

involved. The primary objective of this field trip – carried out was to understand how farmers made contact with the market, and where the farmer’s tea traveled after its first primary sale. The researchers continued to work with Ban Huai Or farmers. From this trip it became clear that a more focused approach for understanding multiple stakeholders’ perspectives on the problems with tea development was needed.

The information collected in this trip produced a set of questions that were reformulated into a more methodical field methodology that focused on understanding the range of actors involved in tea. The findings of this trip – carried out between 7-9 July 2009 – are presented below. As discussed in the following sections, this fieldwork focused on understanding stakeholder perspectives on the market and marketing constraints. This batch of fieldwork expanded the scope of work in several ways. First, the range of stakeholders was broadened to include the private sector and NGO actors involved. Second, the fieldwork included two additional villages, in order to give a richer picture of the situation on the ground. Finally, the field-based data and the policy directions were brought into the same picture in order to identify institutional gaps and opportunities.

2. Findings

The team carried out interviews with the following actors:

- ◆ Meeting with VECO Huai Sai: Stuart Ling and Sonephet
- ◆ Meeting with VECO MM: Kouangxay, Chanphanya, Samit
- ◆ Ban Tor Lae: Interview with Ca Tu (Assistant Headman); visit tea orchards
- ◆ Ban Phonesavang: Interview with Lo Pe (Headman) and Hu Keu (Trader)
- ◆ Ban Huai Or: Interview with So Heu (Headman) and tea collectors
- ◆ Saengphet Company: interview with Mr Saengphet

The findings of the fieldwork are summarized below.

1. Information from VECO in Huai Say

In 2005, when tea prices were high, VECO and the local leadership identified tea as a priority product for commercial development in Moeng. At the time, processed commercial tea was fetching prices of 400,000-500,000 kip in China. Three levels of tea quality were identified in Moeng, based on tree age. For a first orientation and planning activity, VECO took leaders from Phonesavang and Huai Or villages, along with district staff, on a study tour from Phongsali to Oudomxay and Muang La in XSPN. During the trip, Moeng people observed production, processing and marketing aspects of the product.

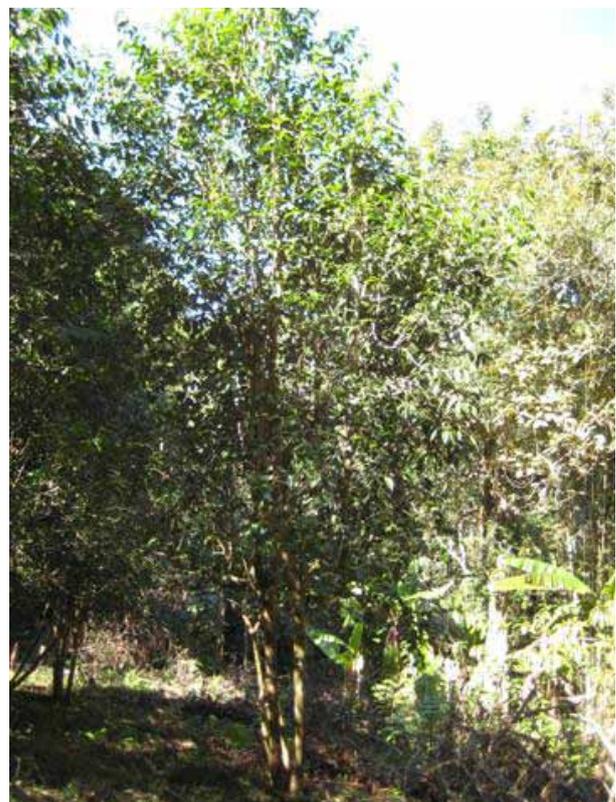
Samples of the tea were then sent abroad for chemical analysis and comparison with Chinese tea. It was found that the Moeng tea was of comparable quality to some varieties of Puer tea, raising hopes and expectations for a marketable product. At this time, the provincial government granted two companies control over the production and marketing of tea in Moeng. This in effect squeezed VECO out of the

picture, as the companies set up operations in the district. Saengphet company (Lao company located in Oudomxay) set up a processing facility in Tor Lae to process tea collected in and around that village, while Minggui company (Chinese company based in Luang Nam Tha) set up a camp of tea collectors to collect older tea from remote areas. The Tor Lae processing facility has a capacity of 1,000 kg of tea per day. Minggui company’s original plan was to set up an integrated tea production and ecotourism operation, which seems to have been attractive to the district government.

But tea prices soon dropped in China, after the Olympic economic bubble. Both companies seem to have lost interest, as the volume and quality of tea are very likely insufficient to make the operations profitable. There is also suspicion locally that the companies were at least partially a front for other activities such as importing Chinese labour into Laos. In any case, demand for the product dropped off significantly after 2007. Villagers and district staff both say that the companies have disappeared – there is no one left at the Tor Lae facility, and the harvesting camp has been deserted by villagers who had been staying there.

VECO took this opportunity to renew a discussion with the Moeng district authorities to try to get permission to resume activities. The district agreed to a plan to try to develop tea into an OTOP-type product, focusing on Ban Phonesavang. With the provincial decision to allocate tea activities to two private companies, the district had hoped that there would be a new driver of local development in addition to a source of district revenue.

A group of tea collectors has come together in Phonesavang, under the guidance and support of VECO, to establish a product development and marketing group. The idea is that



Old wild tea trees, photo by Frank Siegmund

this group will become a local enterprise. The eight members of the group are composed of tea collectors who have the resources to contribute to joint investment activities. Currently, the group is working on writing a business plan, creating processing (drying facilities) and organizing packaging capacity. The drying facility is being supported by VECO's provincial-level extension group.

It is not known how much tea has been purchased and processed, although Saengphet is reported to have declared 500 kg to the Moeng Revenue office in 2008. This raw tea was collected by truck from villages of the area and taken out for processing outside.

In addition to these routes of sale, the Chinese rubber planting company in Moeng has purchased tea from Phonesavang for shipment to China, and staff from the company have made small-scale purchasing trips to Tor Lae to purchase raw leaf for their own consumption.

Neither district nor company has provided support to enrichment planting, although the district has plans to do so. Perhaps VECO support will serve this role, as the project has encouraged villagers in Phonesavang to do some planting. The headman, who participated in the Phongsali study tour, learned the technique for taking and propagating cuttings, and this knowledge has spread through the village.

2. Tor Lae Village: Interview with Ca Tu (Assistant Headman)

Tor Lae village is a poor village of Lahu Phfu farmers, which has significant areas of tea located around the village and at some 4 and 8 hour walks from the village. In recent years the village expanded its area of paddy land through a food-for-work program. Combined paddy and upland rice yields have increased the rice availability situation, but shortages still exist. Villagers raise small livestock and a limited number of large livestock. Rubber has expanded recently in the village, driven by Bao Shen, a Chinese company that has been investing in the area (the name of the company somewhat ironically means "The treasure of the forest") The main sources of income for the villagers are bamboo grubs, which are sold to local purchasers and sent to Thailand through Huay Sai. Villagers get 30,000-50,000 kip/kg. The household income range for bamboo grub collection is reported at 200,000-500,000 kip per year. In addition, the villagers collect honey and broom grass. Honey is sold at 100 baht per bottle, although no honey has been collected this year.

Tea collection in Tor Lae has dropped off significantly since the processing facility was abandoned. Records were not kept in the village, so the volume of tea moved through the facilities is not clear. The disappointment with the tea processing facility was likely quite large in the village. Of the total 36 households, only 2-3 households have no tea

trees (reason?) so a local market could have potentially had some impact on local income levels. The Lahu here know that the Akha (in Phonesavang) are doing much better with their tea activities. The main constraint seems to be that Tor Lae has no tea drying woks, which means that they can now only sell raw tea. Ca Tu says that the Lahu have not traveled to Phonesavang to see what is being done there.

Nonetheless, last year villagers conducted their own small-scale marketing activities of tea. Villagers collected tea during low-labor periods, and sold the raw leaf directly to guest houses and restaurants in the district town, which is only a 30 minute walk away. Small kinship groups were the basic unit of marketing. But the scale of tea sales was very small – they estimate that family could make between 40,000 and 200,000 kip per trip to the district, although most people only made one or two trips. Honey was also marketed in this way. Ca Tu reported that villagers have been able to sell whatever amount of tea they have taken to the district.

Tea in Tor Lae is not really managed, other than being cleaned up when fields are cleared and new stands are established. When farmers clear upland fields, the tea new tea sprouts up after the burn, and these stands are protected. The area between the village settlement and the paddy land is one site for much of the tea located close to the village. People may have on average 4-10 areas of tea, but neither the area nor number of trees is recorded or estimated. With the expansion of rubber, some tea is now located within rubber plantations. Ca Tu said that people did not know what would happen to the tea as the rubber trees grow. Villagers know that tea should be collected 1-2 leaves per bud, but in reality, they often collect 3-4 leaves per bud, which means that the quality is not good. At the same time, because the price is so low, the incentive is for villagers to opt for more volume rather than higher quality in order to raise income.

There does not seem to be much interest in organizing at the village level to boost tea collection, probably because of the



Forest and fallow clearance for rubber plantations, photo by Horst Weyerhausers

lack of drying capacity, unsure marketing situation, and the general overall disappointing experience with Saengphet. It is interesting to note that the village was able to expand livestock holdings in the village through a revolving fund (NCA?) so that now 75% of the village has pigs. Similarly, a rice bank project has been able to increase from 300 kg of capital to 1000 kg since 2007. There are only two literate people in the village, both assistant headmen.

3. Phonesavang Village: Interview with Lo Pe (Headman) and Hu Keu (trader)

Phonesavang Village, composed of 55 Akha Dzoegoe households, is located at a 10 minutes' drive from the district. The village is working with VECO to establish a viable tea management and marketing arrangement after the price drop of 2008. The village headman Lo Pe estimates that the current production potential of the village's tea stands is around 20-30 tonnes of raw leaf per year. Five kilograms of raw leaf yields one kilogram of dry leaf. At a modest average price of 40,000 kip/kg for dry leaf, the potential income from tea could amount to as much as 240 million kip. VECO and the village tea marketing group are building a storage house and processing facility which will resemble the one in Tor Lae, but at a smaller scale. The eight members of the group are co-investing with the project, providing 30% of the capital to match the project's 70%. The hope is that when prices come back up, or a new market is found, the village will have a higher quality product that can be delivered in quantities that are commercial interesting to purchasers.

Before purchasing rights were given to the two companies by the province, the villagers had been approached by a Tai Leu merchant in Muang Long, who provided drying woks and built a shed for processing and storage – altogether an investment of 2 million kip. This merchant was purchasing from the villagers at 70,000 kip/kg. Villagers were hopeful that this market outlet could be developed, but when the Long merchant lost the right to purchase the villagers became reliant on the companies. Now there have been only small-scale and informal buying trips to Phonesavang (total of 40-50 kg dry leaf sold at 55,000 kip/kg).



Dried wild tea, photo by Houmchitsavath Sodarak

Now that the companies have suspended activities in the district, the village has switched back to trading with Tai Leu traders in Xieng Kok. Tea is traded in small quantities along with other NTFPs that are collected in the village's forests. The most common products sent to China through Xieng Kok are cardamom and galangal. (The other two main NTFPs, boom grass and bamboo grubs, are flow to Huai Sai and often into Thailand.) Lo Pe and Hu Keu have been trading in these products for many years, purchasing from Phonesavang villagers and the surrounding villages as well. Lo Pe makes agreements with the Xieng Kok traders ahead of time. With trusted traders, the agreements are done by telephone. Written contracts are made with unfamiliar traders, after a negotiation trip. Contracts specify the period, minimum quantity, price and how the parties will deal with price fluctuations.

From Phonesavang village, the NTFPs and tea are transported to Xieng Dao village along the Mekong on Lo Pe's Hundai truck. From there, he hires a Xieng Dao boat to make the trip up the river to Xieng Kok, from where the Leu traders transport their cargo to China. One boat trip from Xieng Dao to Xieng Kok costs 1,500 baht. This is the major cost for them, and does not include the costs of hiring labor to load and unload the boats (200-300 baht per boat). Next year, the road from Xieng Dao to Xieng Kok will be upgraded, so there will likely be a change in the market access route for these products that reduces the transportation costs. Lo Pe makes as many as two trips per month, depending upon the season and market demand. He and Hu Keu monitor prices and demand through their Leu connections.

Lo Pe and Hu Keu are able to get district approval for their NTFP trade, which means they are able to pay the various fees for obtaining the trading documents necessary to move products around. Last year, Lo Pe estimates that he sold 200 kg of dry tea to Xieng Kok in two trips. This is a profitable business for him, as he buys raw leaf from the villagers (at market price) for 3,000 kip and sells it to the Xieng Kok trader for between 30,000 and 50,000 kip. The selling price in China reportedly starts from 100,000 kip/kg. The value-added at each link in the market chain is substantial. The main value-added in the first link is drying, which is done by two women in the village who were trained by a Chinese technician. Only these two dryers can produce the level of quality that is commercially marketable.

In the next step, it is not known what form the value-added takes (grading and packaging??). Lao traders cannot access the market directly. Hu Keu explained that they have never had direct linkages into Chinese markets – so they are not familiar with the purchasing arrangements and official paperwork. VECO has requested URDP to provide assistance in developing a logo for the tea and funds to purchase packaging materials.

Tea management at Phonesavang is more sophisticated, compared to Tor Lae. Since last year the villagers have been actively planting tea into fallow forest areas, moving them away from the more scattered tea clumps to larger gardens of domesticated tea. Seedlings are produced locally from seed gathered in the natural and domesticated tea areas.

Trees are not pruned, and farmers are not aware of methods for producing enrichment planting material from cuttings. Under the current practice, survival rate of seedlings is low.

With prices depressed as they are, the Phonesavang economy rests on three main foundations – rice, NTFPs and livestock. The village produces a surplus of rice, mainly from their paddy area. Non-glutinous rice is consumed in the household, with excess being sold to district traders. NTFPs have long been a source of cash, and are integrated into regional trading networks. Livestock is also important for cash income, and the village has clear regulations to ensure that the animals do not damage other crops. Rubber is another upcoming activity that is still in its investment phase. Many villagers have taken the opportunity to plant rubber, based mostly on local knowledge transmitted through people such as the headman who has made trips to observe planting practices in Luang Nam Tha. Bao Sen has also begun to invest in the area, but Phonesavang farmers have started rubber planting on their own. The overall development plan of the village, as briefly described by the headman, is based on rather individualized approach, in which active and innovative farmers are likely to succeed. It seems that Lo Pe would rather forge new paths into the market economy, together with those that have the economic resources, opening up the way for others to follow. We did not get a strong sense of a collective or populist development effort from the village leadership.

4. Huai Or Village: Interview with So Heu (headman) and tea collectors

Huai Or village (Akha Dzoegoe, 31 households) is located 20 minutes from the district along a road that quickly becomes difficult to traverse in the rainy season. Nevertheless, the village is closely integrated into the district economy. Noi has collected basic data on the tea collection and management practices, and has some economic data at the household level. Our interest in this visit was to understand more about how the village accesses the market and what its experiences with the tea traders has been.

This year, the village has not sold any significant amount of tea. Before the price crash, however, the villagers have sold to both Saengphet (2007) and Minggui (2008 - although they were not familiar with the name of the Chinese company, which suggests that the transactions were rather informal). In the past, Saengphet purchased raw leaf at 4,000 kip/kg to supply the processing facility at Tor Lae. The amount of tea sold is not clear, but in one buying trip as much as 200 kg was sold. So Heu estimates that he sold as much as 200 kg last year, and the total amount purchased by Saengphet may have reached 800 kg of dry leaf. At the beginning, Saengphet brought a wok for the village. Individuals can use the wok for

drying if they are willing to pay the charge for use of the wok, but in most cases the headman buys the raw tea and dries it himself for sale.

After each purchasing trip, the company made an appointment with the villagers to agree on the next visit. Collectors mentioned that this is very important because they have no way to store tea, especially since they cannot dry tea in large quantities in the village. The largest scale operation seems to be run by Pho Se, an old woman who collects both natural and domesticated tea.

Sale of tea to the two companies was conducted in rather different formats. For Saengphet, the purchase was conducted through the village headman. For Minggui, it was more of an open market, where individuals sold directly to an agent who was present in the village. Records of sale were kept with Saengphet (but discarded quickly) but not with Minggui. The villagers said they prefer the Saengphet method, as it was more profitable.

So Heu estimates that in one year he and his family could gather more than one tonne of raw leaf from both natural and domesticated sources, if there was a market demand. When there is a market for tea, all households collect tea. Those without their own trees harvest from the forest, which requires more labor, but can still yield profitable results.

The Huai Or villagers have their own market connections in Xieng Kok for tea. The main purchaser there is an Akha trader who buys from them and sells further into Burma and Luang Nam Tha. Most NTFPs are sold in the district to local middlemen with a quota from the district or under the VECO marketing group assistance. The opening of the road to Xieng Kok will probably not have much impact on their capacity to sell NTFPs because they have difficulty obtaining the necessary permits from the district.

Another market outlet is individual trips to Burma. Most of the families in the village cross over to Burma several times



Old Tea agroforestry system with other tea tree cops photo by Horst Weyerhauser

	Tea Producers	District	Province	Companies	VECO
Key interest	Increase income from tea collection based on local natural and human resources	Establish tea as viable local industry to reduce poverty and contribute to tax base	Provide policy direction to tea development	Establish profitable arrangements for purchasing high quality tea	Strengthen capacity of local organizations to produce, manage and market a commercially viable product
Constraints	Market access has been cut because companies have not come to purchase tea	Allocation of areas of responsibility have reduced options for marketing	Local development activities are limited by local capacity	Drop in tea prices in China make purchasing tea at quality and quantity unprofitable	Activities are limited to one village, started after some lag because of unclear situation with companies
Ways forwards	Restart tea collection when reliable buyer is identified, until then rely on small-scale trade	Continue technical support and facilitate institutional support from VECO		Restart tea purchasing when market prices permit	Develop OTOP-type product and institutional model focused on processing and marketing

a year to visit relatives. During these trips they take 10-20 kg of tea to sell. This has been done since before tea became a commercialized product.

Huai Or villagers have been producing their own seedlings, from seed collected in the village. The survival rate seems to be about 70% for these seedlings. During the VECO-led study trip to Phongsali the villagers acquired some seedlings from tea planters there, but the survival rate was much lower (30%). One person in the village has started to experiment with bagging the seedlings. But overall, the level of planting in Huai Or is still relatively low. The two biggest planters are So Heu and Ko Ca, although it was difficult to get a sense of the scale of tea land holdings and planting activities. All the collectors present agreed that they will stop planting if the market does not come back up again soon. There are currently 9,700 seedlings in the district nursery, which should enable a 1.2 ha expansion of land under tea in Huai Or, Mon Laem, Pung Chorm Saeng and Xieng Dao villages.

Huai Or farmers have begun to plant rubber in partnership with Bao Sen company, in a typical 2+3 arrangement. Tea plants within the rubber fields are increasing, as they sprout anew when the fields are cleared and burned. The company has told them that they are welcome to maintain, and actually plant more, tea trees in the rubber and see how productive they might be. No one is sure what will happen once the rubber canopy closes.

Village regulations over agriculture and forestry activities are quite strict. Theft of tea and other NTFPs, livestock damage to crops, and access to fallow land are all governed by a set of locally generated, district-endorsed regulations. This is part of the district policy to avoid conflict between and within villages as the area continues on its transition towards market-oriented production.

5. Saengphet company: Interview with Mr Saengphet

Saengphet is one of the companies that was given rights to purchase tea in Moeng district. The official name of the company is Saengphet Bokeo Tea Promotion and Processing

Limited, with a head office in Oudomxay town. VECO said that they had problems contacting Mr Saengphet after the price drop, but our team was able to get an appointment and good cooperation.

Saengphet Co is jointly owned by Mr Saengphet and three Chinese investors. Each holds 25% of the company's shares. The company was established to purchase tea and provide extension to five districts in Bokeo province (Huai Sai, Moeng, Ton Phoeng, Paak Tha, and Pha Oudom). After surveys, the company purchased tea in Moeng district in 2007. The company made a contract with Moeng district and was given responsibility for three kumbans (Nam Moeng, Xieng Dao and Pha Dam), including 16 villages.

There are two main ways of purchasing tea practices by Saengphet:

- 1) The first way is implemented in kumban Pha Dam and Xieng Dao. The company provided one drying wok to one village each (Ban Pung Pha in Pha Dam, and Ban Huai Or in Xieng Dao). In each village, the company appointed the village headman to be in charge of operations, supported by four other villagers, to purchase raw leaf in the village. The four group members purchased raw leaf on a rotational basis, and then the raw leaf was dried with the wok provided by the company. The dry tea was then sold to the company. The price was calculated according to the volume of raw leaf collected. The company collected 150,000 kip per person per month for use of the wok. Pung Pha village produced the highest quality dried leaf.
- 2) The second way was the purchase of raw leaf in Kum Nam Moeng. This is because they had set up a drying facility accessible by 4 villages. Tor Lae produced the highest volume of tea because they have the largest tea area.

In 2007, Saengphet purchased a total of 800 kg of dry leaf, while in 2008 the amount was only 400-500 kg. Five kg of raw leaf produces one kg of dry leaf. The purchasing price was 4,000 kip/kg for raw leaf. The sale price of the dry leaf in China was 140,000 kip/kg. The good price was because

of the Olympics. In 2009, the price in China has dropped to 14,000 kip/kg. At this price level, the processing, transport and other costs make the operation unprofitable, so the company has stopped activities.

Mr Saengphet explained several problems he faced in his tea business.

- 1) Villagers often sold to other buyers because of the good price in 2007.
- 2) The amount of tea produced is still not sufficient to meet the market demand.
- 3) Rubber investment companies have started planting rubber trees in rubber collection areas, which has confused the situation. It is believed this will also have adverse impacts on the quality (taste) of the tea.
- 4) The company is not pleased with VECOs entrance into the local market, as it has caused competition for tea.
- 5) The price drop has made it difficult for the company to sell its product.
- 6) The harvesting practices of the villagers are not good enough. Because in many cases it is the women and children who are harvesting, they often cut the larger trees because they cannot reach the young leaves. This has meant that many old trees have been lost.

The company's plans for the future are to continue to encourage villagers to plant and protect their tea trees until the price comes back up. The company also plans to contact the Tourism Authority in order to create an eco-tourism site in the natural tea forest area. This will entail building an access road.

The company's recommendations are that the government should allocate tea areas to the projects in the area so that there is no confusion about who has access to which resources. He also urges the government to continue to encourage the villagers to plant and maintain tea trees.

As seen from the issues presented above, the company clearly has its own perspectives on the experiences of the past few years and what should be done about the problems. If the company's assessment that the market demand they have access to is not being fulfilled, this is good news for the producers, assuming that the price recovers.

3. Issues

3.1 One marketing problem, many perspectives

The research team found that there was a significant area of common understanding regarding the difficulties of turning tea from a recreational, small-scale activity to an organized, commercial enterprise. At the same time, it was clear that the understanding of this problem different across stakeholders, as did the vested interests and suggested ways forward. These perspectives are summarized in the table:

As seen in the table above, there is some difference in interests and approaches. However, the picture given is not one of conflicting objectives. In fact, the situation

seems to be of complementary parts of a comprehensive approach to tea development. Based on our understanding of the development process to date, we can suggest that a coordinating mechanism could be valuable in the future.

3.2 Market access and production capacity

From the fieldwork, it is clear that production capacity is not the immediate constraint. Villagers have produced tea, and are ready to produce more, when there has been a demand. There was significant disappointment with the two companies that were appointed by the province, but for the time being at least the villagers seem keen to find new outlets for the tea. As mentioned above, there may also be a significant problem with coordination of the various actors involved. The most immediate problem in most peoples' description, is the lack of a market.

Here one can pose a simple question. While interest is high and capacity is reasonable, but the market is still out of reach, does it make sense to increase villagers' production? There are ways that area under tea can be expanded – for example, training on management of tea trees and propagation, could increase the quantity and quality of tea coming out of Moeng. But while the Chinese market is ever in sight, it remains out of reach.

3.3 Policy to support production

While the provincial policy to stimulate tea production by assigning two companies to be responsible for the district was likely born out of a strong desire to bring economic development to the local communities and enhance district revenues, the impacts of the decision should be assessed more closely. Our findings about alternative and customary market linkages into China through local middlemen along the Mekong may be particularly important here. Similarly, the VECO efforts to create a viable commercial enterprise were also impacted by the arrival of the two companies. In the end, the companies, who are also driven by market signals, were not able to deliver on the promises made. This whole experience is instructive of the difficulties in market-oriented production, and at the same time highlight the need for careful consideration of policy interventions. The company also perceives VECO as a business threat, and the rubber companies as a technical and logistical threat. The provincial and district roles in decision-making could be examined more thoroughly.

3.4 Marketing directions and the feasibility of a niche product

With the China market as difficult as it is, does it make sense to think of other market opportunities? Moeng tea has many features that are interesting for marketing strategies. The image of old tea trees, in untouched forests, gathered and processed by minority peoples without any chemicals, contributing to local development could be quite powerful. Which of these speak strongest to potential markets? How would Thai, Chinese, European or American consumers see these? The hopes seem to be pinned on the middle-class Chinese consumer who wants safe products for the family. Whether the other marketing messages resonate with this consumer group is unsure.

Quality is of course one key to the feasibility of Bokeo tea. There is a common understanding that the tea from Moeng has been tested, and that the positive results demonstrate that the tea is of high quality. In fact, chemical analysis of the tea has not yet been conducted and the positive feedback was from a taste-test done by a Japanese person. Before specific marketing approaches are developed, the basic quality analysis should be carried out.

One constraint in the strategic marketing thinking for tea in Bokeo is that the main market targeted is China. In terms of demand, as the world's largest tea-drinking country China is a huge opportunity. In terms of selling a high-value niche product in a highly competitive market to which Lao producers are still strangers, there may be significant risk involved. An alternative for consideration is to target European, North American and other high-end East Asian markets. In order to break into these markets, a certified 'sustainably produced' and 'organic' product is necessary. Certification can be done in several ways - including certification of specific product or certification of an area. But certification is also a time-consuming and costly process, which requires serious study and business planning. A information note on certification has been prepared and is attached to this report.

3.5 Silver bullet or one link in a well-oiled chain?

There is clearly an opportunity to increase tea's contribution to environmentally friendly income generation. There is a significant amount of knowledge and practical experience in the local communities. But this knowledge and experience are not limited to tea. In the short-run, tea could be considered as one of several components of a diversified production system that include NTFPs and other activities. It is interesting that the tea and NTFP marketing networks converge in the Akha communities. This is true both in the sense of actual market access, but can also be seen in the relative prosperity of local people who produce a wide range of marketable NTFPs including tea. How can the whole system be strengthened? – in terms of resource management? post-harvest processes? institutional (marketing and finance) capacity? On one hand, villagers seem to have a silver-bullet hope for tea. On the other hand, the most successful farmers have found multiple products for the market.

3.6 Collaboration with VECO?

It was very good that we were able to stop by Huai Say to talk to VECO staff there. It does not make sense for us to be working on tea-related issues without at least being in some sort of communication with them. There may also be opportunities to collaborate with them directly. The VECO staff based in Moeng has already approached the URDP coordinator to request help on designing a logo for Phonesavang tea and providing funds to purchase the first packaging materials. We need to respond to this request clearly, but the first question is how we could collaborate with VECO. There are two areas of potential interest: the first is working directly on the tea itself; the second would involve a more general look at the enterprise development model. VECO staff seemed quite open to the idea of working

together, and since things are already rather integrated through the DAFO, it would make sense to do some more thinking about this.

4. Recommendations

Based on this compilation of data and analysis, the research team can make the following recommendations for follow up research activities:

1. Conduct forest tea inventory, including new and old tea

This is an area of high priority with the district and an area that NAFRI/NAFReC can make a solid contribution that will provide an important information platform for all other discussions.

2. Conduct analysis of tea properties

The properties of Moeng tea has not yet been analysed properly, and this may have impact on the feasibility of developing a high-quality brand name.

3. Continue trials and training on management and propagation techniques

Although there is a certain degree of technical capacity, and there is a danger of doing too much expansion under the current market instability, there are technical inputs that could be done to increase producers capacity, efficiency and quality.

4. Make contact with researchers on Chinese side

The Chinese market is one of the key factors in tea as a potential commercial product, but the market dynamics are not well understood. Analyzing the issues in collaboration with Chinese researchers could provide important insights.

5. Research on OTOP approach and market opportunities

There may be alternative marketing channels available, which would fit nicely with the OTOP approach that is being developed in Ban Huai Or. This means re-assessing market outlets other than China, and could be an important area for collaborative research.

6. Expand research on marketing and permitting/tax system

Based on the recent trading patterns of tea, there is a need to understanding the market chain from the administrative point of view. The NTFP trade could be an interesting reference point in this research.

7. Research options for a coordination mechanism

From the information above, it is clear that there is gap caused by the absence of a coordinating mechanism. URDP should propose a coordinating mechanism to facilitate policy dialogue among stakeholders. This could be linked to the kumban-level of decision-making, if appropriate.

8. Introduce certification options for discussion

One option for developing a commercial product with a clear market outlet is certification. This could be done for tea as a single product, or for an area in which all products would be certified. The details of various certification options and the processes required, should be examined and discussed by all stakeholders.

Annex 1: Potentials of Certification

The principle behind certification of any product or area is highly linked to the sustainable harvest and management of a resource and how management responsibilities and benefits are shared in a social and equitable way within the community who has access and rights to the resource.

A certified product or area will through certification get approval and access to high value markets that are without reach for the products prior to certification, adding a higher value and quality to the product.

How and who certifies, how does it work?

A community or project or a group of individual collectors or producers apply through a recognized body for the certification of their area or product.

Depending on the product and area, different standards might apply, and each case will have to look for its own best criteria in selecting their standard. This selection of a standard or certification body is also highly correlated to the location or most likely market where the produce is to be sold, i.e. if in Europe, a European standard would be favored, if Japan, a different standard applies!

After initial selection and assessment of the market potential of the produce, the certification procedure, standard and company will need to be contacted and a first – remote and based on producer’s information – assessment of the potential is carried out. After that participatory pre-assessment, a proposal and detailed time line with initial assessment in the field, collection and lab analysis of the products/soil, etc. is developed. This proposal covers the initial field visits of the certifier, the development of an action, management and marketing plan, and subsequent annual surveillance or annual renewal of the certification. Usually, certification bodies and certification include capacity building for producers into their proposal, so it is not only a assessment or control, it is a partnership which is developed between the resource and product provider and the certification body.

Cost (estimate is based on SLIMF, - Small and Low Intensity Managed Forests - certification guidelines and costs)

Products:	USD
Initial assessment (includes audit and general training)	2-4,000
Organic and ethical certification	1-2,000
Annual surveillance 0-10 sites	1,000
Area	
Village/area assessment (+/- 1,000ha forest area assessment)	6,000
Annual surveillance	2,000
Branding and packaging logo development and use of logos included	

An important requirement – and a common problem where many certified producers often fail – is to guaranty high quality and stable quantity on an annual base. If a supplier/producer has an excellent product but fails to deliver, the buyer will move on very quick!

Is certification always required and necessary?

Depending on the product and the market location, certification is not always necessary! Some products, after a costly certification might gain only a small increase of their farm gate price and where this applies, certification is not recommended or necessary. In the case of tea, the answer is not that easy. There is a market for certified and organic tea, but there is also a market for pesticide/chemical free tea, which only needs a lab analysis of the produce in a certified laboratory. Branding instead of certification, i.e. healthy & chemical free jungle tea from Bokeo province might be a cheaper and faster way, but more research needs to be done. Also, if tea falls under a area certification and is not just one product certified, costs are relatively low per product and therefore it makes sense to certify, even some markets might not pay the premium, others will!

For e.g. wild organic honey, and many other local products, the certification and receiving an organic label can increase the return way in excess of the initial costs for the certification.

Certification and esp. which standard to use needs to be researched and assessed and only once everything, from sustainable harvesting rates and quota, structure and organization of local producer groups, general laws and regulations, marketability and infrastructure, market access, etc. are clear and clarified certification should go ahead. In addition to production and harvesting, the certification plan should also include local processing wherever it is possible.

Certification is not a black and white and easy to carry out process. It is costly and time consuming and there has to be a clear rational and business plan behind it to make it work, in addition to local organization of producer groups, etc. The feasibility of a certification or branding has to be researched in detail beforehand for any area or product under consideration.

A short checklist and standard for a certification based on the Woodmark NTFP standards is given on the last page.

Problems, shortcomings, issues to consider

NTFP ‘s in certification processes are still often seen as a by-product for and within sustainable forest management local or community forest enterprises. The main area of certification is there the sustainable management and harvesting rates of timber.

Recognizing this, different schemes and certifiers are trying to address this by coming up with certification schemes

for products and areas, either within a timber growing enterprise or with a sole focus on NTFP's.

Sustainable harvesting rates are another grey area where often only rough estimates are available, and active ingredients analysis is virtually absent for the majority of NTFP products and NTFP's are exploited faster than we can come up with the data.

There isn't a universal certification scheme which would fit every country, region or product and none of them are fully accepted at a global level. This means that once a product has been selected for certification, the next step is to see where it can be best marketed and then the certification body will need to be selected. That in turn can lead to not only one (costly) certification for one product but maybe two, if different markets are approached. The certification itself makes only sense if the value added by the process and label is significant and will have multi-benefits not only for producers where it raises income, but also within the environment it is produced.

How to proceed for URDP (tea and other products)?

Given the above clearly the added value of certification needs to be researched and looked into for every product. At present many local products might have a potential and could qualify for certification, but very little market research has been done so far.

For many products we even don't know what they are used for once they cross the borders to China and Vietnam. In the case of Bokeo, where we do have a better understanding of tea growing, and we are quite sure that previous production and management has been 'organic' without any possible traces of chemicals. This fortunate pre-condition opens up a fast pathway for certification, products and areas should be researched in more details and apart from the obvious products like e.g tea (recently planted and ancient jungle tea) honey (wild collection and commercial field based bee hives) and mak tao.

In addition to understanding harvesting rates, quality of the products and active ingredients, the less tangible and much more complicated social issues with regard to local organization, producer groups, collective management and protection of the resource, access and ownership rights, etc. need more research – and participation of local farmers and producer groups.

A positive selection of the most valuable and best marketable products at proven stable and 'sustainable' harvesting rates should be carried out for the Moeng district and with key NTFP's like tea, honey, ?, a certification and/or branding scheme should be developed with a foreign certification partner.

To understand the markets and what is actually possible to market and in what way and in which 'package' it is recommended to participate with key URDP staff at the Biofach in Nuremberg as an observer and to initiate first contacts with certifiers, producers (to learn from their experience) and potential buyers.

Field Note Report Series

No.	Title	Author
701	Report on Area-based Analysis in Namong, 9-12 July 2007, Namong, Oudomxay	Research Management component
702	Area - based Analysis – Phongsavath District, Luang Prabang Province, 16th to 19th July, 2007	Research Management component
801	Exploring Human-Rights Based Approach in URDP, 23-29 March 2008	By Nathan Badenoch, Johan Hallenborg, Houmchitsavath Sodarak & Thongsavanh Keonakhone
802	Understanding Livestock Groups: Field report from Ban Saisamphanh, Namong, Oudomxay	By Thongsavanh Keonakhone, Vaya Chiathong, and Nathan Badenoch with assistance from URDP district office staff
803	Trip report on Assessment on improving agriculture delivery services at the kumban level, September 14 - 25, 2008	By Information Service Component and NAFReC
804	Draft Technical Service Roles and Responsibilities in Namong Kumban, Phongsavath District by NAFReC	By Information Service Component and NAFReC
805	Draft Technical Service Roles and Responsibilities in Namong Kumban, Namong District	By Information Service Component and NAFReC
806	Social Network Analysis: a tool for studying villages from the inside out, case from Namong Kumban, Oudomxay, October 2008	By Information Service Component and NAFReC
901	Livestock Groups: Lessons from Phongsavath, Phongsavath District, Luang Prabang Province, August 2009	Thongsavanh Keonakhone, Vaya Chiathong, Nathan Badenoch, Phongsavath Phonnachit and Nitkham Chanthavong with assistance from Phongsavath District staff
902	Developing Tea in Muang Moeng	NAFReC, Socio-Economics Research Unit, Forestry Research Unit

About the URDP Field Report Series

The URDP Field Report Series provides an opportunity for researchers to share intermediate results arising from field work. It also provides a way to systematically collect and share knowledge that is often lost during the research process itself. The Upland Research and Capacity Development Programme (URDP) is a partnership between the National Agriculture and Forestry Research Institute (NAFRI) and Sida to strengthen the research capacity within Lao PDR. The current phase (2007 -2012) focuses improving research capacity to understand and address the impacts of rapid economic transformation on the uplands livelihoods and the environment.

Activities are centred around three functional components:

1. Research management: Developing and implementing an integrated research agenda in the four provinces and strengthening NAFRI's research management capacity.
2. Capacity development: strengthening NAFRI's human, organizational and institutional capacity to carry out quality research and support evidence based policy-making for improved development practice.
3. Information services: Expanding services from Phase 1 and better communicating NAFRI's research to key actors (policy makers, extension agents and farmers').

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