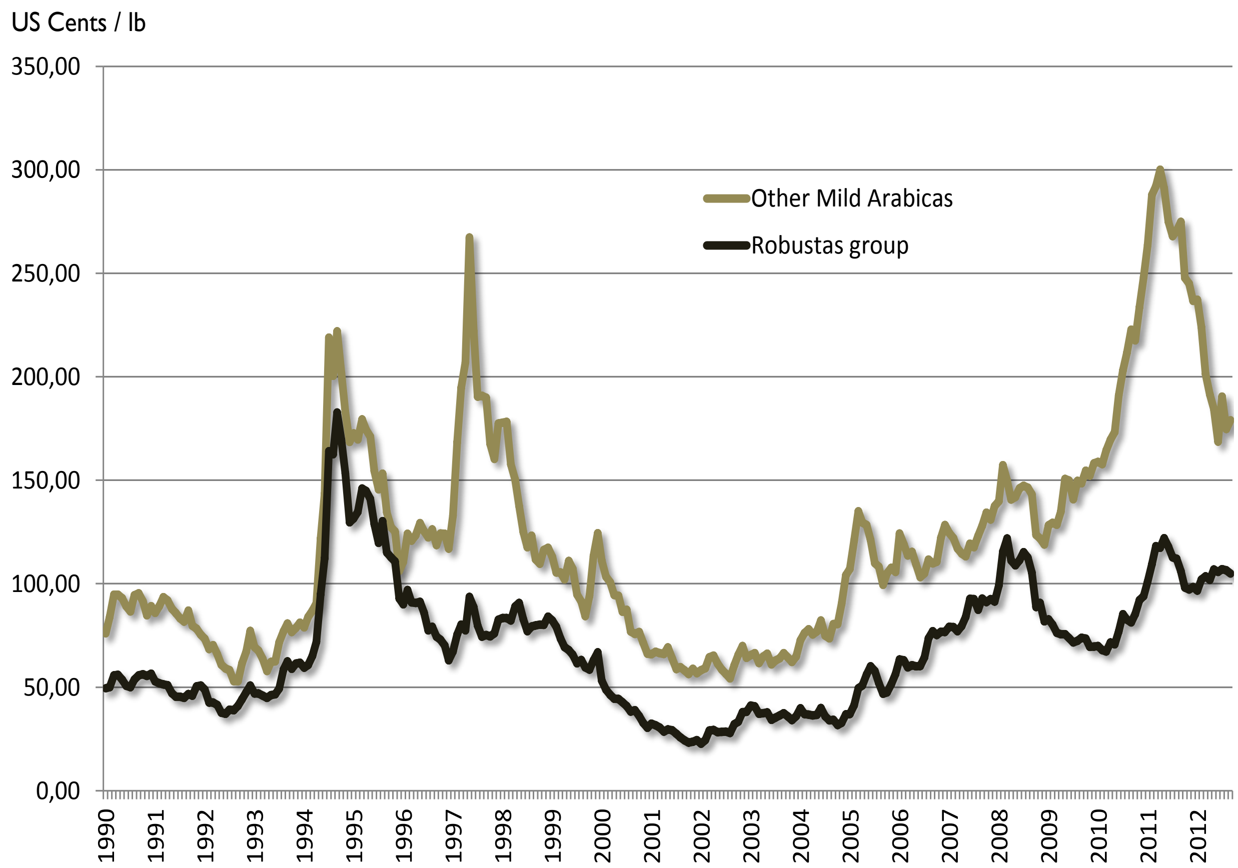
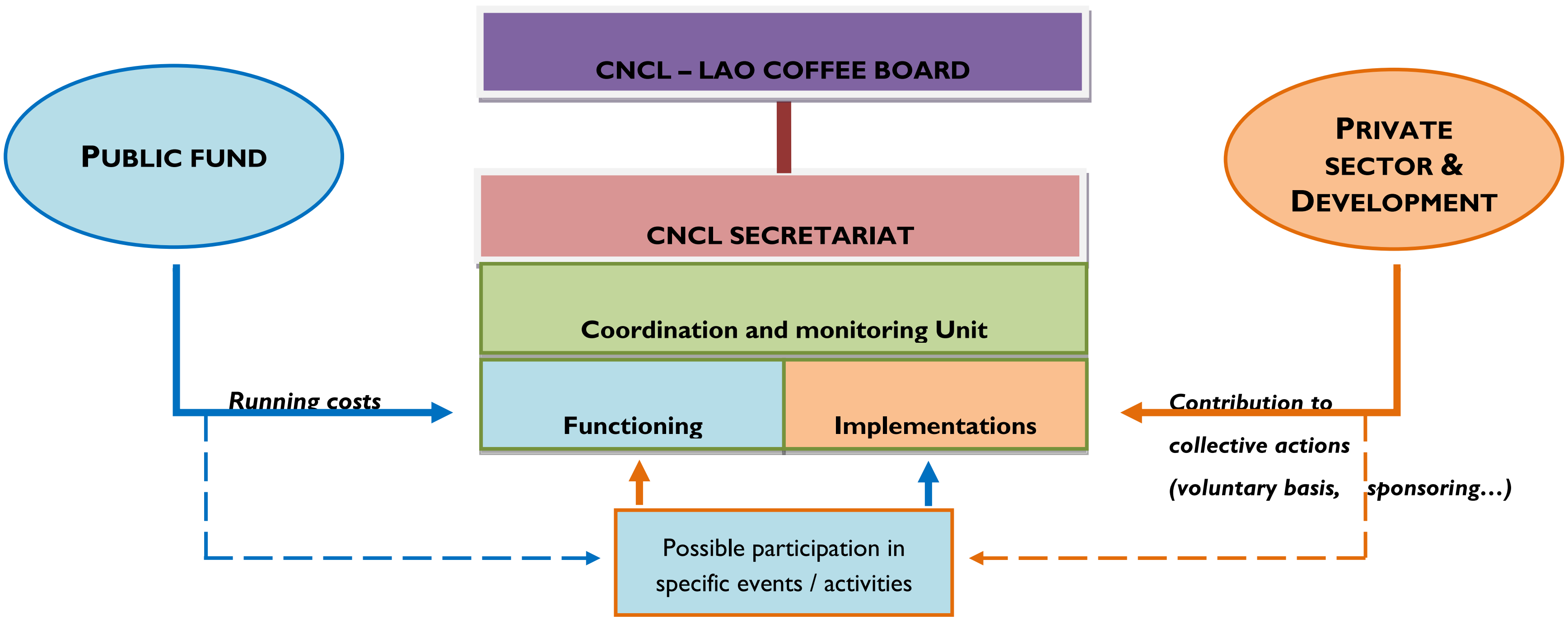


Figure 7: Proposed Basic Funding Mechanisms for the Coordination and Monitoring Unit



Public funding:

The sustainability of the Coordination Unit will be ensured by official reallocation of g taxe income requiring a specific amount has to be set aside after local deductions (by districts and provinces).

This can also be considered as an investment for the Government in a a potentially profitable domestic and international export industry which has the potential to generate important goverment revenue. Nevertheless a clear fiscal distribution system has to be managed and controlled properly by the various administrative/territorial levels (cf. pillar #6).

Such budget is required to match Unit running costs and other expenses linked to its tasks of coordination.

Complementary funding:

Development of links between private and development agencies is required to start strategic activities. While stakeholders maintain economic independence the C&M Unit coordinates initiatives within the Strategy framework.

Some specific activities can be supported by extra-public participation depending on the topic and stakeholder intentions. But it is hoped they would also contribute to collective activity. The Coordination Unit can seek funds ensure cohesive operations. .

Development partners play key roles, from production to export and in skills and knowledge development across the sector. The function of C&M Unit will be to identify' fields of interventions best contributing to the Strategy, to assess suitability then set up partnerships

II. Summary:

Summary 1: Overview of the Lao Coffee Sector Development Strategy until year 2025

Goal	Effects / Impact	Contribution by Strategy Pillars
Vision: "A growing coffee sector, oriented toward quality and respect of environment, providing sustainable and decent incomes for smallholder producers, as well as viable business conditions for private sector partners"		
Goal 1: Increase in coffee production	Growth of the Lao coffee sector and reduced tensions among buyers in-country.	Pillar 1 Pillar 4 Pillar 5
Goal 2: Improvement of Lao coffee quality.	Increased added-value of the Lao Coffee Sector and reduced its vulnerability low international prices.	Pillar 2
Goal 3: Improved marketing and valuation of Lao coffee		Pillar 3
Goal 4: Optimization of the share of added value benefits returning to producers,	Expected social benefits from the coffee sector development are achieved.	Pillar 5 Pillar 6
Goal 5: Improvement of the efficiency and of the resilience of the Lao coffee sector and develop a partnership spirit among stakeholders.	The Lao coffee sector is more efficient, more resilient.	Pillar 5 Pillar 6 Pillar 1 Pillar 2

Summary 2: Justification and Objectives of the 6 pillars

Pillar content	Justification	Objectives
Increased production (production surface/land and productivity)	Need to increase the volume of coffee produced in order to address the growing demand and reduce excessive tensions between buyers. Quality inputs (quality plants from nurseries) are not always available, and the technical knowledge of producers (or future producers) needs to be strengthened. This pillar focuses on the development of the technical conditions. The development of the production also	Increase surfaces of coffee plantation, with a priority (but not exclusivity) given to smallholder farmers. Increase the productivity of coffee plantations.

	requires access to production factors (land and credit), which are addressed in pillars 4 and 5.	
Improvement in quality	**Need to enhance potential quality and position Lao Coffee in a quality / premium coffee market segment.**	**Improve the quality of generic coffee to reach international standard, and reach a premium quality standard for some production the Lao guaranteed by certification and specific labels (organic, GI, or specific collective label). Establish or strengthen the quality control procedure.**
Promote Lao quality coffee	**Lao coffee is not well known overseas, suffers a poor image**	**Promote Lao Coffee in domestic and international markets. Improve the image (associate it with quality) and develop the reputation of Lao coffee in order to increase sales and prices.**
Zoning and land use planning	**Address the lack of land allocated for coffee plantation to achieve the objective of Pillar 1.**	**To identify and delineate areas suitable for coffee growing, Put in place national policy which safeguards the land and protects it from other uses or contamination that may threaten organic or quality certification**
Improvement business environment	**Policies and regulation are not always coherent at the different official levels, leading to different interpretation, conflicts and in some cases additional costs that harm competitiveness of Lao coffee.** **Some additional regulations are required** **Provide incentives to promote investments in the coffee sector in particular regarding access to investment and low interest credit.**	**Ensure a favorable and coherent legal environment and business environment, providing security for investment, fair competitive environment, fair and balanced relationships between producers and middlemen or companies, and legal tools to develop and protect specific quality labels and standards such as GI protection legislation.** **Reduce costs (transportation, exportation and other transaction costs).** **Ease access to lower cost financial services (credit) for investment in the coffee sector.**

Summary 3: - Types and quality of coffee produced by Laos and their markets.

High added value ....Low added value		Domestic Market	Regional Market	Global Market
	Low quality	Low quality traditional roast coffee	Low quality generic green coffee.	Low quality generic green coffee, below (or presumed below) that quality international standard, and paid below world market prices.
	Fair quality generic coffee	Traditional roast coffee (mainly Robusta), fair quality.		Fair quality generic green coffee. Buyers mainly international brokers (Robusta and Arabica)
	Fair quality instant or 3-in-1 coffee	Instant / 3-in-1 coffee.	Instant / 3-in-1 coffee.	
	Premium quality / gourmet / specialty coffees	European style / premium locally roasted coffee.	European style / premium locally roasted coffee	Green coffee exported as premium quality specialty coffee. Buyers are usually roasters rather than brokers (mainly Arabica, fully washed).

Summary 4: Summary of major trends in Lao Coffee production & exports

- Turmoil in the Lao coffee sector, driven by high international prices.
- Strong progression of Arabica and regression of Robusta plantation and preferences.
- Increasing areas of coffee growing, mainly in traditional areas (Boloven Plateau), but also with some initiatives in non-traditional area.
- The development of coffee has been partly achieved by granting concessions to comercial companies for large scale plantation.
- Investments of private companies in processing units in many cases along with investments in plantations.
- Emerging producer organizations involved in the marketing of coffee.

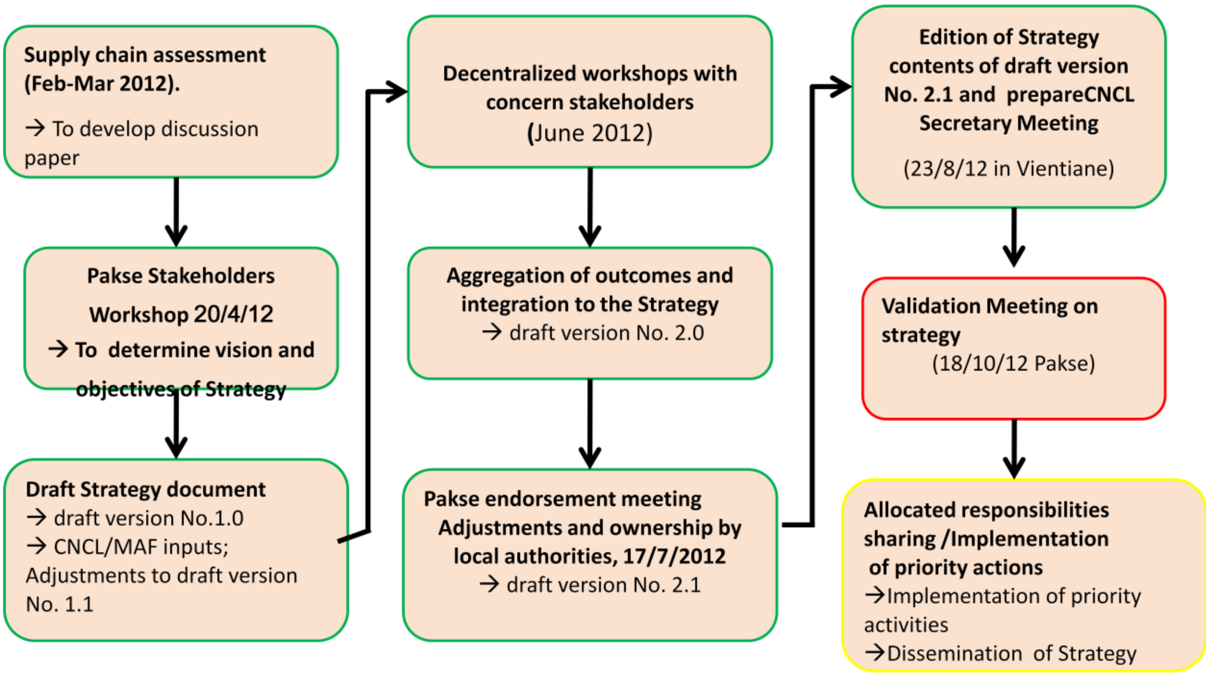
Summary 5: Tasks of C&M unit of CNCL until 2025

1. To facilitate and organize meetings/dialogue within various Lao coffee organization;
2. To prepare and organizing the CNCL conference and other discussions and meetings focusing on coffee, and provide an facilitating Secretariat;
3. To represent Lao coffee organizations locally and internationally
4. To develop mechanisms for monitoring and evaluation;
5. To gathering and consolidate information and data with which to provide a focal point for Lao coffee;
6. To identify gabs between planned and actual implemented activities and outcomes, as well as actions need in order to implement the strategy successfully;
7. To seek opportunities and support from different sources in order to facilitate and coordinate partnerships between projects and supporting organizations;
8. To develop and disseminate regular news and to update domestic producers. To implement activities and monitor outcomes
9. To promote initiative ideas, innovation and activities by enabling and encouraging stakeholders (public, private or farmers) to work together. Providing advice on legal provisions and identifying legislative needs which might be necessary to codify land use such as in contract farming;
10. To prepare regular report to Lao coffee organizations;
11. To prepare the annual report and update on the implementation of the strategy. To advise on trends and progress resulting from the strategy, and organize the conference/meeting of Lao coffee stakeholders;
12. To report significant events, problems and issues of importance to CNCL and relevant authorities in order that they provide for solutions.

Summary 6: Steps in drafting the Lao Coffee Promotion Strategy until 2025.

Since the official agreement was reached at the CNCL conference in December 17, 2010, the drafting of the **Lao Coffee Promotion Strategy until 2025** commenced after close consultation between all those involved.

This Strategy was adopted as National Policy on Coffee and acts as the reference point for the implementation of activities to promote and further Lao coffee development at all levels of the value chain.



Summary 7: Economic stakeholders and supply chain organization of the Lao Coffee Sector

1. Producers

In 2007, the participative analysis of coffee supply chain in Lao PDR estimated that there were about 15,000 households of smallholder farmers on the Bolovens plateau (where most of the Lao producers are located). Other sources[11] speak about 20,000 smallholder farms, with coffee plantation surfaces of 1 to 3 ha per household in the majority of the cases.

2. Producer groups / cooperatives

Various producer groups have been established in the recent years (generally with the support of development projects or NGOs, such as AGPC groups, JCFC, and others) and are playing an active role in the collection of cherries, processing and selling of parchment. These producer groups are important players and are contributing to the development of wet processing practices, in particular for Arabica. Some of them are grouped into a larger association (that can be considered as "pre-cooperatives") and are managing export operations, are roasting and marketing limited volumes of coffee.

Another type of producer group has been recently established, on the initiative of local authorities and LCA. For instance in Thaténg district, which is more oriented toward facilitation of extension and technical support to coffee farmers, but not yet active in processing and marketing.

3. Industrial plantations

Smallholder producers still own the greatest area of coffee plantation, but recently large scale coffee estates / industrial plantation, have emerged, the result of the granting of land concessions to Lao or foreign companies, mainly in Paksong district, where a total of

[11] Mana Southichack, *"The Lao Coffee Economy, a new growth path on the horizon ?"*, Intergro Inc. Oct. 2009.

8,149 ha of land has been granted to 22 foreign companies and 1,366 ha to 8 Lao Companies.[12]

These companies are generally processing and marketing their own the coffee. In most cases they export green beans, but some are also roasting coffee for the local market.

Others also purchase additional coffee from smallholder producer to process and export.

4. Local traders/ middlemen

In the main production districts, a number of middlemen are buying coffee from producers to supply export companies and/or roasters. They buy the coffee in various forms (fresh cherries, dried cherries or parchments) and then process these products. Some of them implement wet processing of fresh coffee berries and sell parchment (Arabica) to their clients, and/or they mill dried berries (Robusta) and sell green beans.

Late in 2011 and early 2012 local coffee buyer groups were established at the district level (in Paksong and Thaténg districts, not yet in Laongam), on the initiative of district authorities supported by the LCA. Registration with the group at the district level is mandatory for traders. Registration is to prevent foreign middlemen purchasing and exporting raw coffee, while facilitating tax collection at district level.

5. Exporters

Exports of green coffee are managed by about 20 to 30 different companies. However one major company which alone, exports about two thirds of the total exports of Lao coffee easily dominates. Some of the exporters are responsible for all stages of the production chain (production, processing and exports), while other are only focused on export (specifically of coffee or of various agricultural commodities). Few companies registered as members of the LCA are actually only involved in freight or exporting procedures services.

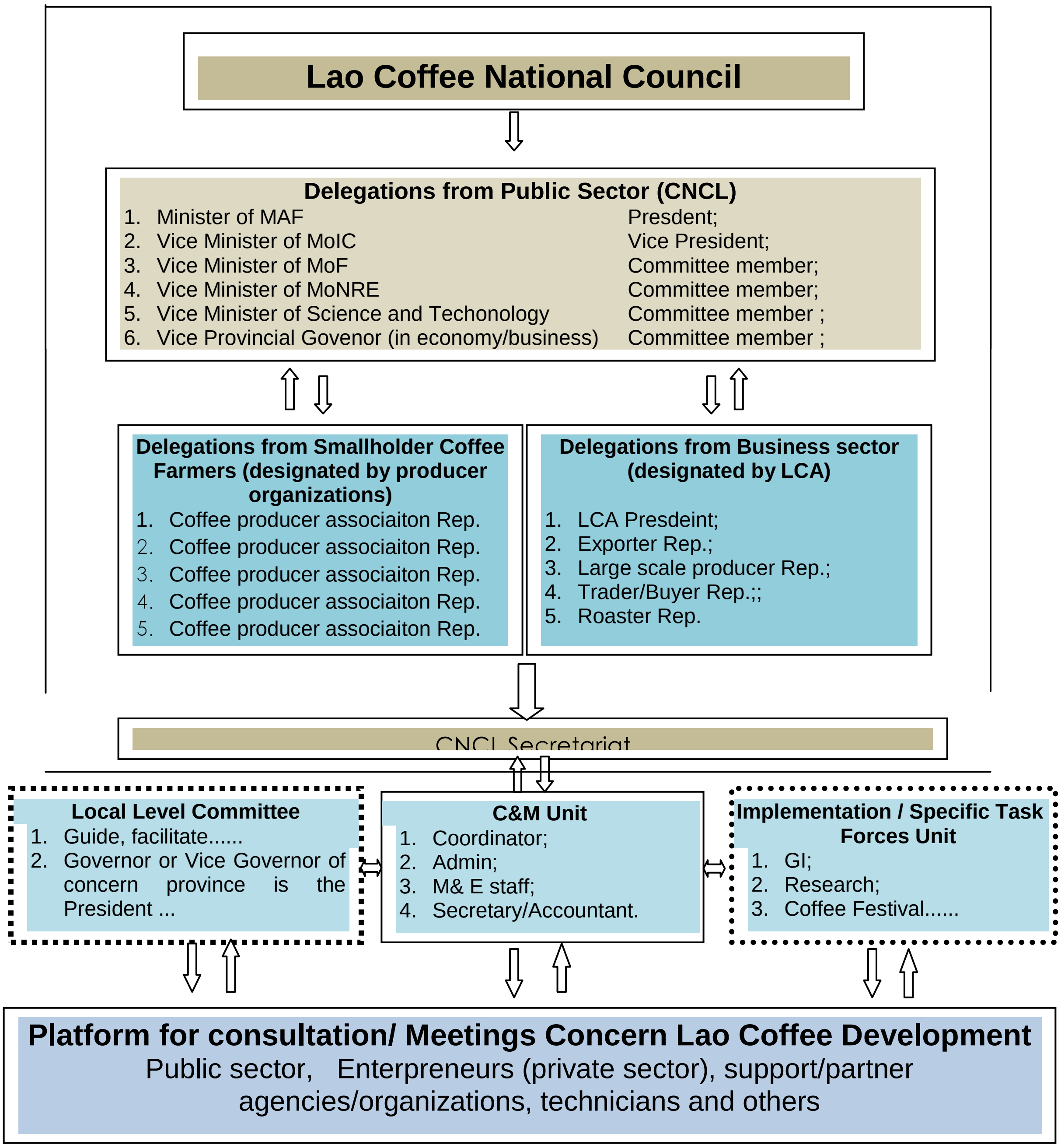
6. Roasters

As described in the 'Participative analysis of the coffee supply chain', a few industrial or semi-industrial companies producing "European style" coffee for the local market. Their products are distributed in various shops and minimarts, but also in some cases in these companies own coffee shops + hotels and restaurants. A few of these companies also produce instant coffee, in particular the major Lao company in the coffee sector which also produces 3 in 1 instant coffee (beside classical ground coffee or roasted beans).

A number of coffee roasters (generally family businesses) produce local-style coffee, using mainly Robusta (often lower grades) and roasting coffee beans with various additives, in particular sugar, sometime soya beans or other products. Local coffee shops and restaurants are often the main outlets for these local style coffees.

[12] Data provided by the Office of Land Management of the Department of Natural Resources and Environment of Champasak province.

Summary 8: Dialogue and Coordination Structures of the Lao Coffee Sector



III.

Table 1: Summarized SWOT

<table>
<tr><th></th><th>Internal to the sector</th><th>External</th></tr>
<tr><td>(+)</td><td>Strengths
Production:
Favorable conditions for coffee production;
Potential for the production of quality coffee (at least on the Bolovens Plateau);
Natural production methods.
Processing:
Current development of wet processing;
Significant investments made for the processing and export of coffee.
Commercialization:
Existence of several companies involved in the processing and export, some with very important processing and financial capacities;
Dynamic stakeholders oriented toward premium quality coffee, with a benefit for the image of the Lao Coffee
Existing cases of Fair Trade and Organic certification.
A good story: History and colourful cultural factors
Business environment:
Existence of an inter-professional association (LCA) and of important smallholder producer associations (AGPC…).</td><td>Opportunities
Production:
Potential for the development of a premium quality coffee / specialty coffee (e.g. GI) and to develop niche-market strategies.
Processing:
Possibility to develop wet processing based on successful experiences.
Commercialization:
Potential market for specialty coffee and organic coffee. (niche market). Special reputation of Lao Robusta.
Easier access to regional market thanks to the creation of the AEC.
Improved access to international markets thanks to the accession of Lao PDR to WTO (2013) and foreseen membership to ICO.
Business environment:
Capacity to develop partnerships between producers and companies;
Stakeholders understanding the need to develop a coherent strategy and alliances at the coffee sector level;
Interest and possible support from international development partners;
Clear policy of the Government of Lao PDR to support coffee sector development: coffee is considered as a strategic commodity for Lao export strategy.</td></tr>
<tr><td>(-)</td><td>Weaknesses
Production:
Limited technical knowledge;
Limited resources available for extension services;
Insufficient or underdeveloped farmer organizations.
Processing:
Limited technical knowledge on processing;
Persistence of bad practices at harvest and post-harvest level that may undermine quality.
Commercialization:
Still low international recognition of the quality of Lao coffee;
Lack of market information.
Business environment:</td><td>Threats
Production:
Competition for land, in particular serious threat of possible mining development on the Bolovens plateau that would jeopardize the efforts to increase the production and sustain a high quality.
Risks of pollution of organic plantations by neighboring non-organic farm (in particular industrial plantations) and mines.
Possible harmful effects of Climate Change?
Commercialization:
Risk of fluctuation of international prices: several stakeholders could be quite vulnerable in case of a drop in prices;
Insufficient volumes of coffee produced lead</td></tr>
</table>

	Laos is a small producer country in world scale; Need to strengthen the sector governance; Need to strengthen the capacities of the LCA; Difficult for farmers and investors to extend their plantation; Lack of financial mechanisms to support the development of the production (high interest rates); High labor costs and inadequate numbers High transportation and export costs; Discrepancies between authorities' regulations/decisions at central and local level.	to tension / competition between buyers. This could destabilize the sector in particular considering the asymmetry of financial capacities of private companies involved. Increased competition in the context of trade liberalization.

Table 2: Development of Production Capacity (area and productivity)

Actions	Objectives	Indicators	Stakeholders mobilized
1. Strengthen the technical and operational capacities of the Research Center and improve research, in particular on productive cropping systems for Robusta and on the adaptation of coffee farming practices to climate change.	Lead SARC to evolve toward a strong technical resource center serving as a reference for the coffee sector. Identify and launch priority research program.	Assessment of Human Resources (number and capacities), Equipment and budget of the SARC. Number of research (action-research) activities launched.	- SARC supported by MAF or specific technical assistance. - Pilot producer groups associated to research. - Research orientation taskforce (public-private).
2. Develop the capacities of technicians / extension workers	Increase the number and skills of extension workers assigned to provide support to coffee planters. Develop extension materials. (Note that linkage has to be made with pillar 2 for a coherence of technical recommendations).	Existence of adequate extension material. Number of technician / extension workers trained and dedicated specifically to coffee sector.	- NAFES / PAFES - Southern Agriculture Research Center (SARC) - University of Champasak - mobilize the expertise of professionals of the private sectors: large plantation companies, experienced farmers…
3. Development of a specialized curriculum on coffee production and processing at the University of	Train specialized professional for the coffee sector.	Curriculum developed. Number of specialized technicians / engineers specialized in coffee graduated.	- University of Champasak. - mobilize the expertise of professionals of the

Champasak			private sectors: large plantation companies, experienced farmers…
4. Provide training and extension services to farmers who wish to grow coffee in non-traditional areas	Farmers in non-traditional coffee production have access to technical advice and establish good quality coffee plantation.	New plantations in non-traditional coffee areas.	- NAFES, PAFO, DAFO - other extension workers, including from private organizations or companies.
5. Provide technical advice to improve practices of existing coffee farmers (this shall include a focus on extension of for the dissemination of improve cropping system for Robusta.	Farmers have access to advice and technical support in order to improve their practices and the productivity of their plantations.	Increased planting in traditional areas. Productivity of coffee plantation. Land under coffee renewed/converted to more productive and higher quality varieties.	- NAFES, PAFO, DAFO, in relation with FOs. - + other extension workers, including from private organizations or companies.
6. Develop the production of quality and adequate coffee plants in controlled nurseries	Develop technical recommendations for the nursery owners and control/certify the quality of seedlings produced to supply quality and adapted planting material.	Number of compliant nurseries and number of certified coffee plant produced annually.	- Coffee plant nursery owners, - PAFOs and SARC - Possible partnership with companies.
7. Encourage (and regulate) partnerships between companies and smallholder coffee farmers	Mobilize private resources to support the development of smallholder plantations.	Number of farmers benefiting from such partnerships and expanded cropping / rehabilitation.	- Farmers and private companies, with supervision of local authorities (district, kumban).

Table 3: Improvement of Quality

Actions	**Objectives**	**Indicators**	**Stakeholders mobilized**
1. Characterise basic standards of quality and describe production and processing requirements and disseminate these	- Ensure basic quality level corresponding to an acceptable standard for generic coffee on the international market (FAQ).	- Standards are defined and materials for the promotion of good practices have been published and are disseminated.	- LCA, - MAF, - MoIC - and possibly NAST

guidelines.			
2. Define premium quality standards (GI) and disseminate / promote the use of these quality standards and labels. Clarify the information of stakeholders on GI. Establish the GI management body and register the GI. Register producers and stakeholders involved.	- Realize the potential for premium quality, and provide the tools for this premium quality coffee to be identified and recognized by buyers.	- Registration of the GI (or possibly of other quality label). - Number of producers and stakeholders involved in the quality approach, volume of coffee commercialized under the premium labels and added-value generated.	- Primarily the LCA and other key economic stakeholders (in particular farmer organizations), - and partnership with relevant institutions (National Authority for Science and Technology,…).
3. Establish quality control (at all level of the supply chain) and certification systems in line with quality standards and/or labels chosen.	- Control compliance with the quality standards at different levels of the chain in order to allow incentive payment for quality. - Ensure the reliability of the quality labels used, in order to maintain premium prices.	- Control systems established and operational. - Certification.	- LCA - GI management organization. - Producer Groups. - Certification bodies. - Economic stakeholders. - Public technical services (National Authority for Science and Technology).
4. Promote organic coffee production and protect organic plantation from external contamination. (possibly encourage the development of local – or locally established – certification bodies to reduce certification costs).	- Value natural farming practices. - Recognise the benefit of the 'organic' though premium prices. - Encourage environmentally responsible practices. - Organic plantations preserved from external contaminations.	- Surface and volumes of coffee certified as organic. - Added value generated by the organic certification (cumulated premiums). - Plantation area that have lost certification due to external contamination.	- MAF and extension services. - Lead economic stakeholders already involved in organic coffee production. - Farmer Organizations. - Local authorities shall be mobilized for the protection of organic plantations against external threats - Certification bodies.
5. Support investments (such as processing facilities) required to reach the quality standards, at the different levels of the supply chain.	- Facilitate access to the required equipment needed to reach the quality standards, in particular the wet processing centers.	- Number of wet processing centers. - Number of improved drying areas. - Proportion of washed Arabica (or Robusta) produced.	- Link with Pillar 5 (financial mechanisms to support investments).
6. Develop testing	- Enable the control of	- Testing facilities are	- To be defined (MAF,

facilities (laboratory)	specification.	in place and used (number of controls performed / reliability of testing)	MOIC, Science and Technology, SARC…)

Table 4: Promoting Lao quality coffee

Actions	Objectives	Indicators	Stakeholders mobilized
1. Preparation of multilingual promotion material for Lao quality coffees (leaflets, posters, video, website, books, exposition material).	- Promotion material is available and can be used by all the economic stakeholders to promote Lao coffee.	- Existence of the promotion materials.	- LCA, - roasters - exporters, - the Lao National Chamber of Commerce and Industry - Department of Trade Promotion of the MoIC.
2. Participation in international exhibitions and tasting.	- Increase the notoriety of Lao coffee and search for market opportunities	- Number of participation in international events.	
3. Organization of promotion events in country.	- Promote the culture of quality in the coffee sector and develop the interest of Lao consumers for quality coffee.	- Number of events organized.	
4. Promotion action / facilities in connection with tourism.	- Promote Lao coffee and associate the image of Laos with quality coffee.	- Number of visitors of the proposed sites.	

Table 5: Securing Coffee Producer's Land Rights, Zoning and Land Use Planning

Actions	Objectives	Indicators	Stakeholders mobilized
1. Consolidation of land rights for existing plantations.	- Secure existing plantation against threat of competing land use.	- Number of land titles granted and area secured.	- MoNRE-Land management authorities - and local authorities.
2. Assessment of actual land use in existing land	- Enforce land concession agreements and	Area of agricultural land concessions in coffee production	- MoNRE-Land management authority.

concessions	avoid waste of land resource.	area actually cultivated.	- Ministry of Justice.
3. Assess available land and classify the zone as such	- Identify suitable land for coffee production.	- Land surveys performed (surfaces "flagged" as suitable for coffee plantation development).	- MoNRE-Land management authorities and local authorities, with technical support for agriculture, in consultation with economic stakeholders.
4. Define priority area (legalized) reserved for the development of coffee plantation	- Reserve the most suitable areas for coffee production.	- Surface of land delineated and reserved for coffee development.	- MoNRE-Land management authorities and local authorities.
5. Allocate land in delineated areas to families (in priority) or companies wishing to plant coffee and having sufficient resources to do so.	- Unlock wasteland for effective development of coffee production.	- Surface of waste land effectively converted to coffee plantation - Proportion of this surface allocated to smallholders planters.	- MoNRE-Land management authorities and local authorities.

Table 6: Improvement of the business environment

Actions	Objectives	Indicators	Stakeholders
1. Develop dedicated credit mechanisms	- Develop prime credit mechanisms dedicated to support investment in the coffee sector.	- Interest rates, - Number of loans amount, and investment projects financed.	- Ministry of Finance, Bank of Laos and Agriculture Promotion Bank (or other financial institutions).
2. Develop legal framework for GI registration and protection	- Lao GIs can be registered and protected in Lao PDR and can then apply for registration and protection in third countries.	- GI law or regulation is promulgated.	- NAST -
3. Reduce inconsistencies in national and local decisions or rules and in public institutions	- Identify and address discrepancies among the different regulations, and clearer definition of	- Identified inconsistencies are resolved.	- CNCL, MoIC, MAF, local authorities, Tax Department.

roles	the roles of the public institutions		
4. Reduce export costs and easier export procedures	- Reduce the costs of exportation (including transaction costs) in order to increase the competitiveness of Lao Coffee.	- Average exportation costs per ton of green coffee	- MoIC, Customs.
5. Reduce controls along the roads that increase transportation costs	- Reduce informal costs by establishing complaints office	- Average unofficial costs to be covered per ton of green coffee.	- Local authorities.
6. Clarify tax system	- Harmonize tax system and apply fairly to the business actors.	- Fair application of tax system on all the business actors.	- Ministry of Finance, - Tax department, - MoIC/PICO.
7. Develop suitable infrastructure	- Improve infrastructures (storage, transport) to reduce costs.	- Infrastructure investments profitable to the coffee sector	- Local authorities, Ministry of Public Works and Transport (MPWT)
8. Develop legislation to prevent abuse of dominant market position	- Avoid monopoly situation and maintain conditions for fair competition.	- Legal framework issued and enforced.	- MoIC, - National Assembly.
9. Offer legal advisory services to FOs for contracting purposes	- Ensure fair partnership conditions for smallholders.	- Legal and commercial advisory services available for FOs.	- MAF/ PAFO, Federation of FOs ?
10. Improve market information tools	- Improve fairness of commercial relationship among stakeholders.	- Market information system established. Number (/proportion) of stakeholders aware and using the information.	- MoIC and PICO, - LCA.
11. Establish basic wages for seasonal labor management	- Improve fluidity of labor market and employment conditions (contracting)	- Mechanism set up and number of workers allocated through this mechanism - Satisfaction level of both employers and employees.	- Ministry of Labor and Social Welfare, District Authorities, Economic stakeholders employing seasonal workers.
12. Assessment of other measures to improve the business environment	- Identify and address additional issues regarding the "business environment".	- Other issues identified and addressed.	- CNCL/ Lao Coffee Board, LCA, smallholder producer organizations.

Table 7: Strengthening institutions and organizations capacities of coffee producers

Actions	Objectives	Indicators	Stakeholders mobilized
1. Reform the CNCL and establish the Lao Coffee Board and its Coordination and Monitoring Unit.	- Establish and sustain a multi-stakeholder body for consultation, coordination and governance of the Lao Coffee Sector. - Mainstream support intervention and ensure their consistency with the Lao Coffee Sector Development Strategy	- CNCL evolved toward a Lao Coffee Board with a broader representation of economic stakeholders, LCB effectively undertakes its roles.	- Current CNCL in consultation with other stakeholders and with support and TA from development partners.
2. Set up an informal coffee sector forum and implement regular consultation and dialog among the stakeholders	- Maintain the interest, the mobilization and the ownership of all the actors of the sector. - Manage consultation for periodical revision of the strategy.	- Regular consultations workshops / roundtable take place with stakeholders, and/or other forums tools are available and used.	- Executive Unit of the CNCL / Lao Coffee Board (as facilitator).
3. Strengthening the Lao Coffee Association	- The Lao Coffee Association allows a better representation of the economic stakeholders and is able to undertake key responsibilities under pillars 2 and 3.	- LCA budget (and share of members' contributions). - Number and level of human resources.	- LCA (and supporting partners, in particular GIZ).
4. Support the development of Farmer Organizations	- Farmers are in better position to defend their interests in the sector, negotiate contracts and prices, and process and market a part of their coffee.	- Number of coffee farmer groups and cooperative registered (+ Number of members), - Share of the added value received by producers.	- PAFOs, AGPC, PRCC-II
5. Assess requirements for adhesion of Lao PDR to the ICO, and proceed with registration.	- Develop international connections in the coffee sector.	- Lao PDR registration with the ICO.	- MoIC, LCA and CNCL (/LCB) secretariat.
6. Mobilize resources	- Identify funding	- Additional resources	- CNCL for the

in order to support the implementation of the strategy. Possibly, creation of a Lao Coffee Development Fund.	opportunities and mobilize resources in order to finance coordination and fill the gaps identified in §4.5 below (M&C.1).	mobilized in addition to the existing ones identified during the initial "mapping" (see §4.5 below). - Special fund created and operational (+ amount allocated). - Ratio: Coordination and Monitoring costs / investment in concrete development actions.	mobilization of public funding / resource allocation and international funding, and LCA for the mobilization of private sector contributions.

Table 8: M&E and Communication Strategy to be implemented by the C&M unit of CNCL

Actions	Objectives	Indicators	Stakeholders mobilized
Map existing initiatives for the development of Lao Coffee and possible opportunities.	- Get a comprehensive picture of all on-going initiatives and interventions of public institutions, projects and private stakeholders that contribute to implementation of the strategy, - and identify the gaps.	- A database of all initiatives and actions in line with this strategy is established and updated.	- Coordination Unit - CNCL executive unit - ministries and province planning department, and development partners - LCA - Producer Group organizations).
Develop Monitoring tools and procedures, and implement M&E.	- Various initiatives and actions contributing to the Lao Coffee Sector Development, undertaken (by any partners, public or private), are known and their progress and results	- M&E tools are in place and updated.	- CNCL, M&E unit. (for the centralization of information) with the commitment of all partners (public and private) to (timely) provide information about actions and results.

	documented. - Key information and indicators regarding the Lao Coffee Sector are updated.		- MAF, MoIC and LCA have a particular role in collecting and sharing reliable statistics about areas planted, production, trade, export and prices.
Develop information and communication tools within the Lao Coffee Sector.	- Ease the access to information for all stakeholders: showcase the different initiatives and actions undertaken, the evolution of the situation and the progresses in order to maintain the common vision and the dynamic of partnership.	- Information bulletin, website, short films, reports or presentation during sector stakeholder meetings, etc.	- CNCL, M&E unit.

Table 9: Structure of Funding of Lao Coffee Sector Development Strategy

	PUBLIC	PRIVATE	DEVELOPMENT PARTNERS
Structural expenditures (permanent)	Establishment and running costs of the Monitoring and Coordination Unit. Running costs of the CNCL and CNCL secretariat. Basic structural costs of relevant services (PAFO, DAFO, extension services, research, PICO, technology, etc…)	Annual fees/contribution to the Lao Coffee Association or other representative organizations. [Payment of mandatory control and services for export and taxes…]	*No funding from development partners for structural costs, except possibly for a <u>transitional period</u> (e.g. possible funding of one year to one and a half years of the Monitoring and Coordination Unit by PRCC-II, to be taken over by the Public Sector).*

Investment expenditures (non-permanent)	Investment in “projects” or actions undertaken by public or private (or mixed) initiatives for the implementation of activities under pillar 1 to 6 of the Lao Coffee Sector Development Strategy.

IV. Abbreviations

ADB	ê½-¾£¾--²ñ©ê½-¾-º¾§ó (Asian Development Bank)
ADS	¨÷©-ê½-¦¾©-¡¾--²ñ©ê½-¾-¡½¦ò¡¿ ¢º¤-¡½§¸¤-¡½-¦ò¡¿- Áì½¯È¾-Ä´É-Á¹È¤ ¦¯¯ ì¾¸ (Agricultural Development Strategy (of the Ministry of Agriculture and Forestry of Lao PDR)
AEC	¯½§¾-£ö´-À¦©«½ìò©-º¾-§¼- (ASEAN Economic Community)
AFD	ºö¤¡¾---±ë„¤- À²ˆº-¡¾--²ñ©ê½-¾ (Agence Française de Development)
AGPC	¦½´¾£ö´-¡÷È´-°ô-°½ìò©-¡¾-À³-À¢-©²ø-²¼¤-®ðìò-À¸- (Association de Groupements de Producteurs de Cafe du plateau des Bolovens)
ANR	¢½-ÁÎ¤¡½¦ò¡¿ -Áì½§ñ®²½¨¾¡º--ê¿-´½-§¾© (Agriculture and Natural Resource Sector)
APB	ê½-¾£¾--¦‰¤-À¦ó´-¡½¦ò¡¿ (Agricultural Promotion Bank)
ASEAN	¦½´¾£ö´-¯½§¾-§¾©-º¾§ó-ª¾-À¸ñ--ºº¡-§È¼¤-ÃªÉ (Association of South-East Asia Nations)
CIRAD	¦ø--£í-£¸É¾-¦¾¡ö-©É¾-¡½¦ò¡¿- À²ˆº¡¾-²ñ©ê½-¾ (Centre International de Recherche Agricole pour le Developpement)
CNCL*	£½-½¡¿´½¡¾-Á¹È¤§¾©À²ˆº¦‰¤À¦ó´¡¾À³ì¾¸ (Conseil National du Cafe Lao/Lao Coffee National Council*))
CREC	¦ø-£í-£É¸¾¡½¦ò¡¿²¾¡ÃªÉ(Centre de Recherche et d’Experimentation sur le Cafe / Coffee Research and Experimentation Centre (now replaced by SARC)
DAFO	¹Éº¤¡¾--¡½¦ò¡¿- Áì½¯È¾-Ä´É-À´õº¤ (District Agriculture and Forestry Office)
DICO	¹Éº¤¡¾--º÷©-¦¾-¹½-¡¿ Áì½-¡¾--£É¾-À´õ-º¤ (District Industry and Commerce Office)
DISM	¡ö´§ñ®-¦ò--ê¾¤-¯ñ-¨¾, ´¾©ª½«¾- Áì½¡¾-¸ñ©Áê¡ ¢º¤¡½§¸¤¸òê½¨¾¦¾© Áì½Àªñ¡Â-Âì§ó (Department of Intellectual Property, Standardization and Metrology)
DoA	¡ö´¯ø¡±ñ¤ (Department of Agriculture (of MAF)
DPC	¡ö´-Á°-¡¾- Áì½¡¾-»È¸´´õ (Department of Planning and Cooperation (of MAF)
DSQ	²½-Á--¡´¾©ª½-«¾- Áì½£÷---½²¾-® ¢º¤¡ö´§ñ®-¦ò--ê¾¤-¯ñ-¨¾, ´¾©ª½«¾- Áì½¡¾-¸ñ©Áê¡ (Division of Standards and Quality of DISM)
TPPD	¡ö´¦‰¤À¦ó´Áì½ ²ñ©ê½-¾¦ò-£É¾ (Trade Promotion and Product Development)
EC	£½-½¡¿´¾êò¡¾-Àºóëö® (European Commission)
EIA	¡¾-¯½À´ó-°ö-¡½êö®ªÒ¦…¤Á¸©ìÉº´ (Environmental Impact Assessment)
EU	¦½¹½²¾®-Àºóëö® (European Union)
FAO	ºö¤¡¾--º¾¹¾- Áì½¡¾-¡½À¦©¢º¤-¦½¹½-¯½§¾-§¾© (Food and Agriculture Organization of the United Nations)
FAQ	ºö¤¡¾--£÷---½²¾-®ê†-À¯ñ--ê¿ê‰¸Ä¯ (Fair Average Quality)
FDI	¡¾-ìö¤êô-Â©¨¡ö¤¥¾¡ªÈ¾¤¯½Àê© (Foreign Direct Investment)
FLO	ºö¤¡¾--À£ˆº¤Ï¾¨¡¾--£É¾À¯ñ-ê¿ (Fair Trade Labelling Organisation International)
FPG	¡÷È´°øÉ´ó¦È¸-»È¸´¡¾-°½ìò© (Partner Production Group)
GI	¡¾--Á¥É¤®º¡Á¹ùÈ¤-´¾©É¾--²ø´-¦ñ-«¾- (Geographical Indication)

GIZ	º¤¤¡¾--»È¸´-´õ-À²^º-¡¾--²ñ©êº-¾-¢º¤-Àµ¨ì½-´ñ- (Deutsche Gesellschaft fur Internationale Zusammenarbeit /: German Development Cooperation ,GIZ)
GoL	ìñ©«½®¾--ì¾-¸ (Government of Laos-)
ICA	¢Ó-ªö¡ìö¤-¦¾¡ö--¡È¼¸-¡ñ®¡¾--À³ (International Coffee Agreement)
ICO	º¤¤¡¾--¡¾-À³¦¾¡ö- (International Coffee Organization)
IFAD	¡º¤-êô--¦¾¡ö- À²^º-¡¾--²ñ©êº-¾¡½¦ò¡¿ (International Fund for Agriculture Development)
INSFA	¦½-«¾-®ñ-¸òê½¨¾-¦¾©ê÷ì½-¡ò©¡½¦ò¡¿-¢˜-¦ø¤Á¹È¤-§¾© (Institut National Superieur des Sciences de l'Agro-alimentaire / National Superior Institute of Agro- Œ Business Sciences)
ISO	º¤¤¡¾--´¾©ª½«¾--¦¾¡ö- (International Standards Organization)
JCFC	¦½¹½¡º--§¾¸-¦¸--Ä¥ (Jhai Coffee Farmer Cooperative)
LCA	¦½´¾£ö´-¡¾-À³ì¾¸ (Lao Coffee Association)
LCB	º¤¤¡¾-¡¾À³ì¾¸ (Lao Coffee Board)
LCG	¡÷È´®ðìò¦ñ©ê†¯ô¡¦¾ì¾¸ (Lao Consulting Group)
LNCCI	¦½²¾-¡¾-£É¾ Áì½º÷©¦¾¹½-¡¿Á¹È¤-§¾©ì¾¸ (Lao National Chamber of Commerce and Industry)
MAF	¡½§¸¤-¡½¦ò¡¿- Áì½¯È¾-Ä´É (Ministry of Agriculture and Forestry)
MDG	-¥÷©Ï¾¨¦½¹½-¦½¸ñ©©É¾-¡¾-²ñ©êº-¾ (Millenium Development Goals)
MoIC	¡½§¸¤-º÷-©¦½-¹¾-¡¿- Áì½¡¾--£É¾ (Ministry of Industry and Commerce)
MPI	¡½§¸¤-Á°-¡¾- Áì½¡¾--ìö¤êô- (Ministry of Planning and Investment)
MPWT	¡½§¸¤-Â¨ê¾êò¡¾- -Áì½¢ö--¦‰¤ (Ministry of Public Works and Transports)
DAEC	¡ö´¦‰¤À¦ó´¡½¦ò¡¿ Áì½¦½¹½¡º- (Department of Agricultural Extension and Cooperative)
NAFRI	¦½-«¾-®ñ--£í-£¸û¾-¡½¦ò¡¿- Áì½¯È¾-Ä´É-Á¹È¤-§¾© (National Agriculture and Forestry Research Institute)
MST	¡½§¸¤¸òê½¨¾¦¾© Áì½Àªñ¡Â-Âì§ó (Ministry of Science and Technology)
DOLM	¡ö´£÷É´£º¤ê†©ò-, ¡½§¸¤§ñ®²½¨¾¡º-ê¿´½§¾© Áì½¦…¤Á¸©ìÉº´ (Department of Land Management of MONRE)
NR&E	§ñ®²½¨¾¡º--ê¿-´½-§¾© -Áì½¦…¤-Á¸©-ìÉº´ (Natural Resources and Environment)
NSEDP	-Á°--²ñ-©êº-¾-À¦©«½¡ò©-Œ¦ñ¤£ö´-Á¹È¤-§¾© (National Socio-Economic Development Plan)
OA	¡½¦ò¡¿-§ó¸½-²¾® (Organic Agriculture)
ODA	¡¾--§È¸¨-ÀÍõº-²ñ©êº-¾-ê†-À¯ñ--ê¾¤-¡¾- (Official Development Assistance)
PAB	Â£¤¡¾-²ñ©êº-¾¡½¦ò¡¿²ø²¼¤®ðì½À¸- (Point d'Application des Bolovens du PCADR / PCADR implementation point in the Bolovens)
PAFO	²½-Á--¡¡½¦ò¡¿- Áì½¯ú¾Ä´É-Á¢¸¤ (Provincial Agriculture and Forestry Office)
PCADR	-Á°--¤¾--¡¾---¦½Îñ®¦½Îø-¦½¦ö´®ö©»¼-Ã--¡¾--²ñ©êº-¾-§ö--½®ö© (Programme de Capitalisation pour l'Appui à la Politique de De'veloppement Rural / Program of capitalization in support to rural development strategies and policies)
LAO PDR	¦¾ê¾ì½-½-ìñ© ¯½§¾êò¯½-Äª ¯½§¾§ö-ì¾¸ (Lao People's Democratic Republic)
PDRPB	-Â£¤¡¾--²ñ©êº-¾-§ö--½®ö©-À¢©-²ø-²¼¤®ðìò-À¸- (Projet de De'veloppement Rural du Plateau des Bolovens / Bolovens Plateau Rural Development Project)
PEIG	-Â£¤¡¾-¦½Îñ®¦½Îø-Á¹ùú¤¡¿À-ó©°½ìò©ª½²ñ-ì¾¸
PGI	¡¾--Á¥É¤®º¡Á¹ùÈ¤¡¿À-ó©©É¾---²ø´-¦ñ-«¾--ê†-Ä©É-»ñ®-¡¾--¯ö¡-¯Éº¤ (Protected Geographical Indication)
PICO	²½-Á--¡º÷©-¦½¹½-¡¿- Áì½¡¾--£É¾-Á¢¸¤ (Provincial Industry and Commerce Office)

PLUP	¡¾-¸¾¤Á°--¿Ã§Éê†©ò-Á®®´ó¦È¸-»È¸´ (Participatory Land Use Planning)
PMO	¹Éº¤¸È¾¡¾-ìñ©«½®¾- (Prime Minister Office)
PPD	¡¾--¦ö--ê½--¾-ì½¹¸È¾¤²¾¡-ìñ© -Áì½ -Àº¡½-§ö- (Public Private Dialog)
PPG	¡¾-¢½¹¨¾¨ªö¸Á®®¹ù÷©°Èº-£¸¾´ê÷¡¨¾¡ (Pro-Poor Growth)
PPP	¡¾---»È¸´´õ-ì½¹¸È¾¤²¾¡-ìñ© -Áì½²¾¡-Àº¡½-§ö- (Public Private Partnership)
PRCC	-Á°--¤¾--¡¾-¦É¾¤-£¸¾´-º¾©-¦¾´¾©-ê¾¤©É¾--¡¾--£É¾(Programme de Renforcement des Capacities Commerciales)
SARC	¦ø--£í--£¸û¾-¡½¦ò¡¿-²¾¡ÃªÉ(Southern Agriculture Research Center)
SME	¸ò¦¾¹½-¡ò-©¢½Î¾©-Éº¨ Áì½¡¾¤ (Small and Medium Enterprise)
SPS	´¾©ª½«¾--º½-¾-Ä´ Œ ¦÷-¢½-²¾®-¢º¤-²õ© Áì½¦ñ© (Sanitary and Phytosanitary Standard)
SWOT	¡¾-¸òÀ£¾½¥÷©Á¢¤, ¥÷©ºÈº-, Âº¡¾© Áì½º÷¯½¦ñ¡ (Strengths, Weaknesses, Opportunities and Threats)
TA	¡¾--§È¸¨-ÀÍõº-ê¾¤-©É¾--¸ò§¾-¡¾- (Technical Assistance)
ToR	Àº¡½¦¾-¡¿-ö©Îû¾¸¼¡ (Terms of Reference)
ToT	¡¾--±ô¡ºö®»ö´-Ã¹É-£ø-±ô¡ (Training of Trainers)
UCŒ-PRCC II	--Îú¸¨¤¾--¦ø--¡¾¤¢º¤Â£¤¡¾--¦É¾¤-£¸¾´-À¢˜´Á¢¤-ê¾¤-©É¾-¡¾-£É¾Ã-¢½ÁÎ¤¡¾À³ì¾¸
WB	ê½-¾£¾--Âì¡ (World Bank)
WTO	ºö¤¡¾--¡¾--£É¾-Âì¡ (World Trade Organization)

* In this report, we use the denomination “Lao National Coffee Council” (in French: *“Conseil National du Café Lao » – CNCL*), as used in the documents produced by PRCC-II project.

<u>Units:</u>

Bag (or bushel) = 60 kg (green coffee)

ha = hectare

lb (livre) = 454 grammes

t = metric tons

Monetary Units: 1 USD ≈ 8,000 Kip

V. Glossary of technical terms:

1. A **Cluster** is a geographic concentration of enterprises (or farmers specialized in a certain product) closely connected, along a value chain or network arranged around a significant buyer or industrial company. A simple definition says: a cluster is a value chain that is concentrated at the same location (see Value Chain, below).

2. **Certification** is a procedure by which a third party (the certifier or certification body) gives written assurance that a product, process or service conforms to specified requirements – a standard. Being certified is an asset for producers (e.g. Global GAP, Organic farming, Protected Geographical Indication).

3. **Commodities** are bulky (natural resource based) products, that are internationally traded either as raw products or after basic industrial processing. The most important agricultural commodities include grains (rice, wheat), green coffee, palm oil, cotton or white sugar.

4. **Contract Farming** is a form of production in which farmer and buyer enter into a contract in advance of the growing season for a specific quantity, quality and date of delivery of an agricultural output at a price or price formula fixed in advance. The contract provides the farmer an assured sale of the crop, and provides the buyer an assured supply of the agricultural product. Sometimes, the contract includes technical assistance, credit services, or input from the purchaser as agreed by both party;

5. **Dry processing** consists of drying the coffee cherries immediately after harvest. Dried cherries are then hulled to remove the pericarp (white bean).

6. **Embedded services** are business arrangements by which operational services are delivered in combination with a basic business transaction (sale of products or loans). The basic idea is to finance the service as part of the business transaction, e.g. linking technical advice to the sale of inputs. Embedded arrangements may include other business partners as the service providers, such as input dealers or processing companies, or professional service providers as third parties.

7. **Geographical Indicatio**n identifies a good as originating from the territory of a country, or a region or a locality where a given quality, reputation, or other characteristic of the good is essentially attributable to its geographical origin.

8. **Global GAP** is a private sector body that sets voluntary standards for the certification of the production process of agricultural (including aquaculture) products around the globe. The Global GAP standard is primarily designed to reassure consumers about how food is produced on the farm by minimizing detrimental environmental impacts of farming operations, reducing the use of chemical inputs and ensuring a responsible approach to worker health and safety as well as animal welfare. The basis is an equal partnership of agricultural producers and retailers who wish to establish efficient certification standards and procedures.

9. **Green Value Chains**: The colour word "green" is used synonymously for "environment friendly", targeting ecological sustainability.

10. **Land concession** refers to arrangements when foreign or domestic enterprises are granted leases of large area of land for commercial production of cash crop or plantation forestry.

11. **Pro-poor Growth** (PPG) is the growth that focuses on the essential and stresses the need to make the poor participate directly in the economic growth, and does not rely on social transfers.

12. **Public-Private Partnership** (PPP): Whenever private companies share interest in economic development, public agencies may realize certain development activities jointly with a company with equal proportion of the benefits, but usually carry the debt in case of project failure.

13. **Results Based Management**, also referred to as 'Performance Management,' is defined by the OECD-DAC (2001) as a broad management strategy aimed at achieving important changes in the way government agencies operate, with improving performance (achieving better results) as the central orientation.

14. **Smallholder** is a producer who relies on family members for labor production and produce traditionally for household consumption

15. **Supply Chain Management**: refers to the sequence of (upstream) sourcing and (downstream) marketing functions of individual enterprises, mostly of lead companies. Therefore, supply chain management is a business management tool rather than a development concept. It is concerned with logistics rather than market development.

16. **Sustainable Development**: means development which meets the needs of the present without compromising the ability of future generations to meet their own needs and is a mythological creature;

17. **A Value Chain** is (i) a sequence of related business activities (functions) from the provision of specific inputs for a particular product to primary production, transformation, marketing, and up to the final sale of the particular product to consumers, and (ii) the set of enterprises (operators) performing the functions i.e. producers processors, traders and distributors of a particular product. Enterprises are linked by a series of business transactions in which the product is passed on from primary producers to end consumers.

18. **Value Chain upgrading** refers to a systematic approach improving the efficiency off the value chain in the interest of all actors in the chain, not only for an individual firm or for a specific group of actors;

19. **Value Chain Governance** refers to the power to control, influence, set the modes and rules of interaction among the actors in value chains.

20. **Wet processing** consists of pulping cherries immediately after harvest to remove the mesocarp (pulp) and exocarp leaving a bean covered in mucilage. The beans are then fermented to remove the mucilage, then washed and dried. After drying, beans are hulled to remove the thin parchment around the coffee beans.

21. **2-plus-3 model** is a variant of contract farming, wherein farmers provide the land and labor to cultivate the crop and the commercial enterprise supplies capital investment (planting material and fertilizer), technology transfer to farmers and access to market.