

Fair deal or ordeal? Enquiry into the sustainability of commercial banana production in the Lao PDR

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Introduction

- Process of **frontier commoditisation** in the borderlands of SEA:
 - land is cleared for plantations, smallholders grow new crops, traders link farmers to market opportunities, migrants are attracted by employment opportunities...
- Uplands of Laos are increasingly integrated into world markets, with farmers switching from swidden agriculture to cash crops:
 - maize (2000), rubber (2005), pumpkin (2011) watermelon (2012)...
 - 2010: expansion of *Cavendish* banana production → great concern within the country over its economic, social and environmental impacts.
- What are the **drivers, modalities and impacts** of banana production in Northern Laos?

Growing concerns...

- Laos hosts Chinese banana rush, *Fruitnet*, October 2015
- The true cost of Laos' banana plantations, *Current Affairs*, 10/02/16
- Chinese Banana Plantations Lose Their Appeal in Laos as Pollution Concerns Grow, *Radio Free Asia*, 14/04/16
- Chemicals are killing Laos' farmlands, *Straits times*, 16/04/16
- Big Chinese banana farms: Water grab & pesticide issues, *Bangkok Post*, April 2016*
- Bananas become Laos' top export earner, *Vientiane Times*, 03/05/16
- Oudomxay hunts for chemical tanks, *KPL News*, 17/08/2016
- Oversight of Banana Farms Weak: National Assembly, *Laotian Times*, 01/11/16 .
- Government bans banana plantations, *Vientiane Times*, 12/11/16.

Drivers of banana production in Laos

- **Political and economic transformations** in the region:
 - Lao PDR: New Economic Mechanism, Encouragement of Foreign Direct Investment and commercial agriculture (contract farming).
 - China: Opium replacement and Going out (*zou chu qu*) policies.
 - GMS: international border opening, regional integration and connectivity.
- **Drivers of Chinese investment in banana production in Laos**
 - PUSH FACTORS:
 - High production costs – Depleted soils – Spreading of diseases – Restrictions in the use of chemicals & production standards .
 - PULL FACTORS:
 - Low land and labor costs – Good quality of soil – Suitable weather – Perceived flexibility in the use/control of chemical substances – Good political and economic relations – Harvesting period matches peak market demand (Chinese New year) – Good image of the Lao PDR.

Survey

Plantation workers
Land lessors
Cavendish

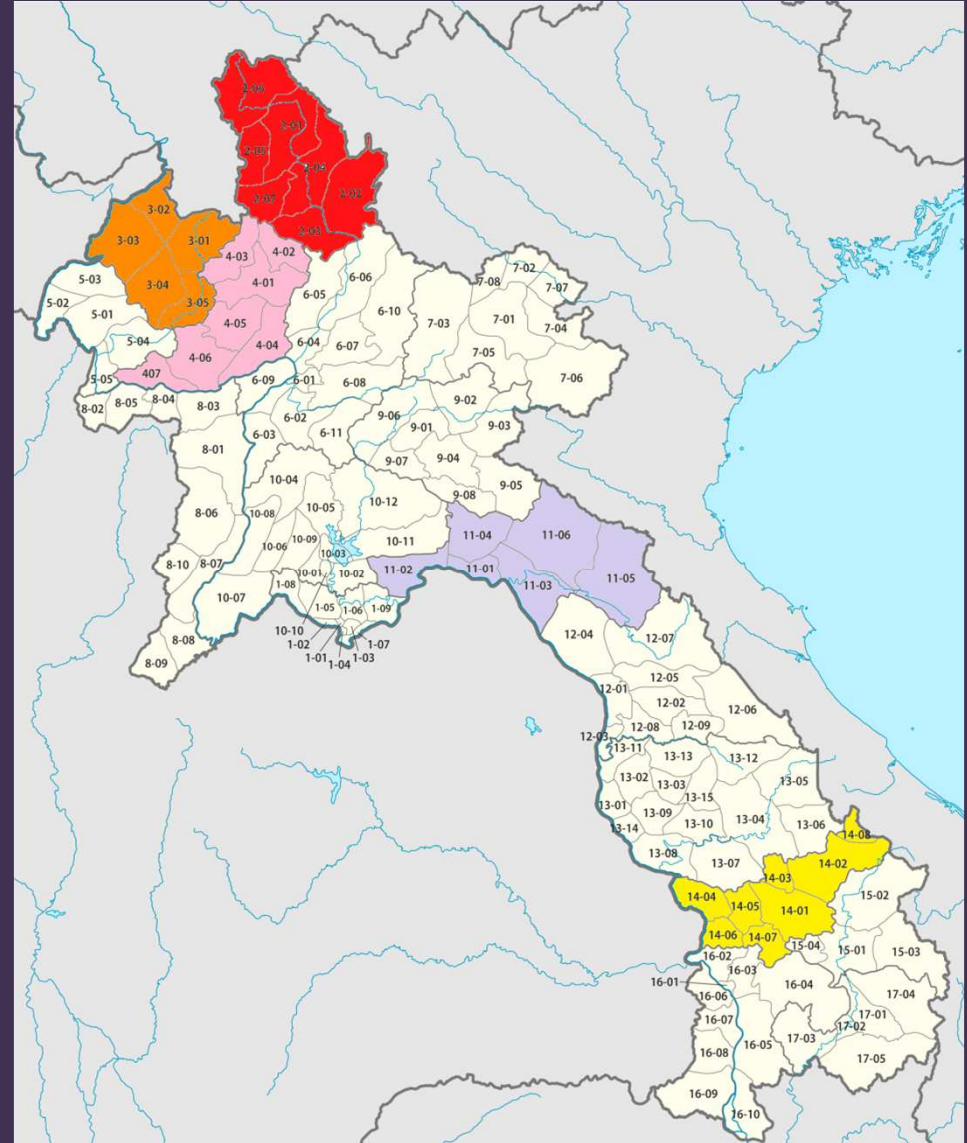
- **Phongsali**
- **Luang Namtha**
- **Oudomxay**

Plantation workers
Cavendish

- **Bolikhamsay**

Plantation workers
Smallholder farmers
khluay nam

- **Salavane**



Bananas in figures

Fresh/dried banana exports

	2011	2012	2013	2014	2015
Exports (MT)	<u>11 910</u>	25 583	na	36 574	216 861
Exports (USD)	<u>2 550 000</u>	3 778 172	59 635 209	15 966 766	39 938 034

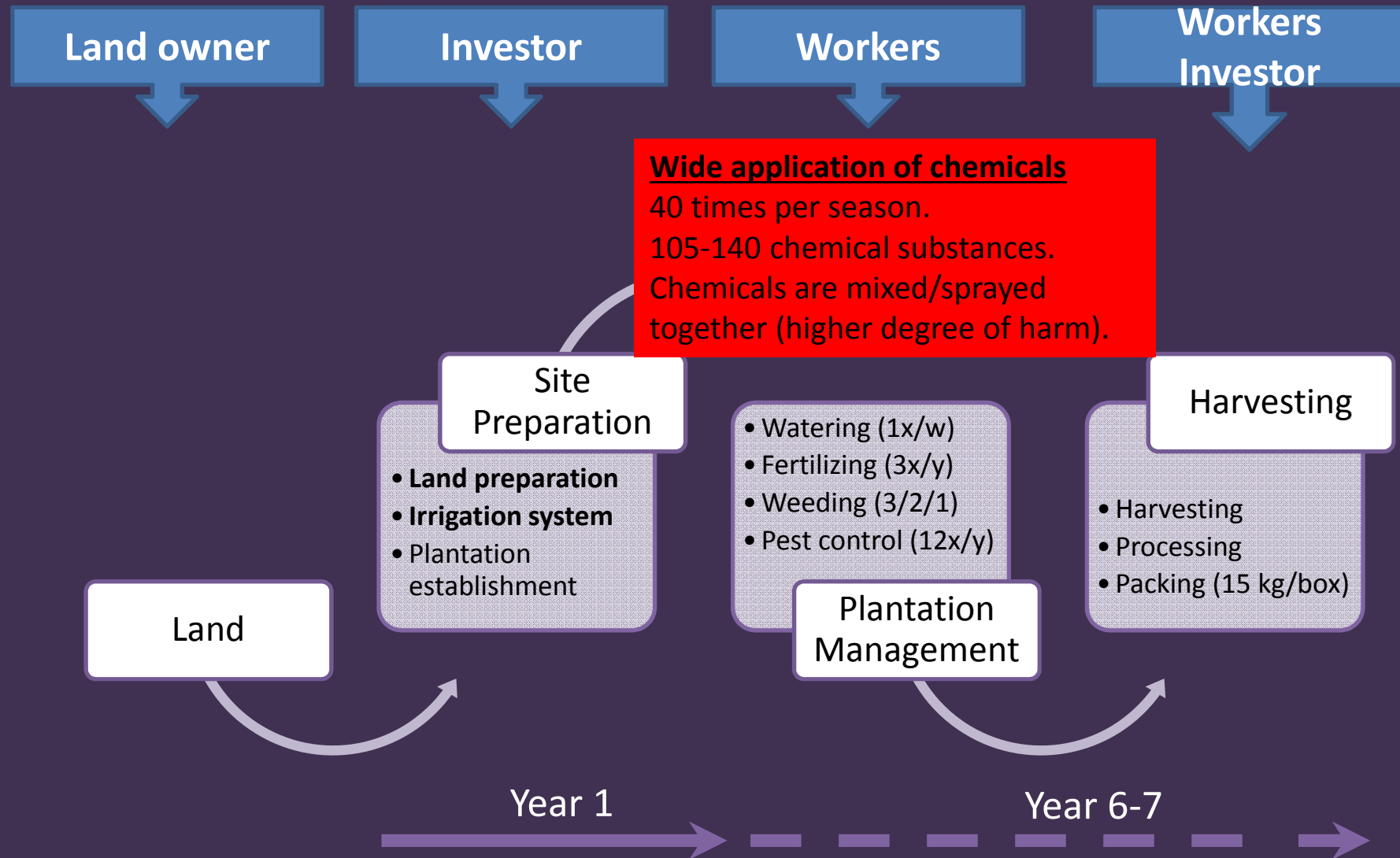
Source: MOIC (2016), ITC (2016).

Banana business models (2016)

Province	Smallholder	Land leases	Land concession	Total
Phongsaly	57	7,876	-	7,933
Oudomxay	13	6,223	-	6,236
Luang Namtha	45	4,073	237	4,355
Bolikhambxay	1,046	-	192	1,238
Saravane	7,781	-	154	7,935

(hectares)

Production process



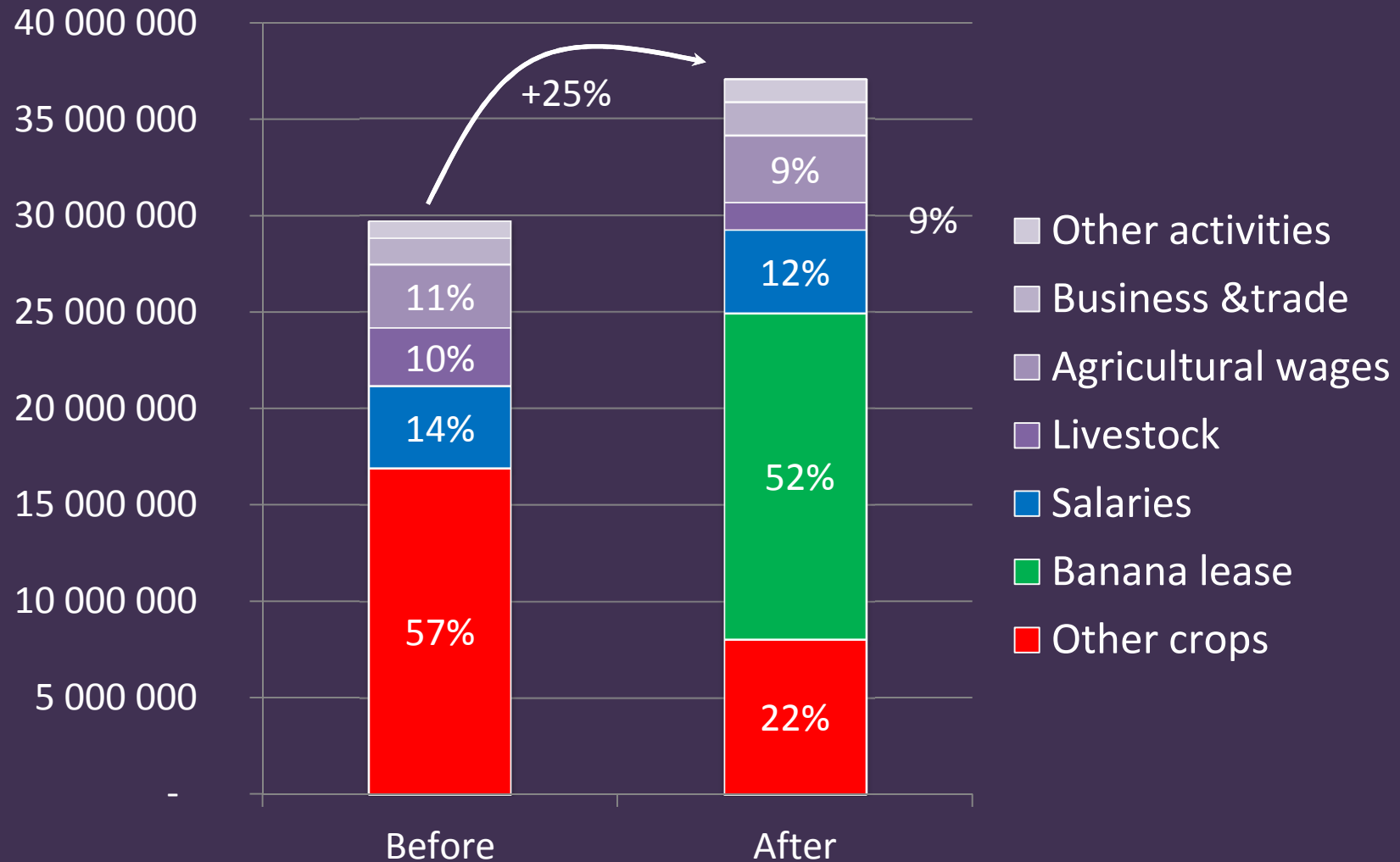
Land leases



- 1+4 contract (land rental scheme).
- The farmer rents his/her land for an agreed period of time to an investor who uses the land to grow bananas. Does not work on his land.
- No arrangement for post-banana land recovery/reconversion.

	Phongsaly	Luang Namtha	Oudomxay
Duration	3	6	9
Rental fee (Mn LAK/ha/year)	7.5	10.4	16.1
First year	2014	2011	2009
Country of investor	China	China	China
Type of contract	written	written	written
Did not understand contract	15%	13%	34%

Higher incomes



Land lessor vulnerability

Economic:

- High land reconversion costs: 5.5 Mn LAK/ha.
- If the rental fee is not reinvested it is not economically sustainable.

Environmental:

- Cost to recover soil fertility (soil depletion/nutrient loss).
- Oudomxay: level of toxicity in banana plantations was 2.5 times that of other commercial crops (IWMI 2016).
- Plastic in fields (pipes, sheets, foam, containers, etc.).

Food security:

- Lower rice production @ provincial level (food security).
- Traditional paddy irrigation systems destroyed.

Social conflicts:

- Traditional land markers destroyed when individual plots were joined.

Perceptions



Plantation workers



- Characteristics

- men (77%) aged 34 years old on average (women were younger).
- ethnic minorities: Hmong (30%), Khmu (23%), Phou Noi (14%), Tai Lu (6%).
- from the same province (different district), except in Oudomxay.

- Employment

	Phongsaly	Luang Namtha	Oudomxay
Permanent	95%	100%	100%
Length of stay	2.2	1.2	0.9
Months/year	8 mo.	11 mo.	> 11 mo.
Days/year	150	297	306

Incomes



- **Modalities of payment:**

- workers are responsible for a number of trees,
- wages are paid based on the volumes produced,
- workers are paid in advance part of the wage.

	Phongsaly	Luang Namtha	Oudomxay
No. trees	2 300	6 200	5 600
Lowest income	3 Mn LAK	3 Mn LAK	6 Mn LAK
Highest income	30 Mn LAK	62 Mn LAK	74 Mn LAK
Average income	11 Mn LAK (110 USD/mo)	13 Mn LAK (130 USD/mo)	38 Mn LAK (370 USD/mo)

Minimum wage 113 USD/month (2016).



Worker vulnerability

Economic:

- Some risks (unfavorable weather, pests) borne by workers.
- Good income but workers do not stay long (health).

Working conditions:

- 80% (resp. 53%) of the workers sprayed (resp. mixed) chemicals,
- 6% of the workers could read the labels /instructions on the chemicals (relied on the plantation manager for guidance).
- 40% received some protective equipment from company.

Health:



- 35% (resp. 50% and 82%) of the workers in LN (resp. PSL and OMX) experienced health problems within 6 mo. after using chemicals (dizziness, headaches, vomiting).
- Workers spent 172,000 LAK for medicines (20 USD)
- Oudomxay: 40% of the workers went to the hospital over past year, spent 671,000 LAK on average (79 USD).

Conclusion

- Development of banana plantations illustrates how investors gain control over land and labor for high profits.
- Local communities (land lessors, workers) are attracted by immediate gains.
- Negative impacts/ high risks associated with banana production are unforeseen: difficult to measure, happen much later, dissociation between land use & land ownership.
- Baird (2011): “(...) *the policy of the government of Laos to ‘turn land into capital’ is crucially intertwined with another important aspect, ‘turning people into labor’*”
- For investment to be more socially and environmentally friendly, need to develop rules, standards & certifications.