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## Local Initiatives to Link Farmers to Markets in Upland Laos

200



*Upland communities in Laos have the benefit of access to relatively large tracts of land, compared with neighboring countries. Yet these communities use their resources mainly for subsistence production (Figure 1). Adding value to agricultural and forest products remains difficult: replacing products that are depleted in the wild with plantations takes time—often requiring a considerable initial investment in land preparation and maintenance—and there is little capital to invest in technology that could*

*add value to products. In addition, poor road access keeps transport costs high and often it is difficult to store products and benefit from seasonal price changes. Underlying all these difficulties is a lack of information on markets: who are the customers, where are they based, how is the price set, what are the quality standards, how can we process, store, package, and handle products? Market awareness projects in northern Laos are showing that these sorts of challenges can be overcome.*

### Networking to develop market information systems

Throughout Laos, local government and aid-supported rural development projects are promoting schemes to increase rural production. Only a few organizations have tried to tackle the difficult topic of marketing, which in many ways is the key to establishing long-term rural economic improvement in these areas. Local communities, companies, the government, and development projects are all becoming aware that they need to collaborate to find and share market information.

At a recent stakeholder workshop in Luang Prabang, around 200 participants

discussed ways of improving market information systems (MIS) in Laos. The main outcome was that stakeholders would work together to set up a local MIS in each of the 9 provinces represented. This type of province-level MIS will be built on the existing examples in the country. On top of these efforts, a national MIS taskforce will be set up to bring information from all provinces together and disseminate it. The taskforce will also organize network meetings at least once per year at the national level.

Despite these national measures, however, it is understood that information exchange has to begin with local networking, linking farmers to companies, map-

**FIGURE 1** Typical forested landscape in northern Laos. (Photo by Joost Foppes)



**FIGURE 2** A village selling group in northern Laos weighing bitter bamboo shoots. (Photo by Joost Foppes)

ping out market chains, and disseminating information. Below, we outline 3 cases that have been successful in linking farmers to markets; one with non-timber forest products (NTFPs), and 2 with agricultural products.

### Establishing a village selling group in Oudomxay

In the village of Nam Pheng, Oudomxay, villagers used to be very poor and could not produce enough rice to feed the community all year round. In the dry season they collected off-season bitter bamboo shoots (*Indosasa sinensis*) for sale, but the income remained insufficient to meet basic needs. A Nature Conservation Union project assisted these villages in analyzing their problems. In a series of meetings, the community gradually realized that they could improve their bitter bamboo sales if they teamed up and sold for a fixed price, in a fixed place. Moreover, quantities were not measured per bundle, but per kilo. Every family agreed to join the village selling group (Figures 2 and 3).

The results exceeded all expectations. In 5 months, the village sold more than 47 tons of shoots and earned 50 million kip or US\$ 6670 (an average of US\$ 130 per family). This represented more than a fourfold increase from the previous year. By setting aside 100 kip for every kilo sold, the community also gained 5 million kip for a village development fund.

#### Demonstrable benefits at Nam Pheng

In terms of direct outcomes, the results of this enterprise are impressive. Specific benefits included the following:

- From 1998 to 2002, the poverty rate in the village was reduced by half (from 33% to 18%).
- The village attained full food security, using bamboo shoot income to buy rice.
- Child mortality decreased as medicines were more easily affordable.
- Education improved as the village was able to fund a teacher for its school.
- The selling group financed considerable new infrastructure, including: a



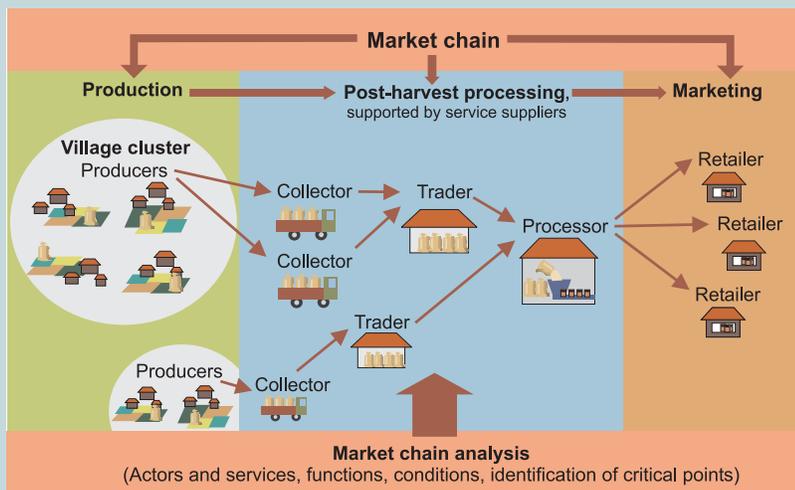
rice bank, a two-room school, 3 water outlets, an electricity generator and village electrical system, a rice mill, and 2 hand tractors.

- A rise in family disposable incomes enabled increased purchases of clothes and other consumables.
- Harvesting is predominantly done by women and children, as the men start

**FIGURE 3** Bitter bamboo shoots (*Indosasa chinensis*). (Photo by Joost Foppes)



**FIGURE 4** Market chain for NTFPs. Market chain analysis can help to identify actors, functions, and conditions. It can also help to resolve critical points and indicate which service suppliers (including government offices that give permits and quota to traders and collect taxes from them) are needed to ensure higher prices for the local producers. (Sketch by Ulla Gämperli)



preparing their upland fields at this time of year. Women said they benefited from selling bamboo shoots, as they can now afford to buy medicines when they are sick.

- The community enacted and enforced a set of harvesting regulations to protect its bamboo forests.

**Offshoot developments**

Noting the success of this project, 7 surrounding villages adopted a similar selling system. In fact, the Nam Pheng site has become quite famous throughout northern Laos, and, after visiting it, many other organizations have started similar NTFP development projects. The increase in the number of similar projects can be gauged from the fact that in 2005, district officers of Oudomxay Province reported that 112 villages are now estimated to promote NTFP planting, harvesting, and selling activities. Market demand is rapidly increasing, as more Chinese buyers come to buy NTFPs in Laos. This market pressure motivates people to cultivate NTFPs that are becoming scarce in the forest.

**Peanut marketing by village clusters in Xieng Quang**

A common pitfall of rural development production projects is that even though they can create supply, it is often too late to address marketing problems when demand drops. However, whereas typical agricultural extension approaches often focus on improving farmer technologies,

which may take 3–5 years, the agro-enterprise approach used by the Centro Internacional d’Agricultura Tropical (CIAT) works the other way round: it starts with an understanding of markets and acts upon it. The case described below was developed as part of the CIAT/Small-Scale Agriculture Enterprise Development for Uplands, by John Connel and Ounkheo Phattamavong.

Instead of operating village by village, CIAT used a territorial approach, working with a cluster of villages. They set up a committee of village representatives, with whom they liaise to prioritize products, analyze market chains, and determine possible actions in a participatory manner (Figure 4).

In a series of stakeholder meetings, villagers and local entrepreneurs focused on peanuts as the most promising crop and identified a number of ways to improve product quality and quantity. The response was impressive. Within one season, all 5 villages in one cluster were able to double their production of peanuts. In addition, by acting cooperatively, they were able to deal directly with larger traders in town, and, moreover, to control the selling point (ie by delaying when prices were low) to get better prices for their products.

**Developing value added products and secondary industries**

Following a field trip to another province, some farmers saw a chance for added value and established their own peanut shelling units, which employ local people. Consequently, an additional spin-off has been the development of secondary local enterprises, such as a local machine maker who started a new business making automated peanut shellers.

**Benefits to Xieng Quang**

In summary, cluster marketing has altered the production of peanuts and enhanced the local economy of Xieng Quang in a number of ways:

- Peanut production was expanded.
- Two new secondary enterprises were spawned: machine construction and peanut shellers.

- Direct trading occurred between farmers and traders, enhancing prices.

Because of the success of this project, farmers in the region are now trying to apply the same approaches to cattle and buffalo marketing.

### District market information system for maize, Sayabouli

The project (Projet Commercialization et Appui au Développement Rural/Point d'Appui Sayabouli Sud, PCADR/PASS) supports farmers in 4 southern districts of Sayabouli in improving and commercializing agricultural production.

A preliminary analysis of the marketing chains for maize and other export products revealed several overriding factors that were costly for local farmers. First, there was an information deficit, ie a lack of transparent and up-to-date pricing information, meaning that farmers often did not appreciate the current market value of their goods. Another factor costing farmers directly was poor storage condi-

tions, which degraded product quality and further reduced profitability. In addition, the analysis determined that a lack of technological and market knowledge was retarding farmers' ability to process on site and add value to their goods.

### Setting up a recurrent price information system for villages

To address these problems, the project put in place systems for training extension workers, improving storage systems, and introducing a simple market information system (MIS). The MIS was set up in 14 villages. Every 2 weeks, market prices and other information are collected for 14 products in these 14 villages. At the same time, the current prices for these products are obtained by fax from the agricultural office in Loei Province, Thailand, which is the main export destination. All this information is analyzed, summarized, and sent back within 2 days to all 14 villages, in the form of a poster that is displayed on a signboard in each village. This system is implemented by the district commerce officer and one project staff member. It

**FIGURE 5** Selling collectives increase the scale of product sales and enable greater bargaining power—as is the case for paper mulberry (*Broussonetia papyrifera*) shown here. (Photo by Joost Foppes)



enabled farmers to get better prices for their products.

Besides price information, the project also produced lists of all traders and companies involved in maize marketing, with names and telephone numbers. This booklet has become a kind of “yellow pages” for maize marketing in Sayabouli.

#### Linking farmers to markets through study tours

The project also took farmers on study tours to Thailand, which resulted in a better understanding of the varieties of maize to be planted (ie hybrid versus non-hybrid), and consequently, the project set up a system to distribute suitable planting materials to farmers. Appropriate storage barns made from local materials were also introduced, which reduced storage losses significantly.

#### Lessons learned: common themes to enhance rural markets

These case studies demonstrate some obvious areas of commonality that seem integral to developing better market links for farmers in northern Laos. For remote and dissected communities, there are clear advantages in trying to form larger selling or distribution networks; this puts farmers in better bargaining positions and streamlines market dealings (Figure 5). Enhanced information flow is also of great importance—both for technical and market needs. Knowledge of technical innovations and improvements can improve product yields and quality, while awareness of market trends, demands, and prices gives local farmers greater security and confidence. Increased security, in turn, enables farmers to plan for the future, investing in adding value and developing extension industries. By contrast, development programs that focus chiefly on production run the risk of locking farmers into specific products, which may or may not be viable over the long term.

The case studies demonstrate that the need to expand production created a demand for improved technologies. Farmers were quick to engage in participatory technology development (PTD)

and transfer skills, either within communities, across regions, or on international learning visits. All these skills and the ability to access and process new information on technology and markets is becoming increasingly important with the expansion of transport and communication links in the remote areas of upland northern Laos.

#### Future directions in market development

##### Local markets

At the local level, the main challenge that remains is for villagers and district and province staff to adapt to new approaches and opening markets. Continued success with pilot projects will give confidence to extension staff in applying market models to bring traders and farmers together. For example, CIAT will continue to apply the lessons learned from this approach to new sectors (eg livestock) as well as to new provinces (eg Luang Prabang). However, it is equally important to document and learn from any production or marketing failure. The equity of profit sharing will also require careful monitoring.

##### Regional collaboration and cross-border trade

While local development of markets continues to expand, regional issues must also be pursued. Most of the forest and agricultural products exported from upland Laos are sold to neighboring countries. Laotian traders and producers urgently need more information on these cross-border markets. For China, the main gate to Laos is through Yunnan Province. The Lao MIS taskforce, therefore, would be very interested in developing initiatives for marketing research on cross-border marketing chains for upland products, in collaboration with Chinese, Vietnamese, and Thai marketing research organizations. In addition, increased trade raises transborder issues of regional agreements on tariffs, protection of endangered species, and—as is now particularly salient—quarantine safeguards and standards. These sorts of issues are now being canvassed in forums and workshops. Such collaborative approaches need to be continued.

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#### FURTHER READING

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