



Policy Brief

Meeting Regional and Global Demands for Rubber: A Key to Poverty Alleviation in Lao PDR?

Background

Demand for natural rubber on world commodity markets has increased dramatically over the past decade in association with rapid economic growth in China and India. In recent years rising oil prices have made synthetic rubber more expensive and made natural rubber comparatively more attractive, driving further expansion in this industry.

From what began as a few modest plantations by upland farmers in Lao PDR to earn extra money, rubber cultivation has grown into a rapidly expanding industry. Strong market demand for latex and activity by several private investors from China, Vietnam, and Thailand have triggered a sudden increase in rubber planting in northern and southern Lao PDR provinces. Current estimates of planted areas stand at 29,000 ha and it is speculated that a further 183,000 ha could be established by 2010.

For Lao PDR, most of these recent changes have been driven by global market forces, regional economic integration and investors from neighbouring countries. This process of change has also been facilitated by government policies that focus on stabilising shifting cultivation and improving road access.

Views of the Government of Lao PDR

The Government of Lao PDR sees rubber plantations as a key element towards enhancing rural development because:

- Rubber production at the household level helps in addressing endemic poverty amongst rural communities. This is based on the view that rubber production is a viable household industry that does not require large investments in labour.
- Rubber is a good 'cash crop' which could replace opium cultivation and unregulated swidden/slash and burn systems.
- There is already significant market demand and therefore no need to establish new markets.
- Rubber production fits well with contract (quota) farming concepts where prices are set in advance, and therefore potentially provides households with more secure and reliable income streams.

Issues

In order to develop a viable and pro-poor rubber sector in Lao PDR there are several factors to be taken into account by policy makers and the industry sector:

- Expansion of rubber cultivation must take into account appropriate agro-ecological conditions and market access. Good planning can maximise productivity and profitability and minimise negative environmental impacts.
- Rubber investors and producers need clear guidelines and standardised contracts. Lao PDR currently lacks coherent investment policies for rubber and contract implementation is not monitored. Poor supervision of contracts and concessions jeopardises economic returns and places farmers at financial risk.

■ Finance and credit assistance programmes should be integrated into rubber development plans. This would help smallholders with high fixed 'start-up' costs and reduce overall economic risk. Such programmes are available in all countries in South-East and South Asia that have successfully developed smallholder rubber production sectors.

■ Alternative options and models for smallholder rubber development must be provided. These alternatives should reflect the diversity of situations in Lao PDR, with the needs of ethnic group livelihoods and cultures recognised and imbedded into policies.

■ Rubber development plans must respect existing land use plans. Rubber should not be planted in conservation forests, village forests or other areas not appropriate for rubber cultivation. This will require effective monitoring and enforcement of laws.

■ Mixed farming systems should be encouraged for smallholders. Combining rubber with other crops, agro-forestry systems and/or livestock minimises smallholder risk through diversification. This cushions producers from commodity market fluctuations, as well as increasing food security and protecting the environment (water, soil, biodiversity). Examples of mixed farming systems for smallholder rubber production can be drawn from Malaysia, Thailand and India.

■ Priority should be given to developing adaptive research into smallholder rubber development. Lao PDR can draw upon experiences in neighboring countries, particularly Northeast Thailand as the area has similar agro-ecotypes to Lao PDR.

References

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