

Participatory Strengthening for Tea Production in Paksong District, Champasack Province, Lao PDR

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Abstract

The Participatory strengthening for tea production in Paksong district, Champasack Province, Lao PDR with the The objective of the research (1) to analyze the structure of the tea production chain in Paksong District, Champasak Province (2) to evaluate the value added of the tea production chain with Participatory Action Research will be applied in this study (PAR).

The findings of a study conducted in Paksong district Champasak province, there are five main components to the tea production chain system: tea producers, production groups, local tea translators, foreign investment companies, exporting companies, and the domestic market. The section on supporting activities is divided into three sections: financial institutions, tea associations, and government agencies. There are participants in the primary activity of Paksong City's chain system for producing tea. The research by Mishra, Kattel et al. and Nguyen, Chu, and To (2015), Vietnam Tea Industry: An Analysis From Value Chain Approach, which covers Producers (Farmers), Processors, Traders, Domestic wholesale and retailers, and Exporters, is strongly linked to the value mapping of tea. An investigation into the orthodox tea (*Camellia sinensis*) value chain with an emphasis on certification was carried out in Nepal's eastern Himalayan corridor. According to traditional tea value chain mapping, tea growers grow the leaves for their products, local traders and cooperatives exchange the leaves, and processing factory owners handle the marketing and processing of the tea. It is evident that a large number of people are involved in the tea value chain inside the chain system of tea production. Every player in the primary activity of tea products has a function and responsibility. To advance the cause of making tea production a significant industry, each member has both skills and shortcomings that need to be recognized and encouraged. A community product, a provincial strategic product, and one that has the potential to grow into a future national export.

Introduction

Tea is the second most consumed beverage in the world after drinking water and is considered a very important beverage in the global beverage market, especially as a hot beverage along with coffee (Alan Macfarlane, 2004). The size of the tea market has been estimated at 55,144 million US dollars in 2019 and is expected to grow to 68,950 million US dollars in 2027 (Basu Majumder A., Bera B., and Rajan A,

2019). Tea consumption tends to increase every year (Diane L. McKay & Jeffrey B. Blumberg, 2001). The soil to plant tea is limited, and the amount of tea production is estimated to be approximately 28.2 million tons, with China being the largest producer of tea in the world, covering 48.82%, followed by India (19.44%), Kenya (8.29%), and Turkey (5.14%) of all tea production in the world (FAO, 2021).

Lao People's Democratic Republic is a single country that produces tea. It is estimated that the amount of tea production is 10,719 tons, or 0.03% of the total tea production in the world (23rd in the world), which is cultivated in 7 provinces: Phongsali, Luang Namtha, Udomxay, Luang Prabang, Huaphan, Xiengkhuang, and Champasak provinces, with a total planting area of 4,590 hectares (National Statistics Center, 2019). Lao PDR's tea production is small compared to the world's tea production, but tea production in Laos is very interesting because of the specialty of the area where it is grown in abundance. And there is a special uniqueness that is difficult to find, especially in the area of Bolaven Plateau, Paksong District, Champasak Province, which is an old volcanic soil area with the most suitable climate for the growth of tea trees. It has been certified GI (geographical indication) in terms of geographic location with a unique local identity. Therefore, tea is considered an important priority of Paksong District in promoting it and developing it as an ODOP product for the export of the district along with coffee production.

However, tea production in the past has not grown as much as it should because tea production still has many limitations and challenges that have not been resolved, causing tea production to tend to decrease every year, which has direct and indirect effects on the development of the lives of farmers who grow tea and is a loss of important opportunities to use the existing potential to make the most of it. Therefore, it requires the promotion and implementation of some policies to make tea production strong. To provide technical information to various parties that will be used as a basis for planning, implementation, promotion, and development of the tea production sector to be strong and grow in the future.

The objective of the research

1. To analyze the structure of the tea production chain in Paksong District, Champasak Province
2. To evaluate the value added of the tea production chain

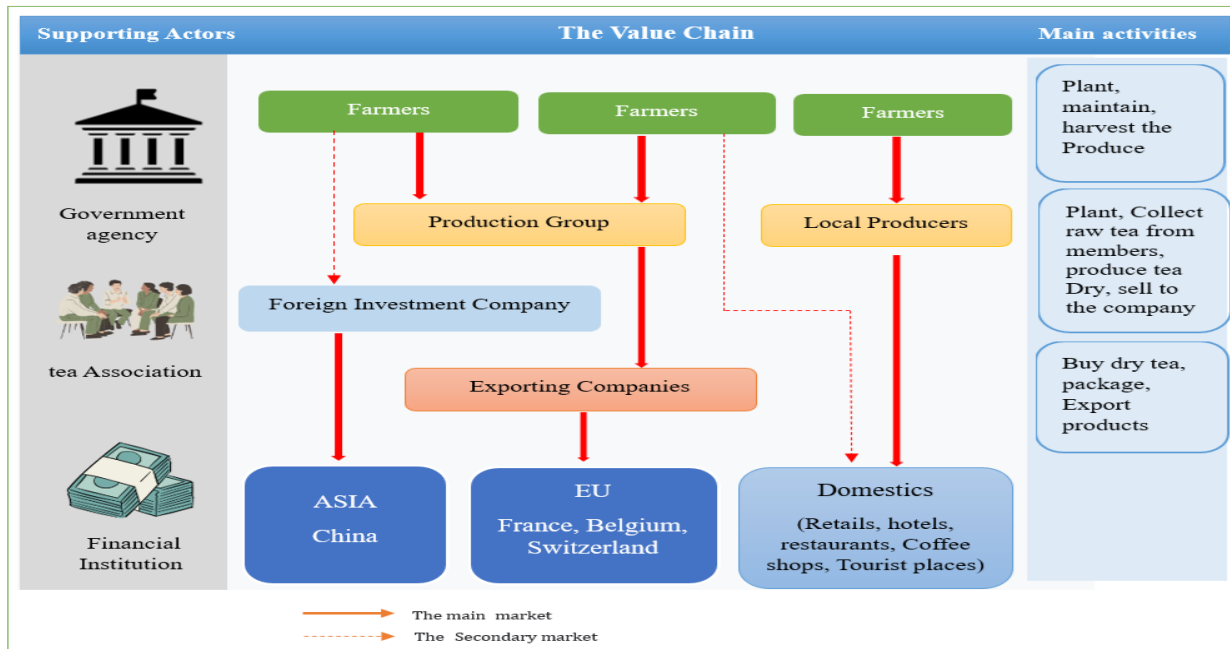
Methodology

Participatory Action Research will be applied in this study which is a study that focuses on participation and learning of the community so that they can understand and improve what they discover by taking action on their own, seeing that problems arise from the community itself and the problem will be defined, analysed and solved by the community, the recipients of the results of the research are members of the community itself, participation involves the full and enthusiastic participation of the community in the entire research process (from beginning to end) (Baum, MacDougall, and Smith, 2006).

Using the participatory research method, it builds the ability of the community to brainstorm ideas for mutual benefit. As an essential database that collects both quantitative and qualitative data, the research will focus on in-depth and thorough data collecting. The qualitative study will explain the farmers' viewpoints, information sharing, and cooperative learning about the growth of agricultural production of tea as a commodity. The findings of the participatory research will aid in the formulation of a promotion policy for the growth of tea production as a sustainable commodity in Paksong district, Champasak Province.

Research Results

Value Chain Map of Tea



Tea manufacturer

Who play an important role in tea production in Paksong District, Champasak Province; include household tea production, production groups, and companies that are foreign investors. The production of tea by foreign companies will cover a larger production area but rarely influence the tea production of households and production groups because foreign investment companies will have their own production and specific market.

The production of tea will start with the preparation of seeds, planting seedlings, and clearing the land. When the tea seedlings are 1 year old, they will be planted at a distance of about 60 x 120 cm. It will take about 3–4 years to start harvesting the produce. The tea will be collected every 2 weeks in the rainy season from May to November, but in the dry season, the tea production will begin to decrease. In the local area to transform it into dry tea to be sold to companies that buy and sell it in various places.

Production group

The production group plays a major role in the production of tea in Pak Chan, with the principle activity of acting as an intermediary between the tea producers and the purchasing company, collecting raw tea from the farmers to transform it into dry tea according to various recipes, and then selling it to companies that export abroad, as well as coordinating with government agencies and foreign aid agencies. There is also monitoring of the tea production standards of members within the group and working with external standards inspection units.

Process of tea products in local

Local process products are an important part of tea production, with the main activity being to buy raw tea leaves from farmers, select quality tea leaves that only have 1-3 leaves, and then transform them into dry tea in various recipes according to the needs of customers. Normally, tea production is done in two ways: general tea (there are 4 recipes: green tea, black tea, red tea, yellow tea), and single-leaf tea (white tea). There is a difficult process; in addition to the process must bring the product, package it as a finished product, and then sell it on the store, to retailers, hotels, coffee shops, and at various tourist attractions of tea products in local area.

Foreign investment companies

Foreign investment companies is to produce tea according to the model and standards of the company by doing all the processes of production, from the process of tea cultivation to distribution with sales to the company's own specific market, especially the Chinese market. They are equipped with personnel, advanced machinery, and science and also have direct access to foreign markets, so that the tea produced has a reputation in the international. In addition to the production using the companies' own tea, the company also buys raw tea from people to transform it into the company's products.

Exporting Company

It is a trading company that collects agricultural products and exports them to sell abroad, mainly by collecting and buying dry tea from production groups and associations to be packed into finished products and then exported to sell abroad, especially to countries in the European Union (EU), such as France, Belgium, and Switzerland.

Domestic market

Domestic tea consumption accounts for a small percentage of the total tea production in the country. The tea that domestic consumers like to consume is mostly imported tea from abroad, such as Chinese tea, Vietnamese tea, and Thai tea. A tea shop that distributes domestically will have two characteristics: distribution in the form of ready-to-drink tea and distribution as a semi-finished product to domestic customers and foreign tourists who come to visit various places. Those who play a role in domestic tea distribution are: retail stores, hotels, supermarkets, coffee shops, tourist attractions, and sales at various exhibitions.

Supporting Actors

State organizations

The state organization plays a very important role in encouraging the growth of tea production, with many parties involved in support, especially the Ministry of Agriculture and Forestry (MAF), the Ministry of Industry and Trade (MOIC), the Ministry of Planning and Investment (MOPI), and the Ministry of Information, Culture, and Tourism, in coordination with the provincial department and the district office in working together. Embedding, coordinating with groups or associations and the district office of industry and commerce that works to promote tea production to become an ODOP product, Organized agricultural product fairs and encouraged farmers to access funding sources.

Tea Associations

The Paksong Tea Promotion Association is a non-profit organization that was established on September 25, 2020, as a bridge to the public sector in encouraging members to use the potential of intellectual property to create added value for tea production, protect the media of indigenous products (GI), support members to access the market, build competitive capacity, and upgrade technical knowledge for members of the association.

Financial institutions

Financial institutions play a very important role in providing financial support to farmers, groups, associations, and various business units. The main protagonists of financial institutions are commercial banks, state banks, and microfinance institutions. Almost all financial institutions in Lao PDR have given importance to the promotion of agricultural production by defining the terms of access to each type of credit.

The Value Added

Table 1: The Value added along the value chain.

Unit: USD/Kg

Description	Farmer	Association/ Group production		Processor		Export Companies		Store/H otel
	General green tea leaf	General tea	White tea	General tea	White tea	General tea	White tea	White tea
Output value	0.48	12.06	72.34	12.06	72.34	156.74	3,728.00	144.68
Intermediate input cost	0.26	4.00	29.90	3.54	29.90	74.75	1,663.85	13.96
Gross value added	0.22	8.05	42.44	8.51	42.44	81.99	2,064.14	130.73
Consumption of fixed capital	0.04	2.51	22.43	1.16	22.43	2.99	318.30	7.76
Net value added	0.18	5.55	20.01	7.36	20.01	79.00	1,745.84	122.97

Source: Field survey, 2024

Table 1 shows the added value of tea produced in China. In general, there are two types of tea that are grown and sold: general tea and white tea. From the results of collecting information and interviewing each member in the chain of tea production, it was found that the export company can create the most added value among the members in the chain of tea production; the value is up to \$1,745.84 per kg. It is a high investment that can transform the product and sell it to the country's market, resulting in a high selling price, which makes the added value higher than the members. For tea growers, most of them are sold as raw tea; after subtracting the cost, the added value is only \$.18 per kg

Table 2 Share of value added to the output value.

Description	Farmer	Association/ Group production		Processor		Export Companies		Store/Hotel
	General green tea leaf	General tea	White tea	General tea	White tea	General tea	White tea	White tea
Output value	100%	100%	100%	100%	100%	100%	100%	100%

Intermediate input cost	54%	33%	41%	29%	41%	48%	45%	10%
Gross value added	46%	67%	59%	71%	59%	52%	55%	90%
Consumption of fixed capital	9%	21%	31%	10%	31%	2%	9%	5%
Net value added	38%	46%	28%	61%	28%	50%	47%	85%

Source: Field survey, 2024

Table 2 shows the percentage of added value of tea produced in the field. In general, the tea that is grown and sold mostly has two types, namely general tea and white tea. From the results of the research, it was found that the distribution shop could create the most added values among the members of the tea chain. The added value of tea can create an added value of 85% of the capital cost, followed by process that can create added value from the transformation of tea up to 61%, which is a general type of tea. Domestic distributors only purchase tea from farmers and resell it to consumers because they do not make significant fixed capital investments. Additionally, customers who visit the store to use the service are given tea in the form of ready-to-drink tea.

Despite the fact that the farmers sell their tea unprocessed and in raw form, the value added from their distribution may seem negligible in comparison to other value added chain segments. 5–6 kg of raw tea must be converted into 1 kilogram of dry tea in order to make 1 kg of raw tea. This indicates that the translator will receive an additional value of roughly 2.4–2.8 USD for every kilogram of ordinary dry tea that the farmer sells. For primary producers, this figure is still extremely low, though, as they have few distribution alternatives and are therefore unable to influence prices.

Conclusion

Tea is an economic crop that is very important to the development of the lives of poor people in rural areas who take agricultural production as their main occupation. It is like the salary of farmers, who bear the burden of daily household expenses. From the above research results, it indicates that it has many opportunities to develop into a strategic product of Paksong district as well as Champasak province, which should be seriously encouraged and promoted based on the conditions that are unique to the locality and the increasing demand of the market, together with the competitive advantages of Paksong tea, which is seen to have a lot of potential. Pushed to become a tea production industry that plays an important role in the world market, there are many challenges that need to be deeply understood in order to determine the way to solve the joint problems of all parties involved in the value chain of tea production, especially the challenges of accessing a diverse and stable market, increasing competitive capacity, changing weather conditions causing the spread of diseases and pests, and adjusting the behavior of producers to meet the standards and conditions that the market needs.

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