FIP Field Visit, 29 September 2017
Teak Smallholder Forestry and Wood Products, Luang Prabang Province

Teak smallholdings, Ban Kok Ngiew, Luang Prabang Province.

Teak Forests of Luang Prabang Province

Teak is native to provinces adjacent to Luang Prabang and teak woodlots and agroforestry systems now represent approximately 11% of the planted forest area in Lao PDR, and 42% of the plantation timber resource.

In 2015, approximately 15,000 ha of plantation teak was mapped in Luang Prabang province, with significant areas, currently unmapped, in adjoining provinces. The plantations are characterised to be dominantly immature, with more than 75% in size classes less than 25 cm tree diameter (dbh); this has implications for investment in domestic wood processing technology. Plantations are in thousands of small parcels which are geographically dispersed across the province.

Field Visit Plan, 29 September 2017

Time	Activity
07.30am	Departure from Hotel(s)
08.10 - 09.00	Inspect village-level sawmill Ban Noon
09.15 - 10.15	Inspect village level processing enterprise Ban Xieng Lom
09.40 - 10.30	Morning Tea – Mandla Lao resort, Ban Xieng Lom
11.00 – 12:30	Sight-seeing at Thad Sae waterfall and lunch (details to be confirmed)
12.55 – 13.25	Inspect village enterprise for kiln drying
13.25 – 14.25	Meet teak farmers group at LPTP Hall at Ban Kok Ngiew
14.35 – 15.05	Inspect smallholder teak forests
15.05 – 15.30	Travel by van to Luang Prabang

Background

Smallholder Teak Forestry

Farmers own almost all the planted teak. The average plantation parcel size is small, at around 0.75 hectares. How many farmers grow teak on their land is not known; in some regions, absentee owners are rapidly acquiring the more accessible land on which teak is planted.

Farmers integrate teak trees into their agricultural systems as a long-term investment, for security of land tenure, and as a source of emergency income all of which cause complexity in understanding farmers' decisions about teak management and harvesting. Broader livelihood strategies influence individual households' decisions about planting and harvesting teak trees. There is high competition from other land uses. Thus, teak plantations and trees may be harvested and not replanted, which would affect the sustainability of supply. Farmer owned and community-based enterprises, capable of harvesting and processing local plantation grown wood such as teak, have potential to contribute to national policy objectives by generating rural employment, boosting farm income and suppling timber to the processing sector. However, they are currently uncompetitive due to limited technical skills, legal and regulatory requirements designed to protect natural forests, access to finance and high transaction costs.

Teak Wood Products

Teak timber is a valuable commodity for Lao PDR's wood processing sector and global markets. Local small-scale sawmills and larger national and international processing companies use the resource to manufacture value-added products for domestic use and export. Lao exports of teak round and squared logs and sawn wood are relatively small by global standards, comprising some 8,000 m^3 of the 1.1 million m^3 (<0.1%) imported by the global leaders, India, China, Thailand and Vietnam in 2011. Formerly, export of round and squared logs represented an important source of much-needed income for the growers in northern Lao PDR however this has changed radically since the implementation of Prime Minister's Order #15, which limits export of unprocessed wood. The Lao export markets are dominated by neighbours China, Thailand and Vietnam and this is likely to continue as demand in all three countries is strong. Although India is emerging as a potential market for Lao teak, volumes are low. Opportunities exist in developing technologies for production of wood products for the rapidly growing construction, furnishing and joinery activities in Laos and the region.

Farmer Groups and Certification

Market requirements for legal or certified wood could be met through simplified procedures that recognise the low-risk nature of farmer-owned plantations when compared to other sources of timber. Farmer and community-based timber enterprises, close to the plantations, could improve wood supply to the domestic processing sector, but the complex regulatory environment and high transaction costs make them uncompetitive. Certification, which international markets sometimes demand, is not economic for individual, farmer-owned plantations. The complex regulations even make verifying legality difficult.

FIP Private Sector Project

The IFC-led FIP project aims to assist private sector partners to build successful smallholder partnerships with local communities. The main objectives to be achieved by project end in 2020:

1. Forestry firms improve performance in forestry procedures and adherence to international certification systems.
2. Farmers trained in smallholder and outgrower engagement practices to strengthen partnerships with forestry firms.
3. Forestry regulations will be strengthened to improve the enabling conditions for private sector plantation development, including smallholder participation.

Key expected impacts are to increase forest cover and reduce GHG emission from and enhance carbon sinks, and improve participatory community engagement. At Luang Prabang, IFC is examining means through which targeted support to processors might offer flow-on benefits to growers and others in the supply chain.

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