



**Final Report**



**Farmer Organizations Development and  
Food Security in Rural Areas  
The Case Studies in Three Parts of Lao PDR**

Submitted to  
**Thailand Research Fund**

by

Assoc. Prof. Dr. Linkham Duangsavanh  
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**Sponsored by Thailand Research Fund (TRF)**

**(Any opinion in this report belonged to researcher , it needs not to be agreed by TRF)**

## Abstract

Project Code : RDG5310012  
Project Title : Farmer organization development and food security in rural areas  
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Project Duration : April 1 , 2010 – March 31 , 2011

In the early 1990, a new form of farmer organization was developed to substitute the declining in state-led cooperative. Different farmer groups based on production types were initiated as pilot projects such as vegetable production groups, organic vegetable production groups, coffee production groups, tobacco production groups, rubber farmer groups and so on. Farmer groups show successful performances while many of them have a number of problems in governance and implementation. The successful and failure cases of farmer groups are very important and useful for further farmer organization development. They also link to food security issue in household and community levels. However, the information on how the existing farmer organizations have been implemented in the grass root level and how effected interventions and supports from the Government and International Organizations are limited.

Objectives of Study were to investigate the forms of farmer organizations existing in the three parts of Lao PDR and their development , to examine the problems and impacts of those farmer originations in relation to food security issues, to describe the external supports from the Government and international organizations and to provide recommendations to formulate effective and sustainable farmer organization in relation to food security.

Target areas were Oudomxai Province, Champasack Province and Vientiane Province representatives of the Northern , Southern and the Central provinces of the country, respectively. The case study methodology will be applied. To obtain reliable and accountable data, both successful and fail cases were investigated. The research will cover 24 cases ; 8 cases for each province ; 4 successful cases and 4 failure cases. The selection of the cases were based on the data of and the Ministry of Agriculture and Forestry and Provincial Agriculture and Forestry offices .

Semi-structural interview techniques are used to obtain data from the leaders of farmer organizations , steering committee members , administrative staff and members. Also, the qualitative and quantitative data are collected from MAF , Ministry of commerce and Industry and Ministry of Justice , provincial and district authorities , agricultural extension staffs, NGOs , financial providers , project managers and private sectors.

Results of study showed that most of farmer organizations in Vientiane province were initiated by outside organizations such as Development Projects. The main objective was to access technical production knowledge and farm inputs. While most of farmer organizations in Oudomxai province were initiated by community leaders for accessing to market and farm inputs. Most of agricultural products were market locally through middlemen in both areas. Prices were basically determined by middlemen. It was found that there was good network of farmer organizations in Vientiane to exchange information on production technique. For Oudomxai , the network was established between buyer and farmer groups such as tobacco group. To strengthen the existing farmer groups , an institutional arrangement is needed to be setup to be specifically responsible for developing and supporting them.

## บทคัดย่อ

รหัสโครงการ : RDG5310012  
ชื่อโครงการ : Farmer organization development and food security in rural areas  
ชื่อผู้ดำเนินการ : Associate Professor Linkham Douangsavanh , Ph.D  
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ต้นปี 2533 องค์การเกษตรกรรูปแบบใหม่ได้รับการพัฒนาขึ้นเพื่อทดแทนสหกรณ์ที่จัดตั้งโดยรัฐที่กำลังลดบทบาทลง กลุ่มเกษตรกรที่แตกต่างกันตามการผลิตได้เริ่มขึ้นเป็นโครงการนำร่อง เช่น กลุ่มเกษตรกรปลูกผัก ผักปลอดสารพิษ กลุ่มผลิตกาแฟ กลุ่มผลิตยาสูบ กลุ่มปลูกยาพารา และอื่นๆ หลายกลุ่มประสบผลสำเร็จในการดำเนินงาน ในขณะที่อีกหลายกลุ่มยังมีปัญหาในการดำเนินงาน แต่ข้อมูลด้านนี้ยังมีอยู่จำกัด

วัตถุประสงค์ของการศึกษา คือ เพื่อต้องการตรวจสอบรูปแบบและการพัฒนาขององค์การเกษตรกรที่เป็นอยู่ใน 3 ภูมิภาค เพื่อศึกษาปัญหาและผลกระทบต่อกิจกรรมในมิติของความมั่นคงด้านอาหาร เพื่ออธิบายการสนับสนุนของรัฐและองค์การระหว่างประเทศ และเพื่อนำไปสู่ข้อเสนอแนะของการเพิ่มประสิทธิภาพและความยั่งยืนให้กับกลุ่มเกษตรกรเพื่อความมั่นคงด้านอาหาร

พื้นที่ศึกษาคือจังหวัดอุดมชัย จำปาสักและเวียงจันทน์ ซึ่งเป็นตัวแทนของภาคเหนือ ได้และกลางตามลำดับ การศึกษาใช้กรณีศึกษา ทั้งกรณีที่มีประสิทธิผลสำเร็จและล้มเหลว รวม 24 กรณีศึกษา แบ่งเป็น 8 กรณีศึกษาในแต่ละภูมิภาค โดยเป็นกรณีศึกษาที่มีประสิทธิผลสำเร็จและที่ล้มเหลวอย่างละ 4 กรณี ทั้งนี้การเลือกกรณีศึกษาอิงข้อมูลจากกระทรวงเกษตรและป่าไม้ และข้อมูลระดับจังหวัดการเก็บข้อมูลใช้การสัมภาษณ์ผ่านคำถามเชิงโครงสร้างโดยสัมภาษณ์แกนนำกลุ่ม องค์กร กรรมการและผู้บริหารกลุ่ม ข้อมูลทุติยภูมิมาจากกระทรวงเกษตรและป่าไม้ กระทรวงยุติธรรม และหน่วยงานระดับจังหวัด ผู้ให้เงินทุนผู้จัดการโครงการ องค์กรพัฒนาเอกชนและหน่วยงานภาคเอกชน

ผลการศึกษาแสดงให้เห็นว่า กลุ่มเกษตรกรส่วนใหญ่ในจังหวัดเวียงจันทน์เริ่มต้นมาจากการจัดตั้งของหน่วยงานภายนอก เช่น โครงการพัฒนาของรัฐ วัตถุประสงค์หลักคือเพื่อให้เกษตรกรได้รับความรู้ด้านเทคนิคการผลิตและความช่วยเหลือด้านปัจจัยการผลิต ในขณะที่กลุ่มเกษตรกรส่วนใหญ่ของจังหวัดอุดมชัยเริ่มมาจากแกนนำชุมชนเพื่อประโยชน์ด้านตลาดและปัจจัยการผลิต ผลผลิตส่วนใหญ่จำหน่ายในตลาดพื้นที่ ผ่านการรวบรวมของพ่อค้าคนกลาง แต่ราคาถูกกำหนดโดยพ่อค้าคนกลาง พบว่ามีเครือข่ายที่ดีของกลุ่มเกษตรกรในเวียงจันทน์เพื่อแลกเปลี่ยนข้อมูลและความรู้เรื่องเทคนิคการผลิต ส่วนจังหวัดอุดมชัยนั้นจะเป็นเครือข่ายระหว่างผู้ซื้อและกลุ่มเกษตรกร เช่น กลุ่มยาสูบ ในการเพิ่มความเข้มแข็งให้กับกลุ่มเกษตรกรที่มีอยู่ ควรจัดตั้งสถาบันขึ้นมาดูแล พัฒนาและสนับสนุนกลุ่มเกษตรกรอย่างเป็นทางการ

## **ABBREVIATIONS**

### **Currency Equivalent**

(As of 18 August 2010)

**LAK 8,211 = US\$ 1.00**

**Source:** Bank of the Lao PDR

### **Abbreviations**

|                 |   |
|-----------------|---|
| ESCAP           | Economic and Social Commission for Asia and the Pacific |
| FAO             | Food and Agriculture Organization                       |
| GDP             | Gross Domestic Product                                  |
| ICA             | International Cooperative Alliance                      |
| km <sup>2</sup> | square kilometer  |
| Lao PDR         | Lao People's Democratic Republic                        |
| LDCs            | Least Developed Countries                               |
| MRC             | Mekong River Commission                                 |
| NGO             | Non Government Organization                             |
| NGPES           | The National Growth and Poverty Eradication Strategy    |

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# **Chapter I**

## **Introduction**

### ***1.1 Background***

Lao People's Democratic Republic (Lao PDR) is located in Southeast Asia. It is landlocked country which is bordered by Vietnam to the East, Thailand to the West, China to the North, Myanmar to the Northwest, and Cambodia to the South. It covered 236,800 square kilometers (Km<sup>2</sup>). The topography of the country is mainly mountainous accounted for 75 percent of the total area, with elevations more than 500 meters (Peter et al, 2008).

Lao PDR is divided into sixteen provinces and one municipality which is the capital City. Each province and the municipality are further subdivided into districts amounting to a total number of 139. Each district is also consists of a number of villages. In 2006 it was recorded that there were 10,552 Villages in the country (Department of Statistics, 2007).

The country has the total population of approximately 5,859,000 (ESCAP, 2008). It is a sparsely populated country, which is also shown by the average population density of only 24 people per square kilometer (km<sup>2</sup>) (Peter *et al*, 2008). According to The World Bank (2008), around 85 percent of the population lives in rural areas and engage in agriculture.

Lao PDR is classified as a least developed country. In 2007, it had the GDP per capital of US\$ 630. Agriculture sector plays the most important role in country's economy, contributing 40.3 percent of the GDP and employing approximately 80 percent of the labor force (World Bank, 2008). However, 72 districts of the 139 were identified as poor with 40 were identified as very poor (Peter *et al*, 2008). 33 percent of the total population living below the national poverty line (ESCAP, 2008 and World Bank, 2008). Thus, the 6<sup>th</sup> Party Congress in 1996 had set the National Growth and Poverty Eradication Strategy (NGPES) to be central to the national development agenda and encapsulate the essence of the Lao PDR's approach to the achievement of the goal which is exiting from the group of Least Developed Countries (LDCs) by 2020 (Peter *et al*, 2008).

Agriculture is the most fundamental sector for most underdeveloped countries. It is also one of the main focus sectors for the country economic development of the Lao Government. The agricultural production systems are generally small scale in individual household level with



the main objective of family subsistence or food security purpose. Some extra agricultural productions are usually sold or exchanged in a local market, when the stocked productions are sufficient until the new harvesting season. Only few farmers with favorable conditions, such as available large and fertile soil, having a water resource for irrigation, and having financial capacity for investment, implement commercial agricultural production.

## ***1.2 Statements of Problems***

Since the country had independence in 1975, the Government of Lao PDR with assistants from international organizations in both Government and Non Government Organizations had been continually promoting agricultural sector by different approaches. Initiating and supporting local communities in rural areas to setup farmer organizations in grass-root level is one of the main promotion approaches. Different types of farmer organizations had been developing and implementing over the country.

State-lead cooperative farms in the form of collective actions were highly promoted by the Government during late 1970's through the country which was significantly influenced by the socialist development model such as former Vietnam and Soviet Union. The cooperative system increased dramatically during the following decade. From 1980 to 1986, the Number of the agricultural cooperatives had increased from 1,343 to more than 3,976 units (Schiller *et al*, 2006) and employed over 50 percent of all farming families (Fox, 1997). After that in 1986, the Government of Lao PDR had introduced the New Economic Mechanisms to promote the idea of a new cooperative model better adapted to market economy. Since this time period, the state-lead cooperative had started declined and completely dismantled in 1990 (Castella *at el*, 2009 and USA International Publications, 2007).

In the early 1990, a new form of farmer organization was developed. Different farmer groups based on production types were initiated as pilot projects. When several small farmers form in a group with common interests, they not only gain the benefits of economics of scale, but also the reputation from collective action (Winfree and McCluskey, 2003). The first initiated farmer group was water user group to manage water use for their crop production from an irrigation system. After that, there were also other production groups had been setup over the country such as vegetable production groups, organic vegetable production groups, organic rice production groups, corn production groups, fruit production groups, coffee production groups, tobacco production groups, poultry production groups, swine production groups,

aquaculture groups, agro-processing groups, sugarcane production groups, and rubber farmer groups. More recently, successful farmer groups had developed further to be a modern farmer organization with increasing a wide range of important activities within their groups such as providing support on credits, production inputs, processing, and marketing to their members. However, most of them still called their modern organization as a production group or association. They do not prefer to be called as an agricultural cooperative, because of the bad image and implementation of the agricultural cooperative system during 1990. Although most farmer organizations call themselves in the local language as a producer/farmer group or association, some of them with assistant from international organizations are called in English as a farmer cooperative, for example Jhai Coffee Farmers Cooperative in Champasack Province (Jhai Coffee Farmers Cooperative, 2008).

The actual implementations of the existing farmer groups show both successful and failure dimensions. Some farmers groups are well functioned and progressively growing, while many of them have a number of problems in governance and implementation. The successful and failure cases of farmer groups are very important and useful for further farmer organization development. They also link to food security issue in household and community levels. However, until recently there are very limited empirical studies and researches on these issues in Lao PDR. Thus there is lacking of the information on how the existing farmer organizations have been implemented in the grassroot level and how effected interventions and supports from the Government and International Organizations. On the other hand, the Government as well as International Organizations such as FAO, Word Bank, MRC, and ICA are emphasizing on promoting modern farmer organizations for rural development in a sustainable way in Lao PDR. The new modern farmer organizations are farmer associations and farmers cooperatives.

Therefore, this research intends to start filling this gap by investigating the development of the existing farmer organizations in the rural areas and the effects that the Government and International Organizations have intervened and supported to rural communities in the country. The research will also review of empirical findings on the implementation and the effectives of farmer organizations in other developing countries. Finally it will provide useful recommendations to the key stakeholders in providing supports and interventions to improve the farmer organizations in the rural area in a sustainable manner.

### ***1.3 Research Objectives***

The general objective of this research is twofold. The first objective is to investigate the development of different types of farmer organizations which are existing in Lao PDR. The second objective is intending to generate policy-relevant knowledge on how the farmer organizations can contribute to food security issue in rural area in a sustainable manner.

**To arrive at answers to these objectives, this dissertation aims to:**

1. investigate the forms of farmer organizations existing in the three parts of Lao PDR and describe how they develop;
2. examine the problems and impacts of the existing farmer organizations in relation to food security issues;
3. describe the external supports from the Government and international organizations?
4. provide recommendations on how to formulate effective and sustainable farmer organization in relation to food security in rural areas.

## **Chapter II**

### **Research Methodology and Design**

#### ***2.1 Research Questions***

In order to achieve the general objective and the specific aims of the research, it will address the following research questions.

1. What are the existing types of farmer organizations in Lao PDR? How did they develop? What are governance systems? How do they manage their resources?
2. What are the fundamental issues and impacts of the farmer organizations in relation to food security issues?
3. What are the external supports from the Government and international organizations in terms of institutions, capacity buildings, financial assistances, and other necessary supports?
4. How can the farmer organizations be improved in a sustainable and effective way, so they can contribute to food security in rural area in Lao PDR?

#### ***2.2 Research Methodology***

The research method used was based on both qualitative and quantitative research approaches. During the research, the researchers had also reviewed related literatures. This research will mainly use case study methodology. This is a non-experimental research type which includes explanatory and descriptive. In the descriptive, it will investigate the state, dynamic and historical of the farmer organizations. Both successful and fail cases will be selected in each province to investigate their governance systems.

##### **2.2.1 Research Location**

According to the geographical characteristic, Lao PDR is divided into three parts, Northern, Central, and Southern part. The Northern provinces are mostly mountainous and highland areas. The central part of the country is mainly flat lowland, while some of Southern provinces are on fertilized plateau. The research had been also conducted in 3 parts of the country by selecting one representative province for each part. Oudomxai Province represents

the Northern provinces, while Champasack Province represents the Southern provinces. Vientiane Province represents the Central provinces of the country.

### **2.2.2 Case Selection**

The case study methodology was applied for this research. To obtain reliable and accountable data, both successful and failed cases were needed to be investigated to see both dimensions. The initial selection of the cases and the target communities were carried out in cooperating with the concerned agencies within the Ministry of Agriculture and Forestry such as Agriculture and Forestry Policy Research Center (PRC) under the National Agriculture and Forestry Institute (NAFRI) and Provincial Agriculture and Forestry offices (PAFOs).

### **2.2.3 Data Collection Methods**

The applied data collection method to obtain reliable information was integrated between different techniques. It included examining secondary information and records, interviewing concerned people and agencies in individuals and groups, and direct and participatory observation for triangle checking the quality of the information.

### **2.2.4 Target Interviewees**

To obtain necessary information for the research, it needs to interview two different groups as follow:

- Target interviewees in farmer organizations will include: Leaders of the organizations, Steering committee members, Administrative staff, Accountants and cashiers, and Member farmers.
- Target interviewees outside the organization will consist of: Concerned ministries such as Ministry of Agriculture and Forestry, Ministry of Commerce and Industry, and Ministry of Justice, Provincial and District Authorities, Agricultural Extension staff, Related international organization (both GOs and NGOs), Financial providers, Project managers, and Private sectors such as business firms, contractors, and middlemen.

### ***2.3 Data Collection Tools***

This study will employ semi-structural interview techniques to investigate required information from different stakeholders. Thus, different interview guidelines were developed according to the research objectives, research questions, and the target interviewees and used as the data collection tools. (See Annex 1)

### ***2.4 Time Schedule***

This research project had started in January 2010 and implemented for one year until December 2010. During February 2010, research tools were developed and applied for data collection in the field during March to June 2010. The data was analyzed in July and August. The results were discussed in the draft report during September and October 2010. The detail of the research schedule is in the Annex 2.

## **Chapter III**

### **Reviewed Literatures**

The term “farmer organization” is still not stated in any formal legal form in Lao PDR, but it refers to a non formal organization which main aim is to introduce agricultural output produced by individual farmers to a market. Agricultural producer groups can operate based on an oral agreement between farmers or with a more formal structure. Many concepts, theories, and lessons from farmer organizations and cooperatives had been described bellow.

Kramer (2000) had defined cooperatives as the origination’s voluntary character, self-help principle, cooperation on common objectives, democratic and nonhierarchical management structure, member contribution, and equitable share of benefits and risks.

Cook (1995) had differentiated agricultural cooperative organizations into six different types. These are Farm Credit System, Rural Utilities, Local Cooperatives, Multifunctional Regional Cooperatives, Bargaining Cooperatives, and Marketing Cooperative.

Hanehan and Anderson (2001) had stated that some motivations drive actors to form a cooperative. The feasibility and potential return are one of the major driven factors. In addition the other important of driven factors can be access to certain services, selling at better prices, user control, access to inputs, and access to markets. The authors had also discussed about six phases in the establishment of a new cooperative which are 1) Identifying an opportunity, 2) Building consensus on a cooperative’s potential, 3) Developing trust among potential members, 4) Securing member commitment, 5) Involving other stakeholders, and 6) Starting up the cooperative.

Banaszak (2009) had determined success and failure of producer groups in Wielkopolska Province Poland. She had pointed out that a major proportion of failed groups was establishing by initiative of the extension service, while none of the groups classified as successful were established by the extension service. Member commitment and leadership could also cause failure of the cooperative. However, the author had stated that the most significant impact on the likelihood of group success was achieved by the variables indicating where the members had a business relationship before establishing the cooperative.

North (1990) had defined institutions as the rules of the game in a society. Formally, institutions are the human developed constraints which shape human exchange, whether political, social, or economic. He had also pointed out that institutional change shapes the way societies evolve through time, so it is the key to understanding historical change.

Hanisch (2003) has stated that socialist organizational structures persist long after the transformation. Thus, despite the transformation and the initiation of new cooperative alliances of farmers, the decision-making in cooperatives is still centralized and managers still play the crucial role in the organization.

Fulton (1995) had deliberated changes in the Canadian cooperative sector and brings attention to changes in both technology and society's individualistic value, which make less favorable environment for cooperation. The author also had described the role of formal institutional environment in the cooperative movement. The role of formal institutional environment in fostering cooperation between farmers had also been explained by Hanehan and Anderson (2001). They had pointed out the necessity of external support during the process of establishing cooperatives.



## **Chapter IV**

### **Research Findings**

#### ***4.1 Farmer Organizations in Phonhong District, Vientiane Province***

##### **4.1.1 Existing types, development, governance and management system of the farmer organizations**

###### **4.1.1.1 Existing types**

In Phonhong District, there are two main farmer organization types which are classified according to production activities. The two forms of farmer organizations are Farmer Group and Farmer Association. Some existing farmer groups and association in Phonhong District are:

1. Clean Agriculture Producer Group in Aekxang Village
2. Rice Seed Producer Association in Naphotai
3. Rice Seed Producer Group in Phonkhan village
4. Rubber Plantation Group in Lackhasivsong Village (Km 52)

Based on agricultural production activities, more than one farmer groups are often established in some villages. For example: in Taothan village, there are Rice Producer Group, Organic Vegetable Producer Group, Livestock and Crop Producer Group, Food processing Group, Bio-Compose and Herbal Liquid Producer Group, and Village Development Fund. In addition, one farmer can also be a member of several producer groups based on his/her agricultural production activities in the village.

###### **4.1.1.2 Development**

The initial establishment of a farmer organization will lead to the sustainable farmer organization. The original idea on setting up a farmer organization from an outside agency, for example: development project, high power person, or government organization, can lead to unattainable farmer organization in the long-term. If the primary idea is from farmers themselves, their farmer organization is more likely long-term sustainable.

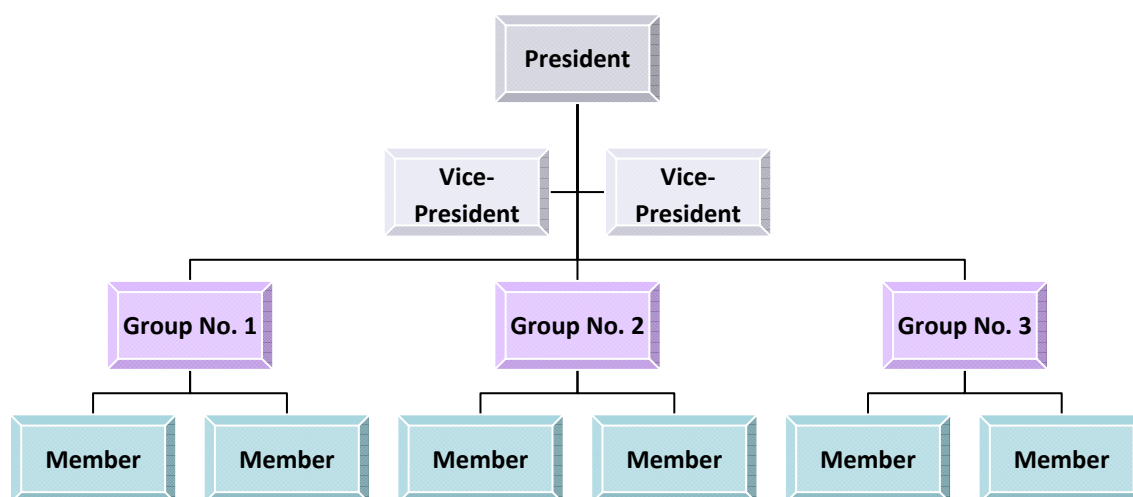
Most of the above farmer groups and association had been setup by technical and financial assistance from a development project, Provincial Agriculture and Forestry Office or District Agriculture and Forestry Office. The financial support is mainly from a development project or/and international organization in the form of loan without interest. On the other hand,

some of them are based on the initial idea from farmers. The development projects provide assistances in foundation of the group, development of rules and regulations for the group, capacity building by technical training in production and management, conducting study tours, and establishment fund with no or low interest. For example: the Organic Vegetable Producer Group in Thaothan village was setup by supporting from Phonsung Development Project, but the original idea came from the member farmers.

#### 4.1.1.3 Governance and Management System

As mentioned above, setting up a farmer organization is based on production systems. Two types of farmer organizations, which are Farmer Association and Farmer Group, had been found in Phonhong District, Vientiane Province. Both of them have different organizational structures.

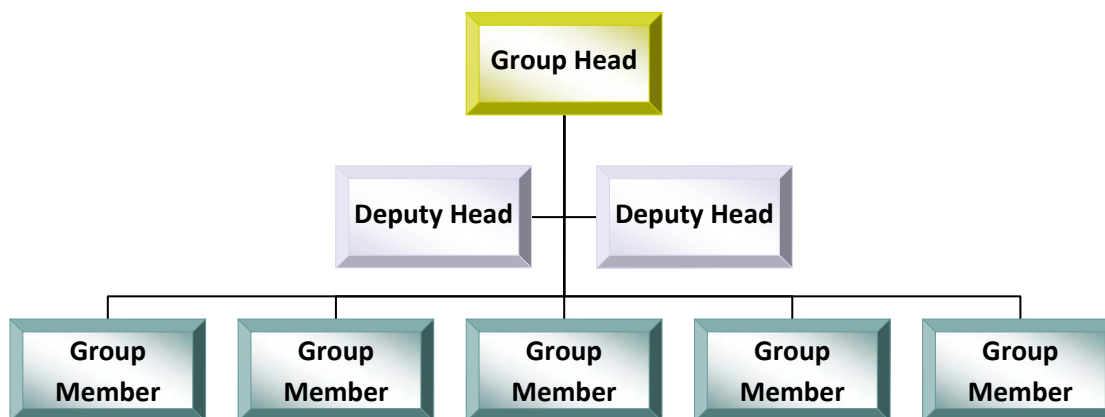
A farmer association is usually managed by one president and two vice presidents. The association consists of a number of groups within the same or different villages. Each group also has several members which have the same common production system within the village. The organizational structure can be seen in the figure 1 below.



**Figure 1: Organizational Structure of a Farmer Association in Vientiane Province**

Another form of farmer organization is the Farmer Group or Producer Group. Each of farmer group is usually managed by mainly Head of the Group with assistance by two Deputy Heads. The group consists of several farmers as members that have the same common production system within their village. There can be many farmer groups in a village

depending on production systems. The organizational structure of a farmer group can be seen in the figure 2 below.



**Figure 2: Organizational Structure of a Farmer Group in Vientiane Province**

Both types of organizations are managed based on set of rules and regulations which have been developed in a participatory manner. In the association type, the rules and regulations are clearly documented in details, while they are mostly not stated in a document form for the group type. They are usually stated by a verbal form and not yet well developed.

In most cases, the farmer (producer) groups are still in the very beginning stage, which are newly set up. To become a member, the farmer must have the same production system as of the group. The research had found that the members do not have to pay for the membership fee. The group running cost is very minimal and unaccountable. Mutual monetary benefit is still unavailable. The fund generation of the group is from a development project in the form of concessional loan (loan with low interest). The main objective of forming a farmer group is to access to technical knowledge in agricultural production. The production is depended on individual farmers without coordinating and planning among the members. In addition, monitoring and evaluation systems are still not systematic and regular.

For example: Organic Vegetable Producer Group in Thaothan village had been just setup for only 5 months. After participating in the group, the members had accessed to technical training courses and study tour on vegetable production, which were supported by the Phonsung Development Project. The group membership is free of charge, so they do not have to pay anything for being the group members. The group management, implementation, and

function are still very weak and the rules and regulations of the group are also still not available in a document form.

#### **4.1.2 The fundamental agricultural products and marketing**

Farmer (producer) groups are commonly named by the production system such as Rice Producer Group, and Organic Vegetable Producer Group. Thus, each producer group has specific types of products. The products of the Organic Vegetable Producer Group are bean, lettuce, Chinese Cabbage, Morning glory and other leaf vegetable. For example: a member of the group can obtain about 9,000,000 LAK from producing and selling organic vegetables such as lettuce, Chinese Cabbage, Morning glory during the last crop season. However, the production is majorly seasonal base.

The agricultural products are usually marketed in two different ways. The most common way is that there are several merchandizes or middleman come to buy the product from the farm. Some of products are taken to sell in a nearby market. Nevertheless, in most cases the price between an organic and regular product is not different. The traders usually buy in bulk.

#### **4.1.3 The interaction with other farmer organizations and the agricultural markets**

During the beginning of the group establishment, a study tour had been usually organized to visit and exchange production and management knowledge. This is the start of the network relationship. It was found that most of groups cooperate with each other mainly for the technical knowledge exchange purpose. For example: The Organic Vegetable Group in Thaothan village, Phonhong District, Vientiane Province has a cooperation with the Organic Vegetable Group in Nontae Village, Xaithany District, Vientiane Capital, which is about 70 km far away. The main purposes of the cooperation is firstly technical knowledge exchanging and information sharing. The cooperation is still informal way, which has no an official agreement.

In most cases, farmer groups have access to markets through traders or middlemen. The relationship is still informal way and irregular. The traders/middlemen can control over the price, quantity, and the time of the agricultural products.

## ***4.2 Farmer Organizations in Xai District, Oudomxay Province***

### **4.2.1 Existing types, development, governance, and management of the farmer organizations**

#### **4.2.1.1 Existing types**

In Xai District, only one type of farmer organization is found, which is farmer or producer group. Some existing farmer groups are found in the district are Irrigation Water User Group, Tobacco Producer Group, and Swine Producer Group.

#### **4.2.1.2 Development**

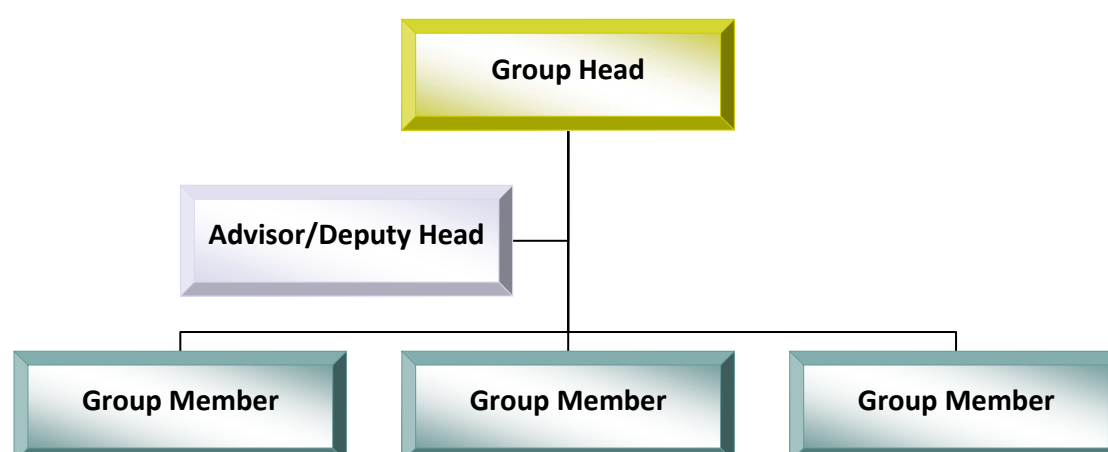
Different farmer groups had been set up based on different driven factors. The Water User Group had been setup by government authority to manage irrigation water for crop production in the dry season more effectively. Feasibility and potential driven factor is found in the formation of the Tobacco Producer Group. The Group was found to access to a secure market of Tobacco products, production inputs such as fertilizers and seedlings, and production technical support. On the other hand, the main objective in forming the Swine Producer Group is to access to a formal credit system, which is farmer original idea.

The group members of all three groups had been changing from time to time. They are increasing in the Water User Group from 54 to 76 households, because of increasing the numbers of households in the areas including new married and immigrated households. Since starting, the number of members in Swine Producer Group had not been changed. They have to retain a certain number of the member which is 10 farmers in order to access the formal credit from a financial institution such as Agricultural Promotion Bank. However, the member number of the Tobacco Producer Group had been slightly decline from 32 to 30 households, because of dissolving in their families.

#### **4.2.1.3 Governance and Management System**

Two major organizational forms of farmer organizational structures had been found in Xai District. The common structure is that the group is managed by one Head of the Group with an assistant (Deputy Head) or an advisor. The group consists of several farmers as members that have the same common production system. This structure has been found with a small group, for example: the Tobacco Producer Group and Swine Producer Group. This organizational structure can be seen in the figure 3.

Another form of organizational structure is that the group is managed by the Head of the Group with assistance by two Deputy Heads as found in Vientiane Province. The two Deputy Heads are responsible for finance and control of the group respectively. The group consists of several farmers as members that have the same common production system. This structure has been found with a large group, for example: the Irrigation Water User Group. This organizational structure can be seen in the figure 2.



**Figure 3: Organizational Structure of a Farmer Group in Xai District, Oudomxay Province**

Both types of organizations are managed according to set of rules and regulations. All of the above producer groups have stated rules and regulations clearly in a number of formal documents, which were developed by assistance from outside organizations that are the key players in their production inputs or market chain. However, in most cases, the rules and regulations were developed without participatory from group members.

The research had found that in most cases formation of the groups are still in the very early step, so no membership fee system has been yet applied. The group running cost is still minimum and not accounted. Mutual monetary benefit sharing among the group members is still unavailable. For the groups that have operating costs such Irrigation Water User Group, the group running cost is mostly covered by shared benefit from water use fee. The main objectives of forming a farmer group in Xai District are to access to agricultural inputs and market. The production is still depended on individual farmers without coordinating and planning among the members. The implementation of group activities is mainly decided by

the three management authorities, which consist of the Head and two Deputy Heads of the Group. In addition, monitoring and evaluation systems are still not systematic and regular.

For example: Tobacco Producer Group in Mai Village had been established in October 2009 by village authorities. After forming the group, Lao Tobacco Limited in Vientiane Capital had provided technical knowledge in production management as well as initial investment loan without interest for establishing baking houses in the value of 8,000,000 LAK per unit per two members. There is no membership fee. The rules and regulation of the group are very well and formally documented by assisting from the Lao Tobacco Limited.

#### **4.2.2 The fundamental agricultural products and marketing**

As mentioned in the section 4.1.2 above, farmer groups are usually called according the types of production. Thus, the products of Tobacco Producer Group and Swine Producer Group are tobacco and pigs respectively. For example: a member of the Tobacco Producer Group had gained about 6,000,000 LAK from producing tobacco during last dry season. A member of the Swine Producer Group had benefit of approximately 3,900,000 LAK from selling 5 pigs.

The marketing system of agricultural products in Xai district is mainly depended on traders. The research had found that in most cases traders or companies come to buy agricultural products in villages. Therefore, the farmer groups have accessed to only few buyers and the prices are mainly controlled by the buyers.

#### **4.2.3 The interaction with other farmer organizations and the agricultural markets**

Some farmer groups have established network relationship with other groups and markets very well, while some have not even yet established any cooperation with other farmer organizations and very little connection with markets. For example: The Tobacco Producer Group in Mai Village, Xai District, Oudomxay Province has informal cooperation with other Tobacco Producer Groups in nearby villages such as Phonxai, Bor, Kat and Houyxiang to exchange production knowledge and information. The group also has a strong and formal cooperation with the Lao Tobacco Limited in terms of technical knowledge and market. However, the Swine Producer Group in the same village has no cooperation with any other swine producer groups.

### ***4.3 Farmer Organizations in Bachiang Chareunsouk District, Champasack Province***

#### **4.3.1 Existing types, development, governance, and management of the farmer organizations**

##### **4.3.1.1 Existing types**

Bachiang Chareunsouk District is one of the important agriculture districts located in the fertile Bolaven Plateau. The major agriculture productions are industrial and horticultural crops such as coffee, Fruits, Root crops, and a number of vegetable varieties. Mostly farmers produce for commercial purpose. The major agricultural products are exported to Thailand.

Two main farmer organization types are found in this district such as Commercial Producer Group and Coffee Producer Group.

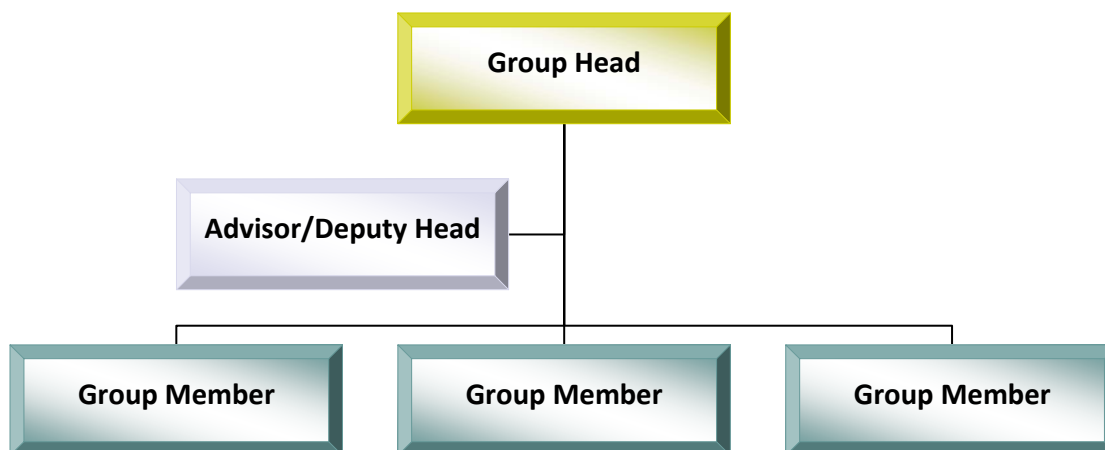
##### **4.3.1.2 Development**

Both types of farmer organization had been setup by supporting from a development project, Provincial Agriculture and Forestry Office or District Agriculture and Forestry Office to access to technical and financial assistance as well as markets. The financial support is mainly from a development project or/and international organization in the form of loan without interest.

##### **4.3.1.3 Governance and Management System**

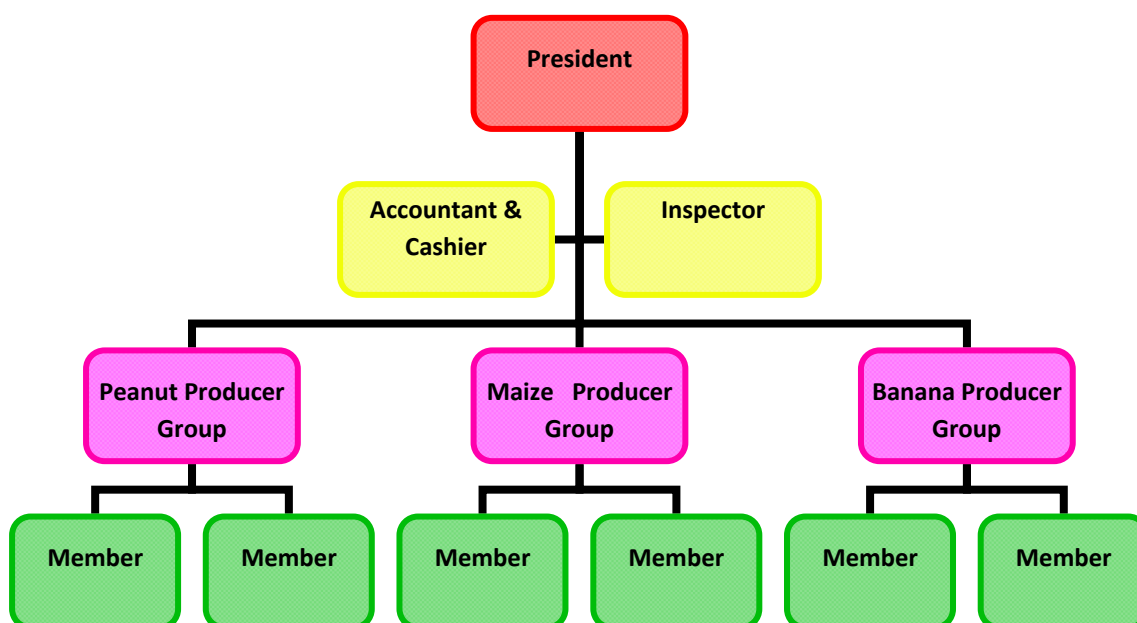
Two major organizational forms of farmer organizational structures had been found in Bachiang Chareunsouk District. The organizational structure of Coffee Producer Group is that the group is managed by one Head of the Group with an assistant (Deputy Head) or an advisor. The group consists of several farmers as members that have the same production system. This organizational structure can be seen in the figure 4.





**Figure 4: Organizational Structure of the Coffee Farmer Group in Bachiang  
Chareunsouk District, Champasack Province**

Another form of the farmer organization is Commercial Producer Group which is usually managed by one president, one financial officer, and one inspector. The group also consists of several sub-groups which are classified by type of production. The organizational structure can be seen in the figure 5 below.



**Figure 5: Organizational Structure of the Commercial Producer Group in Bacniang  
Chareunsouk District, Champasack Province**

Both types of organizations are managed based on set of rules and regulations which have been developed in a participatory manner. In the association type, the rules and regulations are clearly documented in details, while they are mostly not stated in a document form for the group type. They are usually stated by a verbal form and not yet well developed.

In most cases, the farmer organizations are still in the early stage, which are newly set up. To become a member, the farmer must have the same production system as of the group. The research had found that the members do not have to pay for the membership fee. The group running cost is very minimal and unaccountable. Mutual monetary benefit is still unavailable. The fund generation of the group is from a development project in the form of in-kind such as coffee cleaning facility. The main objective of forming a farmer group is to access to technical knowledge in agricultural production. The production is depended on individual farmers without coordinating and planning among the members. In addition, monitoring and evaluation systems are still not systematic and regular.

#### **4.3.2 The fundamental agricultural products and marketing**

The agricultural products from the farmer organizations in this district are usually marketed in two different ways. The most common way is that there are several merchandizes or middleman come to buy the product from the farm. Some of products are sold to a contract buyer. Nevertheless, in most cases the price paid by contract buyer and other merchandises or middleman is not much different. Both of the traders usually buy in bulk.

The products from the farmer organizations in this district are coffee, peanut, maize, and banana. However, the production is majorly seasonal base.

#### **4.3.3 The interaction with other farmer organizations and the agricultural markets**

During the beginning of the group establishment, a study tour had been usually organized to visit and exchange production and management knowledge. This is the start of the network relationship. It was found that most of groups cooperate with each other mainly for the technical knowledge exchange purpose. The cooperation is still informal way, which has no an official agreement.

In most cases, farmer groups have access to markets through traders or middlemen. The relationship is still informal way and irregular. The traders/middlemen can control over the price, quantity, and the time of the agricultural products.

#### ***4.4 How the Farmer Organizations Can Be Improved in a Sustainable and Effective Way***

According to Hannehan and Anderson (2001), the feasibility and potential return are one of the major driven factors to form a farmer group. There are also other important driven factors such as access to certain services, selling at better prices, user control, access to inputs, and access to markets. Thus, these issues should be considered during the establishment of a farmer group.

The steps of establishing a farmer group should follow six phases in the establishment of a new cooperative which are:

- 1) Identifying an opportunity,
- 2) Building consensus on a group's potential,
- 3) Developing trust among potential members,
- 4) Securing member commitment,
- 5) Involving other stakeholders, and
- 6) Starting up the group/organization.

After establishing a group, legal institution framework must be well developed for the group and cooperating agencies such as rules and regulation. This can secure the group and its benefit.

While the group is in place, comprehensive capacity building must be supported to all members in terms of production and marketing knowledge and skills. This activity should be regular monitored to identify the skill needs. In addition, the group leaders, administration and financial staff must be given a management and financial training skills.

As mentioned above, the farmer groups are still new and in early stage. They lack of legal institution framework. Thus, they are facing many obstacles in both production and marketing. This will lead to sustainable of the farmer groups. In order to strengthen the

farmer groups in both Phonhong and Xai District, some important issues should be highly considered by the government and other support organizations as follow.

- 1) start by awareness raising on modern farmer organizations concept, issues, legal framework as well as positive and negative aspect.
- 2) support for setting up pilot a modern farmer organization such as producer groups, farmer associations, or association in each region where there is the potential and positive arrangement of smallholder farmers and expanding to each province and district progressively
- 3) assist in development of and strengthen the institutional and legal framework of the pilot farmer organizations
- 4) support for capacity building in both technical knowledge on production, marketing, organizational and financial management
- 5) organizing study trips to both domestic and neighboring countries to exchange knowledge on farmer organization.
- 6) provide seed grant for setting up a farmer organization or association or farmer cooperative.
- 7) support the linkages between different farmer organizations that have similar production system.
- 8) provide support on finding secured markets
- 9) facilitate on-time payment by traders or buyer
- 10) assist in facilitating quality control process such as Green Certificate, Organic Certificate, Fair Trade Certificate, SPS certificate.
- 11) support in initiating farmer organization development fund which includes saving, credit, and funeral fund scheme.

setup an institutional arrangement to be specifically responsible for supporting farmer organizations, associations, and cooperatives in both central and local level.

## Chapter V

### CONCLUSION

The research had been conducted to investigate farmer organizations in two districts in two provinces. In the northern part the study had conducted in Xai District, Oudomxai Province, while in the center part the study had focused in Phonhong District, Vientiane Province. The research had focused on the key issues such as types of existing farmer organizations, the development process, products and marketing and networking of the farmer organizations in the two Districts. The results can be summarized in the table below.

| Items                                   | Farmer Organizations in Phonhong District, Vientiane Province  | Farmer Organizations in Xai District, Oudomxai Province  |
|---|--|--|
| <b>Forms of farmer organizations</b>    | Farmer Groups and Farmer Association <ul style="list-style-type: none"> <li>• Clean Agriculture Producer Group</li> <li>• Rice Seed Producer Association</li> <li>• Rice Seed Producer Group</li> <li>• Rubber Plantation Group</li> <li>• Organic Vegetable Producer Group</li> <li>• Livestock and Crop Producer Group</li> <li>• Food processing Group</li> <li>• Bio-Compose and Herbal Liquid Producer Group</li> <li>• Village Development Fund</li> </ul> | Farmer or Producer Groups <ul style="list-style-type: none"> <li>• Irrigation Water User Group</li> <li>• Tobacco Producer Group</li> <li>• Swine Producer Group</li> </ul>              |
| <b>Organization Development</b>         | <ul style="list-style-type: none"> <li>• More initiate by outside organizations such as Development Projects.</li> <li>• The main objective is to access technical production knowledge and farm inputs.</li> </ul>  | <ul style="list-style-type: none"> <li>• More initiate by community leaders or leading farmers</li> <li>• The main objective is to access the market and farm inputs</li> </ul>          |
| <b>Agricultural products and market</b> | The agricultural products are depended on the groups or association and seasonal base.<br><br>In the case studies, the products are Organic Vegetables: bean, lettuce, Chinese Cabbage, Morning growly and other leaf  | The agricultural products are depended on the groups and seasonal base.<br><br>The agricultural products of the farmer groups are rice, tobacco, and pig.<br><br>The products are mostly |

| Items  | Farmer Organizations in Phonhong District, Vientiane Province   | Farmer Organizations in Xai District, Oudomxai Province   |
|--|---|---|
|  | <p>vegetable.</p> <p>The products are marketed in the village purchased by merchandises or middleman and some are sold in nearby markets</p> <p>Prices between organic and non-organic products are not different.</p>                              | <p>marketed in the village. The farmer groups have just accessed to only few buyers who control the price and quantity.</p>   |
| <b>Network with other farmer organizations</b> | <p>Good network building with other farmer organization in nearby province to exchanging production knowledge and information.</p> <p>The relationship with traders are mostly still informal way and they still control the price and quantity</p> | <p>Both formal and non-formal networks had been established with the buyer and other producer groups such as Tobacco Producer Group.</p> <p>However, for swine Producer Group, there is no any network with other farmer organizations.</p> |

According to the findings, in principally most farmer organizations should consider the first step of organization development which was stated in the section 4.3. However, different farmer organizations need different treatments in order to make it sustain.

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# **Annexes**

## **Annex 1: Interview Guidelines**

### **1. The interview guideline for leaders and steering committee members of the farmer organizations, government agencies, support organizations, and private sectors**

The interview guideline will include different questions to investigate the types of organizations, the development process, the governance structure, available regulation measures, issues and impacts, the external supports, and linkages with other business firms. The guideline will consist of the following questions.

1. What are the existing types of farmer organizations?
2. How did they develop?
3. What are the rules and regulations of the organizations and the governance systems?
4. How do they manage their organizations including the organizational structures?
5. What are the fundamental agricultural productions and how do they market?
6. What are the fundamental issues and impacts of the farmer organizations?
7. What are the external supports in terms of institutions, capacity buildings, financial assistances, and other necessary supports?
8. What are the relationship between the farmer organizations and private business sectors?
9. How can the farmer organizations be improved in a sustainable and effective way?

## **2. The interview guideline for the management staff, accountants, cashiers, and members of the farmer organizations**

The interview guideline for management staff and members will include different questions to investigate the types of the organization, the development process, the governance structure, available regulation measures, issues and impacts, the external supports, and linkages with other business firms. The guideline will consist of the following questions.

1. What types of the farmer organization?
2. How did they develop?
3. What are governance structure and systems?
4. What are the available rules, regulations, and legal actions?
5. How the resources are managed?
6. How the farmer organization deals with food security issues?
7. What are the fundamental issues and impacts of the farmer organization?
8. What are the external supports in terms of institutions, capacity buildings, financial assistances, and other necessary supports?
9. What are the relationship between the farmer organization and private business sectors?
10. How can the farmer organization be improved in a sustainable and effective way?

## Annex 2: Actual Research Schedule

| No. | Activity                            | Time Frame |     |     |     |     |     |     |     |     |     |     |     |
|-----|-------------------------------------|------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|     |                                     | 2010       |     |     |     |     |     |     |     |     |     |     |     |
|     |                                     | Jan        | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
| 1   | Form the Research Team              |            |     |     |     |     |     |     |     |     |     |     |     |
| 2   | Develop and Test the Research Tools |            |     |     |     |     |     |     |     |     |     |     |     |
| 3   | Collect Data/Information            |            |     |     |     |     |     |     |     |     |     |     |     |
| 4   | Compile and Analyze the Data        |            |     |     |     |     |     |     |     |     |     |     |     |
| 5   | Prepare the Draft Report            |            |     |     |     |     |     |     |     |     |     |     |     |
| 6   | Improve the Draft Report            |            |     |     |     |     |     |     |     |     |     |     |     |
| 7   | Submit the Final Report             |            |     |     |     |     |     |     |     |     |     |     |     |