

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

Vongpaphane Manivong, NAFRI

Sengphachanh Sonethavixay, Policy Think Tank

Piya Wongpit, NUoL

Isabelle Vagneron, CIRAD

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

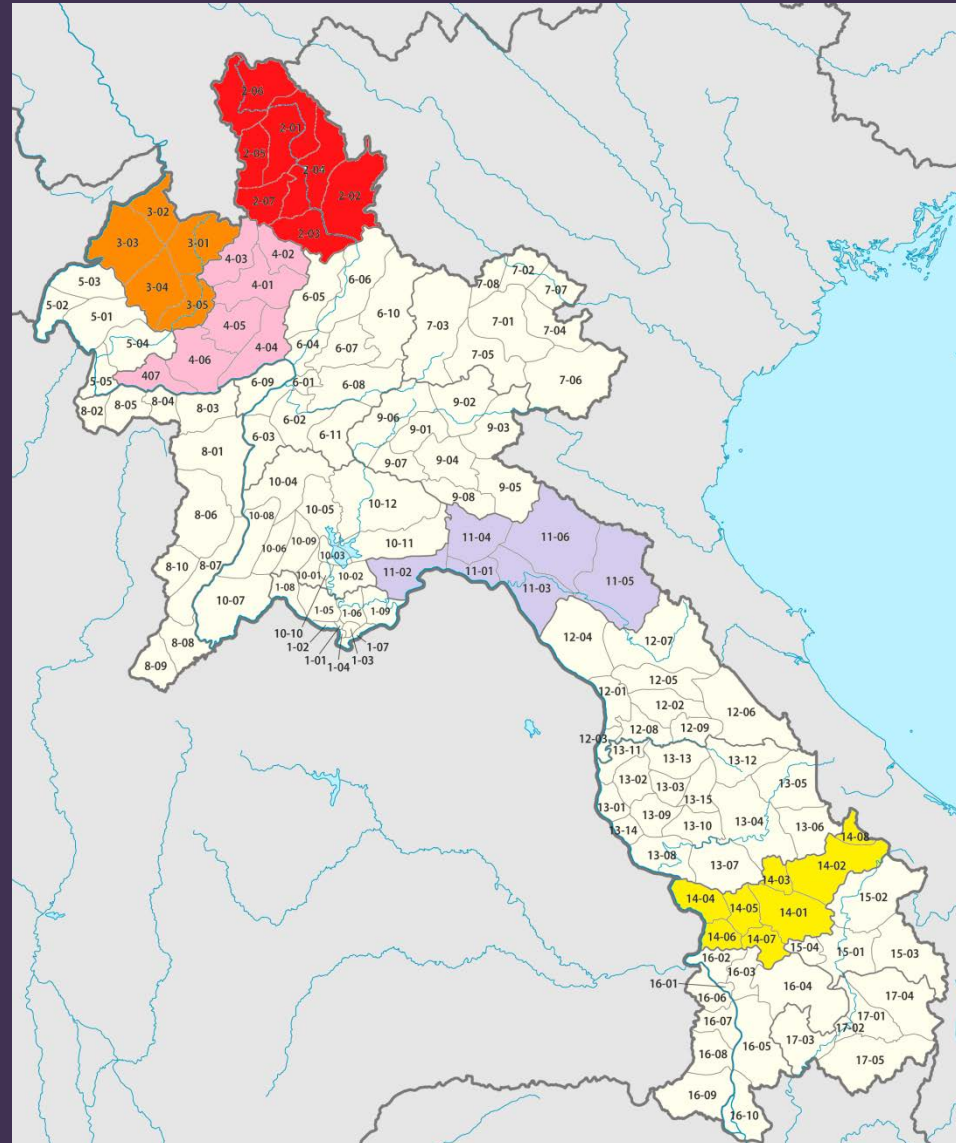
- **Phongsali**
- **Luang Namtha**
- **Oudomxay**

Plantation
workers
Cavendish

- **Bolikhamxay**

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

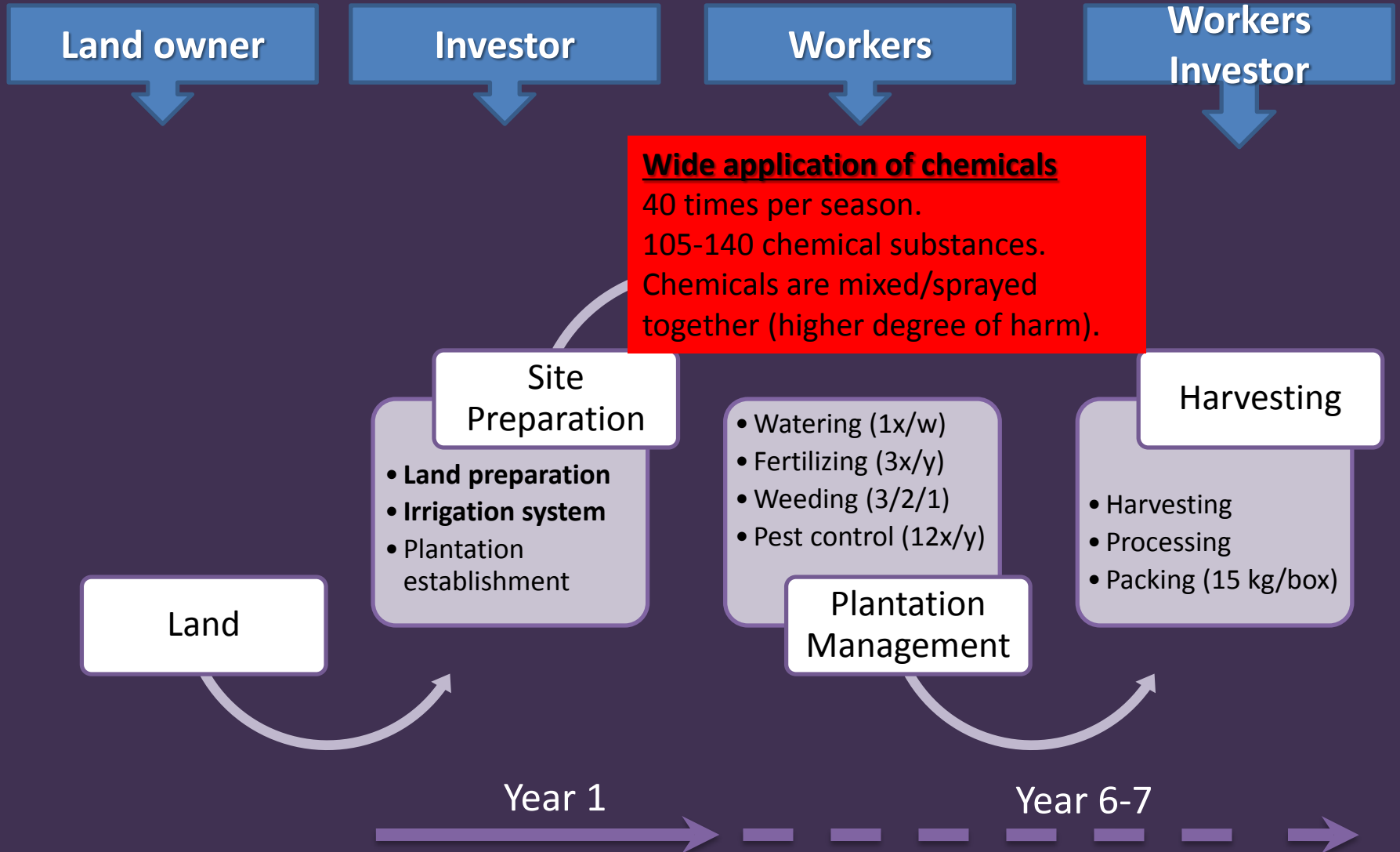
Source: MOIC (2016), ITC (2016).

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
Bolikhamxay	1,046	-	192	1,238
Saravane	7,781	-	154	7,935

(hectares)

Production process



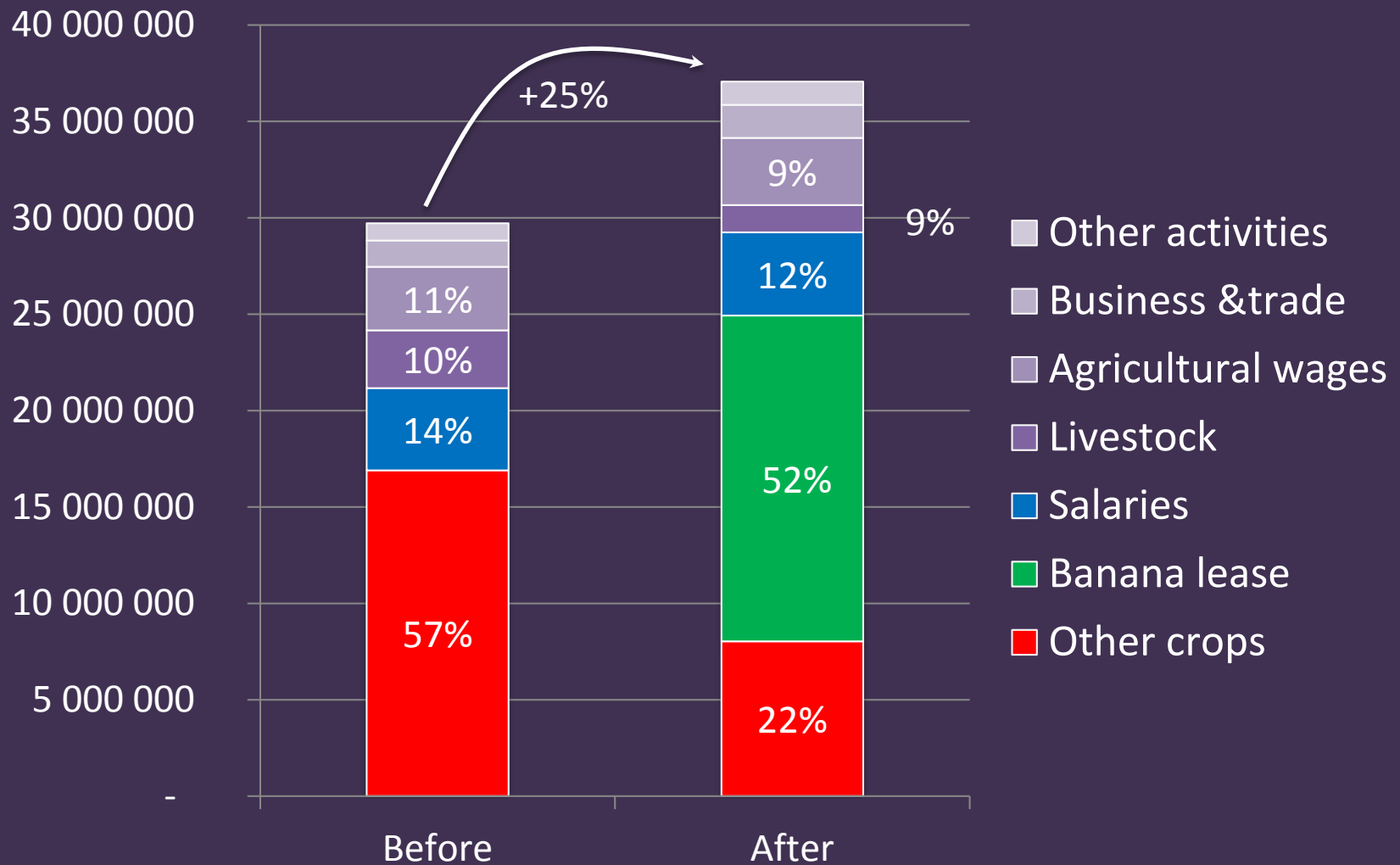
Land leases



- 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.