

The Lao Coffee Economy: A New Growth Path on the Horizon?

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Coffee is one of Laos' top-five export earners and agricultural largest export commodity. The Lao coffee farm community is comprised of more than 20,000 smallholders operating 1-3 hectares, a much smaller number of plantations with 4-10 hectares and several emerging large, domestic- and foreign-invested plantations cultivating more than 100 hectares. The farm industry links extensively with other related businesses and jobs throughout the coffee industry supply chain, making it a vital part of the country's economy. Any major change that occurs in the Lao coffee industry will affect many lives and the economy far beyond the coffee farm community. Boosted by government supports and inflows of resources from domestic and foreign private investments, the Lao coffee industry is on a path of growing farm output and Laos-grown brands, with increasing share of the Arabica varieties. This growth trend is driven by land expansion, growing yield, the need for value creation, and demand from the specialty coffee



market. What are the development patterns of the Lao coffee industry in the past several decades? How did the global price crash in the early 2000s and entries of foreign-invested firms affect the industry and lives of village farmers and how have these changes shaped the future growth path of the industry? What are the major problems, challenges, and concerns that exist in the industry today? As the industry continues to mature, will small farmers have a fair share of the additional benefits to be created? Will the drive to attain higher productivity be achieved at the expense of the environment and the health and wellbeing of farm workers? What can policy makers, development agencies, and socially- and environmentally responsible private coffee business owners/executives do to lead the development of the Lao coffee industry towards growth with an economic-social-environmental balance? These questions are addressed in this paper.

