

LAO

PEOPLE'S DEMOCRATIC REPUBLIC

COFFEE SECTOR EXPORT ROADMAP (2021-2025)



The Coffee Sector Export Roadmap was developed as part of the European Union (EU)-funded ARISE Plus – Lao PDR project on the basis of the process, methodology and technical assistance of International Trade Centre (ITC) within the framework of its Trade Development Strategy programme.

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ACKNOWLEDGMENTS

The Coffee Sector Export Roadmap was developed under the leadership of the Ministry of Industry and Commerce (MOIC), in particular the Department of Trade Promotion with the support of the National Implementation Unit (NIU) and in close collaboration with the Ministry of Agriculture and Forestry (MAF).

The roadmap benefited from the contributions of sector stakeholders and associations, who played an important role in the consultative process. This roadmap was expanded thanks to the technical assistance of the International Trade Centre (ITC) and falls under the framework of the European Union (EU)-funded ARISE Plus – Lao PDR project.

This document reflects the ambitions of the public and private stakeholders who defined the enhancements and future orientations for the sector in view of increasing export performance and social dividends.

In addition, valuable suggestions and other contributions were received at various stages of the project from development partners, such as AFD and GIZ, among others. Prominent support was provided by the Lao PDR Arise plus project.

Technical facilitation, guidance and support for the process were provided by the project team of the International Trade Centre (ITC).

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FOREWORD

H.E. KHEMMANI PHOLSENA
MINISTER OF INDUSTRY AND COMMERCE,
LAO PEOPLE'S DEMOCRATIC REPUBLIC

Recognizing the importance of agricultural product exports, especially coffee, the Lao PDR Coffee Sector Export Roadmap is developed by the Department of Trade Promotion, Ministry of Industry and Commerce in collaboration with ITC experts under the ARISE Plus project aiming to help develop a sustainable and higher income generating coffee industry as well as a strong coffee export sector to contribute to the Lao economy and securing rural livelihoods.

Currently, Lao PDR is exporting coffee to more than 26 countries in Europe, Asia and North America. Coffee is our country's third largest agricultural export product in terms of value and the main cash crop for many smallholder farmers. The Lao PDR Coffee Sector Export Roadmap will provide a useful framework over the next five years for building on the sector's current position in order to realize this potential. Beyond the sector itself, improved coffee exporting has the potential to help drive the diversification of the economy and inclusive and sustainable development more generally. In light of the economic challenges brought about by the global COVID-19 pandemic, there is additional urgency to foster enhanced economic performance.

In addition to thorough research and analysis, an inclusive process of consultation involving representative from the public and private sectors and development partners was used in identifying challenges, target markets and opportunities, and the way forward for the coffee sector. Challenges in production, processing, and marketing and sales are to be addressed through actions on improving productivity and sustainability, quality management systems. Business dynamism and innovation, and international trade connections. Outlining priorities in these areas, the Coffee Sector Export Roadmap is aligned with government priorities and the ongoing initiatives in the sector, including through supporting the goals of the Lao Coffee Sector Development Strategy by 2025.

I would like to urge development partners to ensure the cohesion and alignment of their interventions with national priorities for the sector, as set out in the Roadmap. I am certain that the same spirit of collaboration in developing the Roadmap will continue through the implementation period and am looking forward to working together towards our shared goals.



FOREWORD

MR. CHANTHA THIPPAVONGPHANH
DIRECTOR GENERAL, DEPARTMENT
OF AGRICULTURE, MINISTRY OF AGRICULTURE
AND FORESTRY, LAO PDR

Building upon Lao PDR's great growing conditions and experience in coffee production, the coffee sector has become an important source of agricultural production and exports. Going forward, the sector has even more potential to contribute to economic growth and employment generation. Progress towards these goals will be made under the Coffee Sector Export Roadmap, which leverages strengths and addresses domestic competitiveness constraints through a detailed plan of action.

Along with the Ministry of Industry and Commerce and the International Trade Centre, the Department of Agriculture, Ministry of Agriculture and Forestry has played a central role in the design of this roadmap, which drew together dozens of public and private sector participants from all stages of the value chain and international partners. As a result of this inclusive process of consultation, the vision for the sector's future outlined here represents the shared goals of the actors active in all aspects of the coffee value chain in Lao PDR.

The Department of Agriculture, Ministry of Agriculture and Forestry, will be involved in supporting the implementation of the roadmap, including through managing and monitoring progress, to help ensure that its activities are carried out in a way that ensures its goals are realized. In doing this, we will look forward to continuing to cooperate with other stakeholders involved in the coffee sector, and will count on their active contributions to the implementation of activities on productivity and sustainability, production standards, phytosanitary measures for export, quality management systems, business dynamism and innovation, and international trade.

I would like to thank the International Trade Centre for the technical assistance offered in the design of this Roadmap, as well as the European Union for their support of this important project.



FOREWORD

AMBASSADOR INA MARCIULIONYTE HEAD OF THE EU DELEGATION TO LAO PDR

First and foremost, I would like to express my appreciation for the strong collaboration established with the Ministry of Industry and Commerce (MOIC) under the stewardship of H.E. Khemmani Pholsena, Minister of MOIC.

Over the past decades, the Lao PDR and the European Union (EU) have strengthened their political, economic and development partnership based on mutual trust, respect, common interests and values. Both are staunch supporters of a rules-based multilateral system, we are committed to address together global issues like climate change, digitalisation and regional integration.

Together with our Member States, the EU can mobilise a significant amount of resources in productive sectors, which will support the socio-economic development of the Lao PDR, and ultimately reinforce our trade and economic partnership. The ASEAN Regional Integration Support from the EU (ARISE+) is a project funded by the EU and implemented by the International Trade Centre (ITC) to promote inclusive economic growth, increased climate change resilience, mitigation of vulnerability and job creation in the region. In Laos, the project is oriented towards the improvement of the overall business environment, and the increased participation in global value chains for two selected sectors, which boast the biggest potential for trade between Lao PDR and the EU: wood processing and coffee.

Laos benefits from a perfectly suitable geography and climate, as well as a relatively mature experience to succeed in EU and other international coffee markets. The Lao coffee sector contributes to growth and job creation, and the country's specialty coffees boast a particularly promising potential. The sector still faces some challenges, such as reaching buyers in high-potential markets, improving quality management, increasing productivity, and strengthening the organisation of the sector. The COVID-19 pandemic and associated global economic crisis have added further complications and uncertainty for farmers and firms.

Against this backdrop, the Coffee Sector Export Roadmap for the Lao PDR has been designed to support the realisation of untapped trade in the sector, especially with regard to the EU market, and to provide a common vision for its future. The implementation of this Roadmap will help to contribute to the growth of the coffee sector as a driver of broader development. The EU is proud to take an active role in contributing to this objective, side-by-side with the Lao authorities, in view of the foreseen graduation from the Least Developed Country status in the near future.

I would like to thank the ITC team who has coordinated with key government agencies, private sector representatives and development partners, to work towards a common vision for making the Lao PDR more prosperous. I am confident that this Roadmap will be a useful reference for all coffee sector stakeholders, to help them in taking concrete actions for promoting the development of the coffee sector and country.



FOREWORD

MS. PAMELA COKE-HAMILTON
EXECUTIVE DIRECTOR
ITC

The beans that grow high on the Bolaven Plateau and in the north of the Lao People's Democratic Republic hold the promise of putting the country on the coffee map by increasing exports to new and established international markets.

Due to favourable growing conditions and promising specialty varieties, the Lao coffee sector is ripe for expansion into high-value products. Enhancing the competitiveness of the Lao coffee sector would, in turn, provide the opportunity to support rural development, economic diversification, and inclusive and sustainable growth.

The sector's potential has been constrained by limitations on its capacity to compete internationally, connect with international partners and customers, and adapt to new environments. On top of these long-standing challenges, the COVID-19 pandemic and the global economic crisis associated with it have affected demand and introducing new uncertainties into international supply chains.

The Coffee Sector Export Roadmap provides a framework for coordinated action to increase productivity and sustainability in production and processing. It also offers a guide to strengthening quality management systems and compliance with international standards, foster dynamism in the sector, and connect it to global opportunities. Small producers and firms, in particular, will benefit from sections on capacity building, sector organization, trade information, quality management, and other vital areas.

The International Trade Centre (ITC) commends the Ministry of Industry and Commerce's leadership and the Ministry of Agriculture and Forestry's contributions in producing this roadmap and the involvement of domestic stakeholders from the public and private sectors. This inclusive approach ensures that the roadmap is designed to reflect the sector's goals and outlines a realistic and effective path for achieving them.

ITC is privileged to support the Lao People's Democratic Republic in the formulation of this Coffee Sector Export Roadmap and will continue to support the country to work toward its goals for the sector.

Finally, ITC wishes to thank the European Union for its support of this initiative as part of the ARISE Plus-Lao PDR programme.



PRIVATE SECTOR STATEMENT

OUDET SOUVANNAVONG
PRESIDENT, LAO NATIONAL CHAMBER
OF COMMERCE AND INDUSTRY

The Lao coffee sector has great potential to expand its exports by building its competitiveness and image in large and fast-growing markets, creating jobs and business opportunities. The Lao National Chamber of Commerce and Industry welcomes the Lao PDR Coffee Sector Export Roadmap, which provides a common vision and means of cooperating for all stakeholders active in the sector. This roadmap will only be of use to the sector's development insofar as it is implemented to benefit those involved in production, processing, exporting, and related activities. LNCCI will therefore support the process of putting the roadmap's plan into practice. We look forward to cooperating with other domestic and international partners in this, in order to work towards a brighter future for the sector.



PRIVATE SECTOR STATEMENT

BOUNHEUANG CARO LITDANG
PRESIDENT,
LAO COFFEE ASSOCIATION

With favourable geography, high levels of knowledge, and connections to large and fast-growing markets, Lao PDR's coffee sector has the potential see strong growth through expanded exporting.

The Lao PDR Coffee Sector Export Roadmap will support improved trade through broad-based efforts at achieving a shared vision. This roadmap will only be of use to the sector's development insofar as it is implemented to benefit those involved in production, processing, exporting, and related activities.

LCA will support the process of putting the roadmap's plan into practice, including through playing a direct or indirect role in implementing a number of the activities outlined in the plan of action. We look forward to cooperating with other domestic and international partners in this, in order to work towards a brighter future for the sector.

On behalf of the Lao Coffee Association and as a representative of the coffee sector, I would like to express my great thanks to all parties who have contributed to the Lao PDR Coffee Sector Export Roadmap.

NOTE TO READER

The Lao People's Democratic Republic's Coffee Sector Export Roadmap was developed through a participatory approach, during which industry leaders, small business owners and public sector representatives held consultations to reach consensus on key sector competitiveness issues and priority activities.

Besides in-depth research and value chain analysis, these consultations were complemented by:

- Production and processing site visits where value chain assessments were carried out to gain further knowledge on key issues.
- The Lao PDR COVID-19 Rapid Assessment of the Coffee Sector, which was conducted in July and August 2020 to better understand how the pandemic had affected firms in the sector. A total of 35 firms responded to questions on their experience during the crisis and expectations for the near future, among other topics.
- Meetings with development partners to identify synergies with ongoing and planned initiatives so that collaboration can occur during implementation.

In spirit and in action: The roadmap is aligned with existing national and sector-specific plans and policies, in particular the Lao Coffee Sector Development Strategy by 2025. It builds on ongoing initiatives in areas related to private sector development, investment and sustainable forest management.

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ACRONYMS AND ABBREVIATIONS

AFD	Agence Française de Développement	MAF	Ministry of Agriculture and Forestry
ASEAN	Association of Southeast Asian Nations	MFN	Most-favoured nation
CPC	Bolaven Plateau Coffee Producers Cooperative	MOAF	Ministry of Agriculture and Forestry
DAFO	Department of Agriculture, Forestry and Fisheries	MoF	Ministry of Finance
DoA	Department of Agriculture	MoIC	Ministry of Industry and Commerce
DOSMEP	Department of SME Promotion	MonRE	Ministry of Natural Resources and Environment
DTP	Department of Trade Promotion	MOST	Ministry of Science and Technology
EU	European Union	NAFRI	National Agriculture and Forestry Research Institute
FAO	Food and Agriculture Organization	NSEDP	Eighth Five-year National Socio-Economic Development Plan
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit	MSMEs	Micro, small and medium-sized enterprises
ICO	International Coffee Organization	PAFO	Provincial Agriculture and Forestry Office
ICT	Information and communications technology	PoA	Plan of action
ITC	International Trade Centre	SDGs	Sustainable Development Goals
LCA	Lao Coffee Association	SMEs	Small and medium-sized enterprises
LNCCI	Lao National Chamber of Commerce and Industry	T4SD	Trade for Sustainable Development
		VSS	Voluntary sustainability standard



EXECUTIVE SUMMARY

For the Lao People's Democratic Republic, the potential of specialty coffee exports is particularly high, though this potential is challenged by the country's position as a small exporter, as well as the lack of a formalized system to ensure quality and consistency. This can complicate efforts to navigate global trade in coffee. Generally, favourable global trends – particularly the shifting geography of demand, interest in specialty Robusta, opportunities presented by voluntary sustainability standards, and the possibilities for Lao Arabica – will need to be seized by exporters. The uncertainty and additional challenges brought about by the COVID-19 pandemic highlight the need for improved competitiveness, flexibility and access to information on market conditions.

The sector's current context is being shaped by national plans and policies, geographic factors, and sector organization and support institutions. As a result, Lao coffee production and exporting has grown considerably, contributing to the development and diversification of the Lao economy more generally. Coffee exports totalled \$64.3 million in 2019, representing 1.1% of the value of all Lao exports and making it one of the country's most important agricultural exports.

Despite these promising trends, significant challenges need to be addressed in order to realize the sector's full potential. Challenges to the sector's capacity to compete include low farm-level productivity and the underperformance of specialty coffee. Challenges to the capacity to gather and exploit business-relevant information and knowledge include the lack of minimum quality standards, high transportation costs, issues related to market access, and limited sector organization. Challenges related to the capacity for change and innovation include the need for strengthened capacities for research and commercialization, limited use of voluntary sustainability standards, a challenging business environment, issues related to sustainability and inclusiveness, and barriers to digitalization and e-commerce use.

In order to help manage these challenges, this roadmap outlines high-potential markets that could be targeted by the sector – the European Union (EU), Association of Southeast Asian Nations (ASEAN), Japan and the United States of America, based on demand trends, proximity, and market access considerations – and a plan of action (PoA) under a sector-wide vision. Building on the vision of the Lao Coffee Sector Development Strategy by 2025, the vision for the Coffee Sector Export Roadmap is the creation of **“a dynamic coffee sector growing quality exports”**.

This vision is supported by four strategic objectives, which are respectively concerned with enhancing productivity and sustainability in production and processing, strengthening quality management systems and compliance with international standards, fostering dynamism in the sector, and connecting the sector to international opportunities.

Strategic Objective 1: Enhance productivity and sustainability in production and processing for export competitiveness

Boosting productivity in a sustainable way will help to keep Lao coffee competitive, raise incomes and create new employment opportunities in the sector. Under this strategic objective, four operational objectives are concerned with enhancing producer potential, attracting new investment, responding to environmental and social development challenges, and supporting enhanced resiliency across the value chain.

Strategic Objective 2: Strengthen quality management systems and compliance with international standards

Improving quality management systems and compliance with international standards is critical in growing export volumes, reaching new markets and raising the prices earned for exports. Under this strategic objective, four operational objectives are concerned with establishing standards, developing farm and firm capacities for improved quality, building domestic grading capacities, and supporting compliance with high-potential voluntary standards.

Strategic Objective 3: Foster sector dynamism for future growth

Creating an environment that encourages innovation and the creation of new competitive capacities in production will be needed to sustain growth over the long term. Under this strategic objective, five operational objectives are concerned with addressing legal and regulatory challenges, supporting the development of business and entrepreneurship skills, fostering digitalization and the use of e-commerce tools, strengthening sector organization, and implementing the sector strategy and roadmap.

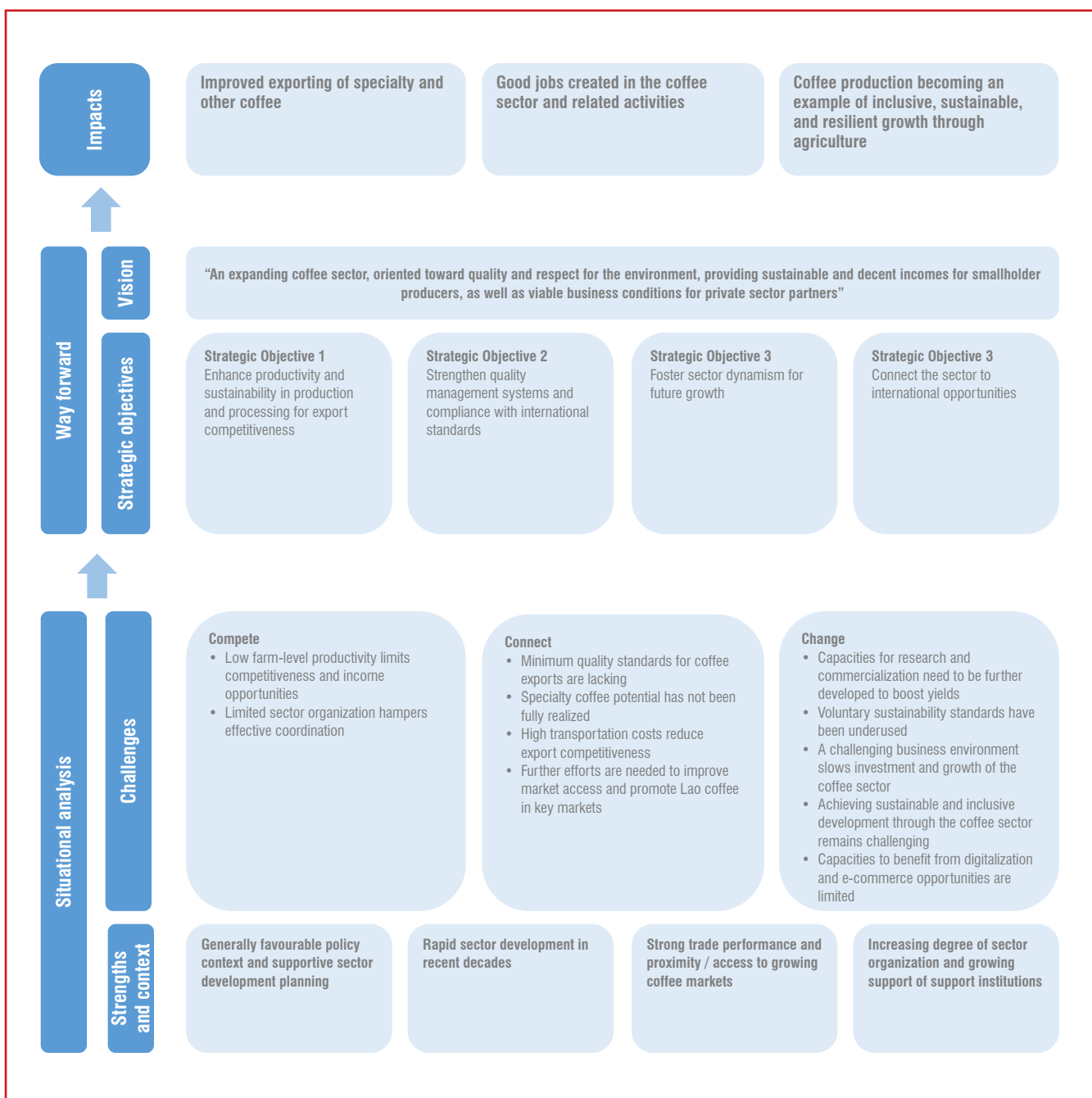
Strategic Objective 4: Connect the sector to new international opportunities

Building on improvements in competitiveness domestically, improved trade will also require dedicated efforts to improve market access and foster greater demand for Lao coffee exports. Under this strategic objective, three operational objectives are concerned with improving understanding or international market opportunities, increasing demand through branding and promotional initiatives, and facilitating international trade.



Photo: (CC BY 2.0) sarahemcc

Figure 1: Roadmap theory of change



1. GLOBAL CONTEXT AND TRENDS

Lao exports of specialty coffee hold particular promise, though the country's position as a small exporter, as well as the lack of a formalized system to ensure quality and consistency, can complicate efforts to navigate global trade in coffee. Exporters will need to adapt, and take advantage of favourable trends in demand while also managing high levels of competition and the additional challenges arising from the COVID-19 pandemic and associated economic downturn.

1.1. PRODUCT MAP

Globally, \$30.1 billion in coffee was exported in 2019, making it one of the world's most traded agricultural products. In discussing exports, this roadmap is primarily concerned with trade in non-roasted green beans, which account for most of Lao PDR's coffee exports. As roasting tends to be done near final consumption, most roasted coffee is sold domestically. Lao exports of roasted coffee have been much smaller than those of green beans (representing just 14.8% of total coffee exports in 2019), and have been concentrated in sales to the neighbouring Socialist Republic of Viet Nam, the Kingdom of Thailand, the Kingdom of Cambodia and the People's Republic of China in recent years.

The export prospects of Lao coffee include both mass market and specialty products, with the latter defined by scoring based on cupping protocols. According to the Specialty Coffee Association, specialty coffee is defined as coffees with a score of more than 80 out of 100 across several individual components: fragrance/aroma, flavour, aftertaste, acidity, body, balance, sweetness, clean cup,

uniformity, overall, and defects. Coffees may also be differentiated from one another by growing location and conditions, as well as certification under organic or other voluntary sustainability standards.



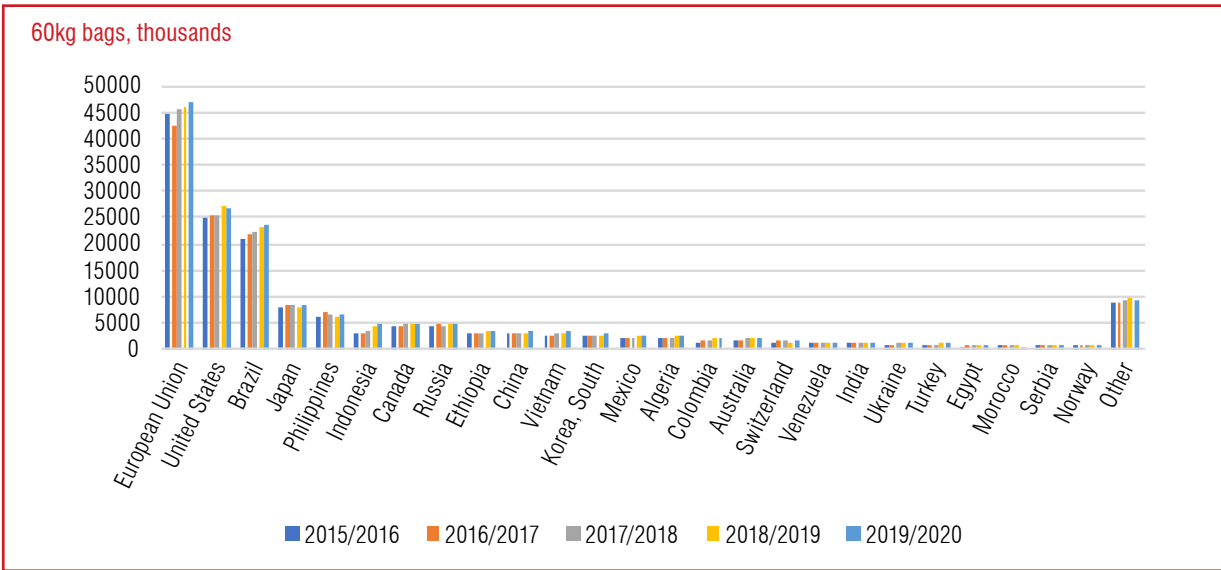
Photo: (CC BY-NC-ND 2.0) Asian Development Bank, Coffee beans drying in Paksong district, Champasack Province, Lao PDR.jpg.

1.2. GLOBAL PRODUCTION AND CONSUMPTION TRENDS

The global coffee market has grown in size by approximately 70% in the past 25 years, with total coffee consumption increasing from 98 million bags in the early 1990s to 166 million bags in crop year 2019/20. The EU, the United States,

the Federative Republic of Brazil, Japan and the Republic of the Philippines are the worlds' largest consumers of coffee (Figure 2). By region, coffee demand is greatest in Europe and in Asia and Oceania.

Figure 2: Domestic coffee consumption by country (2015/16–2019/20)



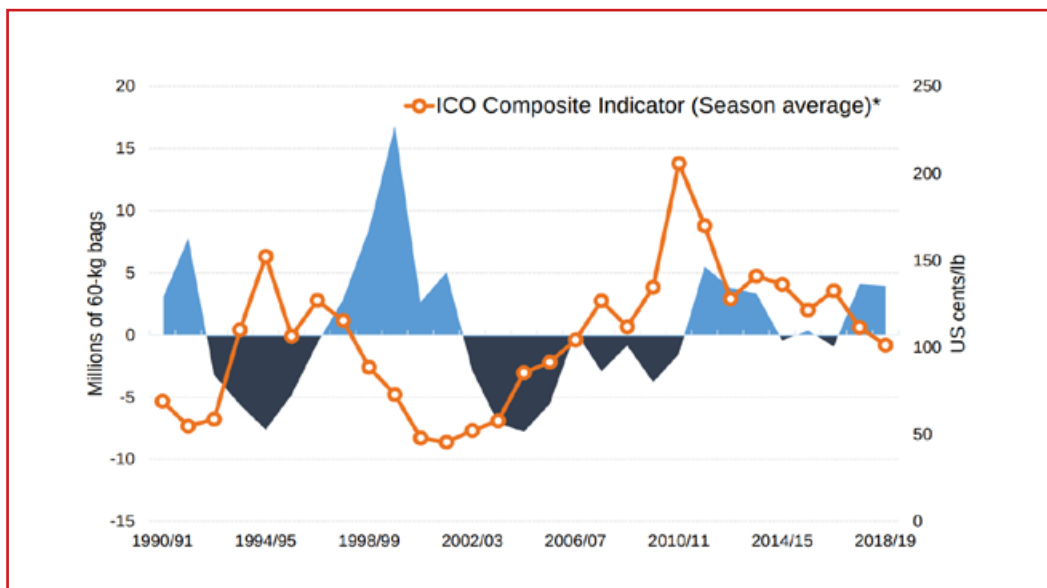
Source: International Coffee Organization (ICO).

Before the COVID-19 pandemic, global coffee production for 2019/20 was estimated to decline slightly to 169.3 million bags, as global demand would reach a record high of 166.4 million bags, with exports totalling 115.4 million bags (Figure 3).¹ As a result, there was hope that prices would rebound, particularly for Arabica, as trees are entering the off year of the biennial production cycle in Brazil (reducing output by 8.3 million bags) and production is anticipated in

the Republic of Honduras, the Republic of Guatemala and the Republic of Nicaragua (reducing combined output by 1.2 million bags). This should have eased the excess supply of Arabica, which would have driven an increase in prices in all groups (Colombian milds, other milds, and Brazilian natural). Regarding Robusta, it was anticipated that favourable weather conditions and the expansion of the harvested area in Viet Nam (increasing output by 1.75 million bags) and Brazil (increasing output by 1.5 million bags) would expand Robusta production, set to increase by 3.9% globally.

1.– ICO estimates for production and demand are 167.4 million bags and 167.9 million bags respectively.

Figure 3: Excess supply and price (1990/91–2018/19)



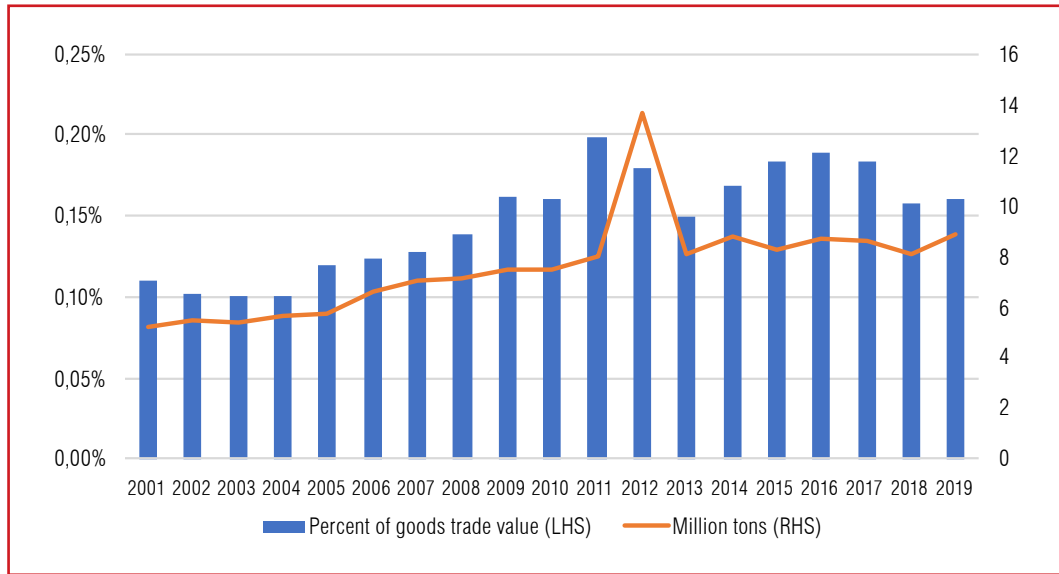
Source: ICO.

1.3. MAJOR TRENDS IN GLOBAL TRADE

In 2019, global coffee exports totalled \$30.1 billion, led by Brazil, which exported \$4.6 billion in coffee. As a share of global goods trade, coffee increased from 0.11% in 2001 to

0.16% in 2019, as the quantity of coffee exported globally increased from 5.2 million to 8.2 million tons (Figure 4).

Figure 4: Global coffee exports (2001–19)

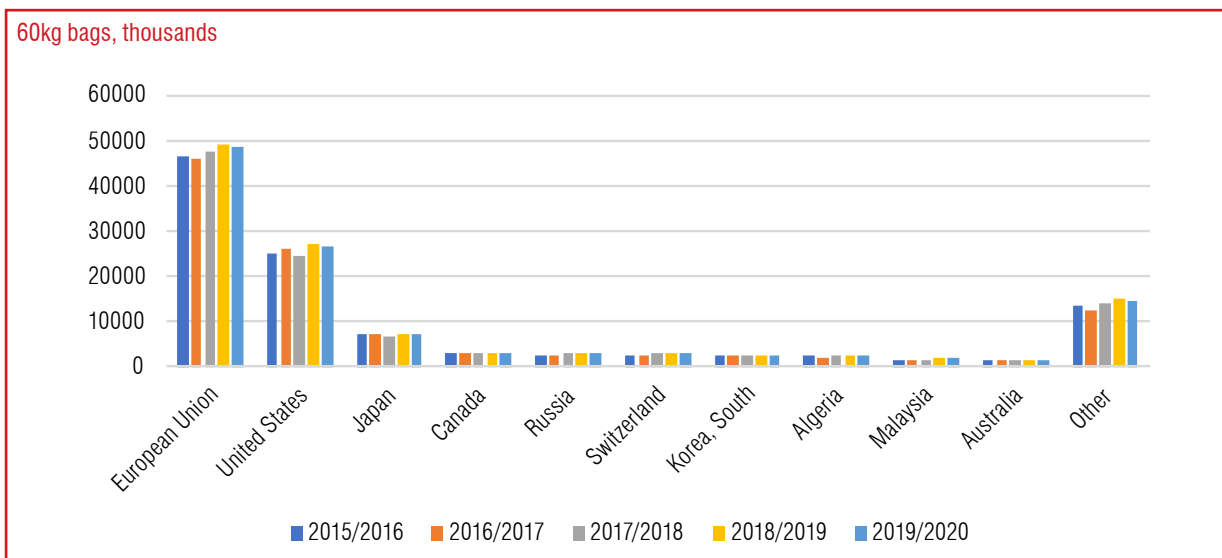


Source: ITC, Trade Map.

While emerging markets are growing in importance, global trade remains fairly concentrated, with just a few import markets accounting for most of the demand. By volume, most

coffee bean exports are destined for the European Union (48.5 million bags), the United States (26.5 million bags) and Japan (7.1 million bags) (Figure 5).

Figure 5: Coffee bean imports by destination (2015/16–2019/20)



Source: ICO.

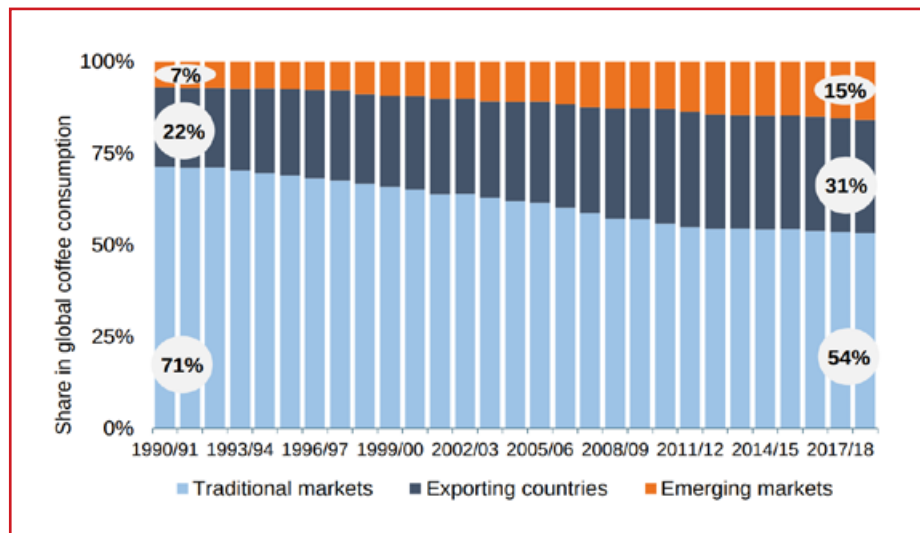
Four major trends reshaping international coffee markets will affect the opportunities available for Lao exporters: the growing importance of emerging markets, increasing export opportunities for Robusta, the growing importance of sustainability standards, and high levels of demand for specialty coffees. These trends suggest four key lessons for improving Lao coffee export prospects:

- Key coffee markets are shifting, and ASEAN and EU markets hold particularly high potential for Lao coffee exports;
- There is a space for both commercial and specialty Lao Robusta on international markets;
- Selecting the right voluntary sustainability standard (VSS) on the basis of a cost–benefit analysis could generate price premiums while supporting the sector’s sustainability; and

- Lao Arabica, though not produced in large quantities, has significant potential in supplying growing demand for specialty coffees, if quality and traceability can be ensured.

While traditional high-income markets still account for a little more than half of global coffee consumption, this share has fallen from more than two-thirds 30 years ago and continues to decline. New markets are representing a growing share of demand; exporting countries accounted for 31% of consumption in 2017/18 and emerging markets accounted for 15% (Figure 6). Coffee consumption in South and East Asia has grown particularly strongly, averaging 6% annual growth in the last 25 years, outpacing the 2% growth in the rest of the world. As a result, the region increased its share in global coffee consumption from 5% to 12%.

Figure 6: Shares of global coffee consumption (1990/91–2017/18)



Source: ICO.

A second ongoing long-term change in global coffee markets is the increased use of Robusta relative to Arabica beans, which has been taking place in the past three decades. Robusta once accounted for less than one-third of global exports, but has seen a large increase in trade due to growing demand from roasters. This has been largely driven by recent developments in food technology (including steam cleaning) that make it possible to add more Robusta into mixed coffees, lowering costs, and growing consumption of soluble coffee and ready-to-drink (RTD) coffee, particularly in Asian markets.

There is thus considerable demand – particularly in Asia – for reasonably priced Robusta with a neutral flavour that does not affect the overall cup. Realizing the opportunity this presents for Lao exports will require improving quality, enforcing minimum standards to ensure Fair Average Quality (FAQ) quality, and ensuring that coffee is not dry

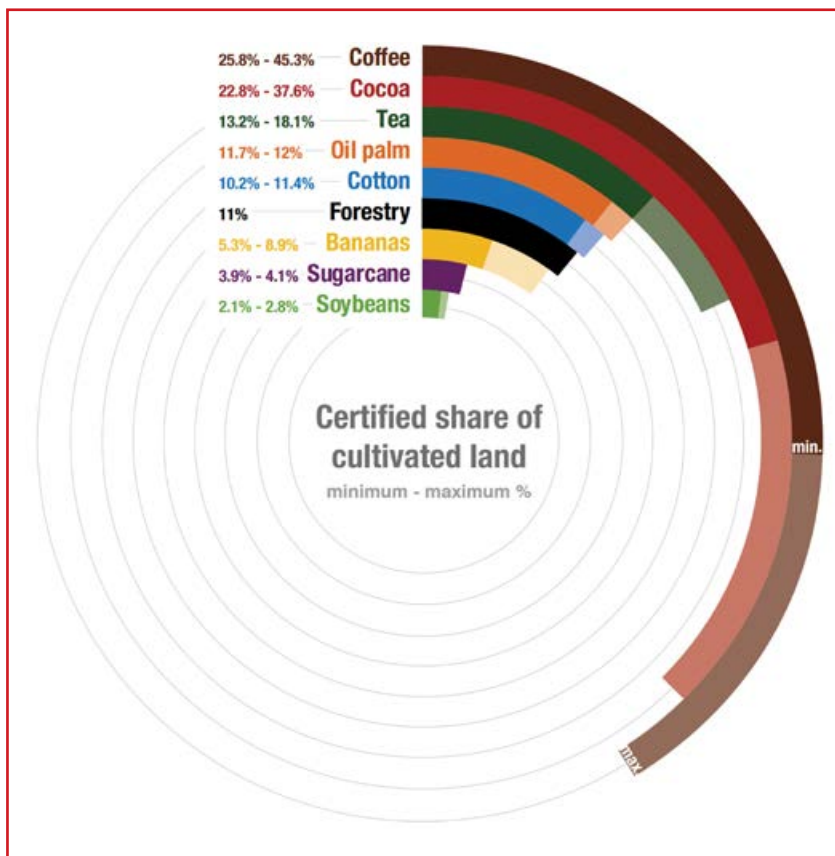
processed and sold at discounted prices. Low profit margins in Robusta production will also necessitate increased yields, which may require rejuvenating or replanting vast areas of Robusta with selected varieties. Export costs – including costs associated with documentation, logistics, red tape and informal taxes, etc. – will also need to be reduced.

In addition, quality washed Robusta is increasingly in demand to partly replace Arabica in roasters’ coffee blends, for either espresso or to reduce costs for other products. Lao private operators such as the Bolaven Plateau Coffee Producers Cooperative (CPC) or Outspan Bolavens have demonstrated that such a product can be placed on the international markets at remunerative prices. Premium prices could be received for exports if sufficient volume was produced by several operators with clear quality standards, potentially including a geographical indication for altitude Robusta.

Third, sustainability standards are becoming increasingly important in the global coffee sector. In 2008–16, the volume of sustainable coffee produced in the world increased by 800% to reach an estimated four million tons. At least 25% of all cultivated coffee area is certified by a voluntary sustainability standard (VSS), more than for many other

commodities (Figure 7). They are seen as being important to many firms in Lao PDR as well; 47% of respondents to the Lao PDR COVID-19 Rapid Assessment of the Coffee Sector rated sustainability standards as being of “high importance” to their business.

Figure 7: VSS-certified land as a share of total, by commodity



Source: ITC, Standards Map.

Most VSS-certified coffee is certified under a small number of standards systems. More than 1.8 million hectares (16.6% of the total) of global coffee production was 4C-certified in 2016. Fairtrade International certified almost 1.3 million hectares (12.4% of the total) of coffee in 2015; the organic coffee harvest area represented almost 882,000 hectares (approximately 8% of the total); more than 567,000 hectares (5.2% of the total) of coffee were UTZ-certified in 2016; and the Rainforest Alliance certified more than 387,000 hectares of coffee worldwide.

Despite their increasing importance, producers and others involved in the sector will need to weigh costs and benefits of VSS certifications, not all of which will be relevant in the Lao coffee sector. A proper cost–benefit analysis should be conducted to advise these actors on the most relevant VSS based on their specificities and target export markets. ITC’s Standards Map tool could be used to support this

work, in collaboration with the ITC Trade for Sustainable Development (T4SD) hub hosted by the Lao National Chamber of Commerce and Industry (LNCCI). Relationships can also be built with selected standards organizations to facilitate assessment and certification.

Finally, specialty coffees are becoming increasingly important in global markets. Out-of-home coffee consumption is growing fast; for example, the EU coffee shop market grows by approximately 6% annually. As consumers shift purchasing patterns, there is also greater interest in differentiated, premium and traceable products, with a growing number of consumers willing to pay more for high-quality coffees with cupping scores of more than 80.

The global specialty coffee market had revenues of \$35.8 billion, selling 973,999 tons in 2018. The market is further expected to grow to reach \$83.5 billion in revenue and 1.6 million tons in volume by 2025.

While Lao PDR produces small volumes of Arabica, it is of high quality thanks to the soil, elevation, varieties grown and mastery of the wet process. There is also an interesting story behind the product that could be strengthened by the use of geographical indications, improving marketing and promotion, and making greater use of e-commerce. Lao Arabica, therefore, stands to succeed in supplying international specialty coffee markets that offer remunerative

premiums, provided that quality and traceability can be ensured. Given that Lao specialty coffee's success internationally will be largely private sector led, with support from foreign investors, supporting this will largely be a question of facilitating trade to remove frictions and exploring ways to improve competitiveness by dealing with identified hurdles across the value chain.

1.4. EFFECTS OF THE COVID-19 PANDEMIC AND ECONOMIC CRISIS

As across all sectors around the world, the outlook for the global coffee sector has been made more uncertain by the effects of the COVID-19 pandemic and associated economic downturn. An early analysis of the effects of the pandemic on the global coffee sector by the International Coffee Organization (ICO) suggests that a global economic downturn would lead to reduced demand for coffee and changing patterns of consumption. Specifically, it suggests that a 1% decline in gross domestic product (GDP) growth is typically associated with a 0.95% reduction in the growth of global demand for coffee, representing approximately 1.6 million 60kg bags. At the same time, lockdowns and social distancing measures are reducing out-of-home consumption, reducing demand from the accommodation and food service sector in particular. On the other hand, it appears that at-home consumption has remained steady, with consumers stockpiling and making greater use of e-commerce.

Challenges along the global value chain are also likely to affect supply. Labour shortages, investments needed in health and safety, issues in sourcing inputs, logistics challenges regarding transportation and storage, and issues in executing timely payments have resulted in delayed shipments and increased costs of operation. Overall, global sector leaders are expecting changes for the coming years that include:

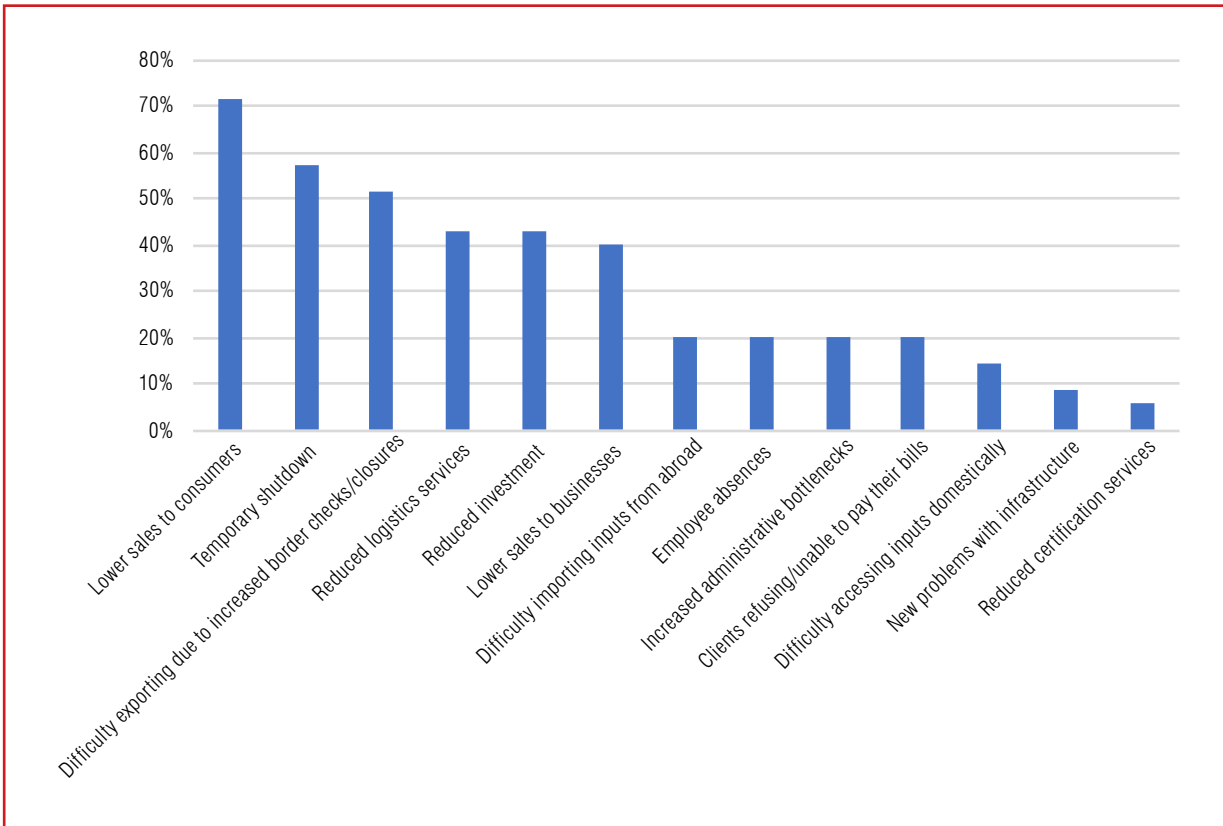
- Increased digitization and use of e-commerce, electronic payments, and blockchains when conducting business in coffee-producing countries;
- Decreased reliance on just-in-time inventory systems and increased use of more resilient systems of operation using multiple storage facilities around the world, better connectivity among them, and a better consideration of risk management overall;
- Stronger focus on traceability, including through the use of information and communications technology (ICT) tools that will ensure easier management of lots; and
- The development of stronger relationships with coffee producers and in-country traders in order to better cope with future shocks and guarantee sufficient capacities as well as fostering long-term loyalty.

While Lao PDR has seen relatively low rates of COVID-19 infections in the early stages of the global pandemic, it faces serious risks related to the global economic downturn. The Lao coffee sector is likely to be exposed to a number of risks. Indeed, a national survey conducted by the LNCCI in May 2020 suggested that the agricultural, forestry and fishery sector was the most affected in absolute terms, with an estimated loss of business revenue totalling \$292.8 million in Q1 2020, compared with one year earlier (equivalent to a 41% decline). However, there are also signs of Lao coffee exports performing well in the first five months of 2020, compared with past years.

According to the results of the Lao PDR COVID-19 Rapid Assessment of the Coffee Sector,² most firms have been affected by COVID-19 through lower and more challenging sales and exporting, and as a result of the temporary shutdown, though other effects have been felt as well. Lower sales to customers (71%), the temporary shutdown (57%) and difficulty exporting due to increased border checks or closure (51%), followed by lower sales to businesses (40%), reduced logistics services (40%) and reduced investment (40%) have been particularly common challenges faced (Figure 8). In response, firms adopted a varied range of responses to the challenges posed by COVID-19. The most popular strategies were temporarily reduced employment for all or some employees (60%), online sales (43%), teleworking (37%) and temporarily shutting down the business (34%).

2.– The Lao PDR COVID-19 Rapid Assessment of the Coffee Sector was conducted from 7 July to 21 August 2020. A total of 35 firms replied to the online questionnaire, which included questions on firm characteristics and operations, as well as firm experiences during and perspectives on the effects of the COVID-19 pandemic. Reflecting the geography of the Lao coffee sector, most respondents are located in Champasak Province (71%) and Luang Prabang Province (17%), though Vientiane Prefecture (9%) and Salavan Province (3%) were represented as well.

Figure 8: Effects of COVID-19 on firm operations in the Lao coffee sector

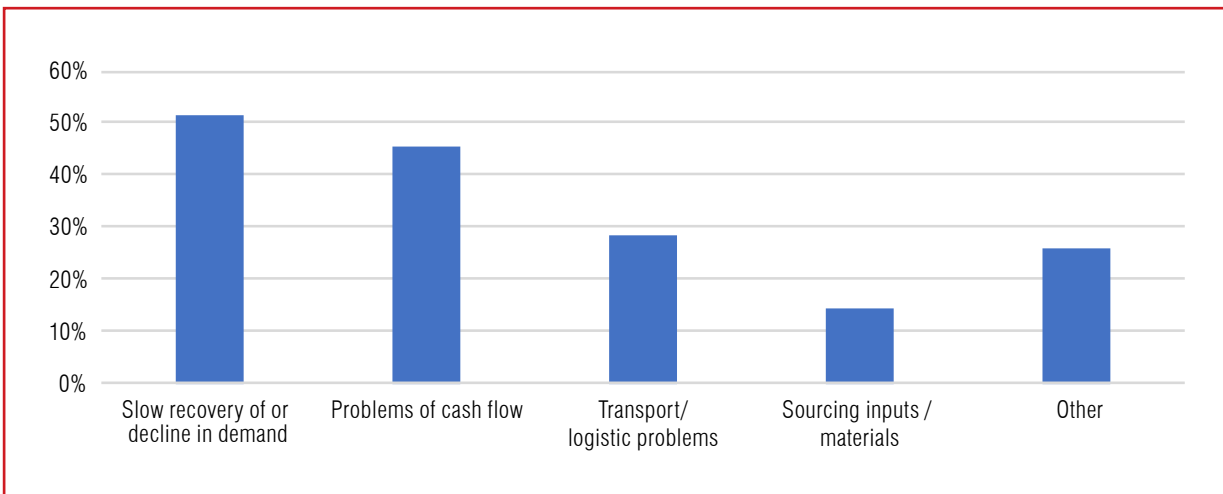


Source: ITC calculations based on Lao PDR COVID-19 Rapid Assessment of the Coffee Sector. Data collected 7 July to 21 August 2020.

Firms expect that the return to normal will take some time. Overall, 71% of respondents to the rapid assessment stated that they expect it will take more than six months before their business can fully restore operations. Demand and cash flow are expected to remain particular challenges; 51% of

respondents stated that they expected a main challenge to ramping up production will be a slow recovery of demand or a decline in demand, and 46% stated that they expect cash flow problems will be a main challenge (Figure 9).

Figure 9: Main barriers to the return to normal operations identified by firms



Source: ITC calculations based on Lao PDR COVID-19 Rapid Assessment of the Coffee Sector. Data collected 7 July to 21 August 2020.

While the full effects of the pandemic remain uncertain, it has highlighted the need for enhanced competitiveness, flexible and responsive value chains, and improved sector organization in order to better manage unexpected threats. Sector stakeholders will need to remain informed of regular changes in the trading environment. Sources of information on international trade in coffee offering updates related to the effects of the COVID-19 pandemic and associated economic conditions include:

- International Coffee Organization (ICO);
- Specialty Coffee Association (SCA);
- Alliance for Coffee Excellence (ACE);
- International Trade Centre (ITC), Market Access Map;
- United Nations Conference on Trade and Development (UNCTAD);
- World Trade Organization (WTO); and
- Various news sector news sources and major buyers.³

Policy responses will need to take into consideration the needs of businesses. In the early phase, many of these are likely to relate to firms' financial constraints. According to businesses in all sectors, tax policies, policies on utility

3.– Additional information specific to Lao PDR, across all sectors, is available from the Lao PDR Business Assistance Facility II (BAF II): https://www.baflaos.com/en/public_resources_covid_19.



Photo: (CC BY-NC-ND 2.0) Asian Development Bank, Vegetable farmer in Boung Phao Village, Lao PDR.jpg.

payments, loan programmes, monetary grants to businesses and individuals, and employment and social security policies are the most important to be considered by the government as responses to the crisis.

Box 1: Global context and key messages for the export roadmap

Navigating the global context of coffee supply and demand will be challenging for a smaller producer such as Lao PDR. This export roadmap will thus need to be implemented with consideration given to opportunities to manage price volatility and increasing competition from other coffee-producing countries by enhancing competitiveness and targeting promising markets with a due consideration of market segmentation and the need for both quality and consistency.

The growing global market and increasing demand in the region in particular are promising trends for Lao exports, as is the increasing potential of both mass market and specialty Robusta. Growing interest among buyers and consumers in the guarantees offered by voluntary sustainability standards may make these attractive options for some producers, though careful consideration will be needed of the costs and benefits of pursuing certification.

At a deeper level, enhanced quality management and farm and firm capacities are needed to support needed changes. Significant demand for specialty coffees represents another opportunity, though these are not yet produced in large export quantities. Therefore, assistance in developing the prospects of trade in specialty coffee – including the implementation of new standards and linked promotional activities – is needed.

The COVID-19 pandemic increases uncertainty for the sector's export potential and will likely affect demand in future as income growth stalls in many economies. Lao coffee exporters will need to adapt to a changing paradigm, become more competitive to succeed in this more challenging environment, and make effective use of market information to remain responsive to changing conditions.

2. NATIONAL CONTEXT

The Lao coffee sector is mainly divided between the production of Robusta (*C. canephora*) and Arabica (Typica and Catimor), with some production of Liberica and Excelsa remaining as well.

Robusta production, which accounts for approximately half of the national total, is typically non-intensive with minimal use of organic fertilizer and chemical pesticide or other phytosanitary product due to financial constraints. Free growth is practiced with little pruning, weeding is limited, and the trees tend to be relatively old (10–50 years). Planting is generally three metres by three metres, implying a low density of 1,111 trees/ha. As a result, yields are low, with an estimated average of 400–450kg of green coffee per hectare. The harvesting season is December to February.

Arabica production is divided between the older Typica varieties, which are being gradually replaced, and the recently introduced Catimor. The former tends to have a low density of 1,111 trees/ha while the most recent

plantations may have a density of up to 3,700–4,000 trees/ha. Production is a more intensive process, requiring a high level of labour and fertilization. While the average yield is estimated to reach 700kg of green coffee per hectare, there is a huge discrepancy between smaller farms using older trees (frequently more than 50 years old) and the newer large commercial estates planted within the last 15 years that can produce approximately 1,500kg of green coffee per hectare.

The sector's development has been supported and guided by national plans and policies, as well as assistance from development partners. As a result of this, geographic factors, and sector organizations, production and other activities across the value chain have grown to make a considerable contribution to socioeconomic development in Lao PDR. Exports have played an important role in the sector, and are supported by the activities of a number of trade support institutions.

2.1. NATIONAL PLANS AND POLICIES

Plans and strategies help to focus involved stakeholders on priority areas and reduce uncertainty for these actors by giving indications of future policy directions. As such, this roadmap aims to support the goals and means of implementing these plans.

Perhaps the most important plan for the Lao coffee sector at present is the Lao Coffee Sector Development Strategy by 2025, which was released in June 2014. Focusing on improving productivity and competitiveness, it aims to create “a coffee growing sector, oriented toward quality and respect for the environment, providing sustainable and decent incomes for smallholder producers, as well as viable business conditions for private sector partners”. Its four main objectives are the development of coffee production/growing; improvement of quality and markets to increase value and higher profit; increasing value-added share returns to coffee farmers; and improvement of productivity, capacity to adapt value chain production and cooperation between concern stakeholders. These objectives are to be implemented through policy and legislation, coordination with relevant sectors, organization and human resources development, and financing and supporting fund sources.

National and regional plans address particularly relevant issues for the coffee sector. The Eighth Five-Year National Socio-Economic Development Plan (NSEDPP), 2016–2020 notes targets for the production of coffee and other agricultural outputs. Coffee is noted directly in the Agriculture Development Strategy to 2025 and Vision to 2030, which identifies coffee as an example of a successful agricultural export and targets commercial production of 120,000 tons by 2020 and 280,000 tons by 2025. Other agriculture and natural resource plans, such as the Natural Resources and Environment Strategy 2016–2025, the National Biodiversity Strategy and Action Plan (NBSAP) 2016–2025 and the Strategic Plan for Agricultural and Rural Statistics (SPARS) 2016–2025, do not make significant mention of coffee in particular, but address issues relevant to the sector, such as land use, commercialization and exporting, environmental sustainability and information on production. Similarly, other issue area and sector plans, such as the Trade Facilitation Road Map of Lao PDR for 2017–2022 and the SME Development Plan 2016–2020, give an indication of policies on the sector's development (Table 1).

Table 1: Plans relevant to coffee sector development

Name	Description
Lao Coffee Sector Development Strategy by 2025	<ul style="list-style-type: none"> The sector strategy outlines reforms and initiatives to achieve targets related to the development of production capacities, quality improvement and diversification, increasing returns to farmers and enhanced efficiency in the sector.
8th Five-Year National Socio-Economic Development Plan (NSEDP), 2016–2020	<ul style="list-style-type: none"> The 8th Five-Year National Socio-Economic Development Plan 2016–2020 (8th NSEDP) was developed by the Ministry of Planning and Investment in close cooperation with line ministries. It was officially approved at the VIIIth National Assembly's inaugural session and launched in June 2016. The plan is aligned with and designed in support of the Socio-Economic Development Strategy until 2025 and Vision to 2030 for graduating from least developed country (LDC) status by 2020 to become an upper-middle income country by 2030.
Integration of Sustainable Development Goals (SDGs) into the national planning framework	<ul style="list-style-type: none"> Lao PDR was among the earliest countries to localize the SDGs and integrate them into its national planning framework. Nearly 60% of the 8th NSEDP indicators are linked to SDG indicators. The remaining SDG indicators will be integrated into the 9th and 10th NSEDPs. The National Steering Committee for SDGs implementation has been set up by the Presidential Decree in 2017, chaired by the prime minister.
Strategy for Promoting Safe and Environment-Friendly Agro-Based Value Chains in the Greater Mekong Subregion and Siem Reap Action Plan, 2018–2022 (SASRAP)	<ul style="list-style-type: none"> The initiative aims to establish the Greater Mekong Subregion (GMS) as a global leader in safe and environment-friendly agro-based value chains (SEAP). Underpinning this outcome is the security of safe food for all, irrespective of a person's demographic, income status and gender. The overriding theme of the SASRAP is establishing a food safety regime in the GMS that aligns with regional and international standards.
Agriculture Development Strategy to 2025 and Vision to 2030	<ul style="list-style-type: none"> The aim of these plans from the Ministry of Agriculture and Forestry is: 'Ensuring food security producing comparative and competitive potential agricultural commodities, developing clean, safe, and sustainable agriculture and shift gradually to the modernization of a resilient and productive agriculture economy, linking with rural development contributing to the national economic basis.'
Natural Resources and Environment Strategy 2016–2025	<ul style="list-style-type: none"> The strategy is a national plan with a multisectoral approach that provides a vision and strategic direction for the development and management of natural resources and environment, and to ensure sustainable social economic development, and build capacity for climate change adaptation and mitigate the risks of natural disaster.
National Biodiversity Strategy and Action Plan (NBSAP) 2016–2025	<ul style="list-style-type: none"> The NBSAP is the country's response to its commitment under the Convention of Biological Diversity (CBD). Its goal is to enhance the role of biodiversity as national heritage and as a substantial contributor to poverty alleviation, as well as sustainable and resilient economic growth.
Trade Facilitation Road Map of Lao PDR for 2017–2022	<ul style="list-style-type: none"> The main objective is to simplify and streamline clearance procedures to improve service delivery. The roadmap's focus is to improve the country's trade competitiveness by substantially reducing the time (by 50%) and cost (by 30% at least) of trading to bring them at par with the leading economies in the neighbourhood and to allow seamless integration of the Lao PDR economy with the region. It targets raising the country's Trading across Borders score on the World Bank's Ease of Doing Business Index to the double digits, taking it from the current rank of 120th to below 100th. This is intended to lead to improved trade and economic growth, contributing to rapid graduation from least developed country (LDC) status.
Strategic Plan for Agricultural and Rural Statistics (SPARS) 2016–2025	<ul style="list-style-type: none"> Ten-year nationwide sectoral document aiming at implementing a system that provides comprehensive, timely, transparent and reliable data using up-to-date methods for the collection, processing and dissemination of statistics that meets international standards, supporting informed decision-making in the agricultural sector.
SME Development Plan 2016–2020	<ul style="list-style-type: none"> The SME Development Plan 2016–2020 was developed by the Ministry of Industry and Commerce (MoIC). Its key objectives are to improve the business and enabling environment for small and medium-sized enterprises (SMEs), to enhance their competitiveness and sustainable growth, and to enable their integration into regional and international markets.

Supportive government policies and prioritization in development planning have helped to foster growth, as has the support of international donors and aid agencies. Official development assistance from all donors given for agriculture projects in Lao PDR totalled \$51.9 million in 2018. The geographic concentration of much of the production area and the involvement of few intermediaries means that the supply chain is relatively short. Some Lao Arabica coffee is sold on the specialty market with price premiums, demonstrating high quality and a potential model to be replicated, particularly given demand for these products in export markets. Large, profitable coffee estates use the high-yield Catimor variety and there is a good level of mastery of the wet process, particularly for Arabica beans.



Photo: CC

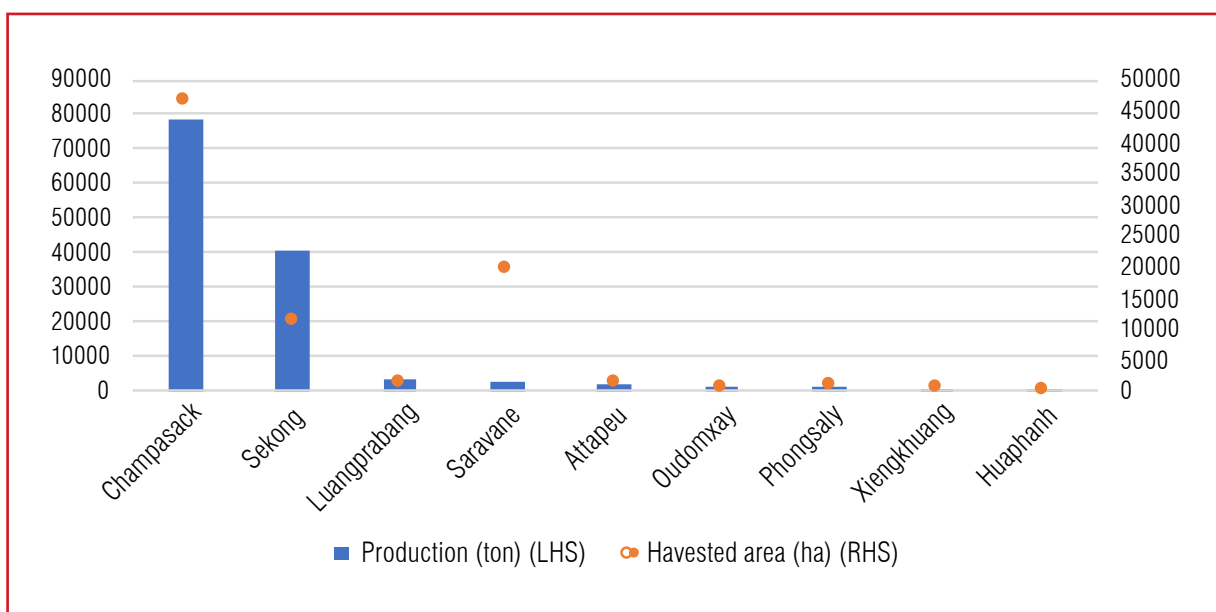
2.2. SECTOR SOCIOECONOMIC CONTRIBUTIONS

The past two decades have seen a rapid development of the Lao coffee sector, with planted areas increasing approximately threefold since 1999 and a similar increase in production. Coffee production is a critical source of income for many in Lao PDR and is an important part of the agriculture sector, which accounted for 15.7% of gross domestic product (GDP) and 63.2% of employment in 2018. As such, it also contributes to rural development and economic diversification. In 2018, Lao PDR was the world's 12th largest coffee producer by volume, and the 4th largest producer in Asia, after Viet Nam, the Republic of Indonesia and the Republic of India. In 2009–18, production volume grew by

an average of 14.5% per year, much of which was due to improved yields; while both increased over this period, harvested area grew slower (at an annual average of 5.1%) than yields (which averaged 8.9% growth per year).

Measured by the total volume of production, provinces in the southern region remain the main centres of the coffee sector in Lao PDR. Champasak, Sekong, Saravane and Attapeu together accounted for 95.9% of both total harvested area and total production in the country in 2018 (Figure 10). While still relatively small, the northern region, led by Luang Prabang, is increasing in importance. In 2009–18, its share of total production increased from 0.1% to 3.6%.

Figure 10: Coffee production and harvested area by province (2018)



Source: Lao Statistics Bureau.

While incomes can be relatively low in the Lao agriculture sector –labour cost per worker averages $\text{K}1.2$ million in agriculture, compared with $\text{K}1.3$ million in the industrial sector and $\text{K}2$ million in the services sector – many in Lao PDR rely on the coffee sector for their livelihoods. An estimated 20,000–25,000 households across seven districts are directly involved in coffee production, and the Lao Coffee Board estimates that the industry supports the livelihoods of more than 100,000 individuals. Agriculture is somewhat more important as a source of female employment, for which it accounts for 65.1% (compared with 61.4% for men), and the coffee sector provides opportunities and employment for many women in Lao PDR, though they also face unique challenges related to their involvement in the sector.

The sector also attracts international investment in larger plantations and activities. International firms have been active in coffee production in Lao PDR, as evidenced by their links to coffee farms and involvement in land deals. The biggest planters and exporters are foreign companies: Paksong Highland from Thailand (3,100ha); Outspan-Olam from Singapore (approximately 1,300ha); several Vietnamese companies (including Tin Nghia, and Viet Nam-Laos Coffee Joint Stock); and others from Malaysia (Delta), Australia and Canada.



Photo: ITC

2.3. CURRENT VALUE CHAIN

The coffee value chain can be broken down into six steps: the support system, production, primary processing, secondary processing, exporting, and end markets (Figure 10). There are some particularities to the value chains for Robusta and Arabica.

The support system for coffee production includes the inputs of land, labour, agricultural research and plant nurseries, and extension services, as well as input suppliers, financial services and sector associations. Approximately 40,000–50,000ha of Robusta is cultivated, along with approximately 20,000–25,000ha of Arabica. Shortages of labour – which accounts for approximately 60% of the total production cost – are faced by producers. *C. canephora* is a common variety of Robusta, while Arabica varieties include Catimor, and Java and Typica are grown especially at elevations above 1000m. There is little use of chemical fertilizers in the sector. Financial services provided to farmers tend to be pre-harvest loans, while exporters use formal credit. The Lao Coffee Board (or Conseil National du Café Lao, LCNC) and Lao Coffee Association (LCA) are the main associations active in the sector.

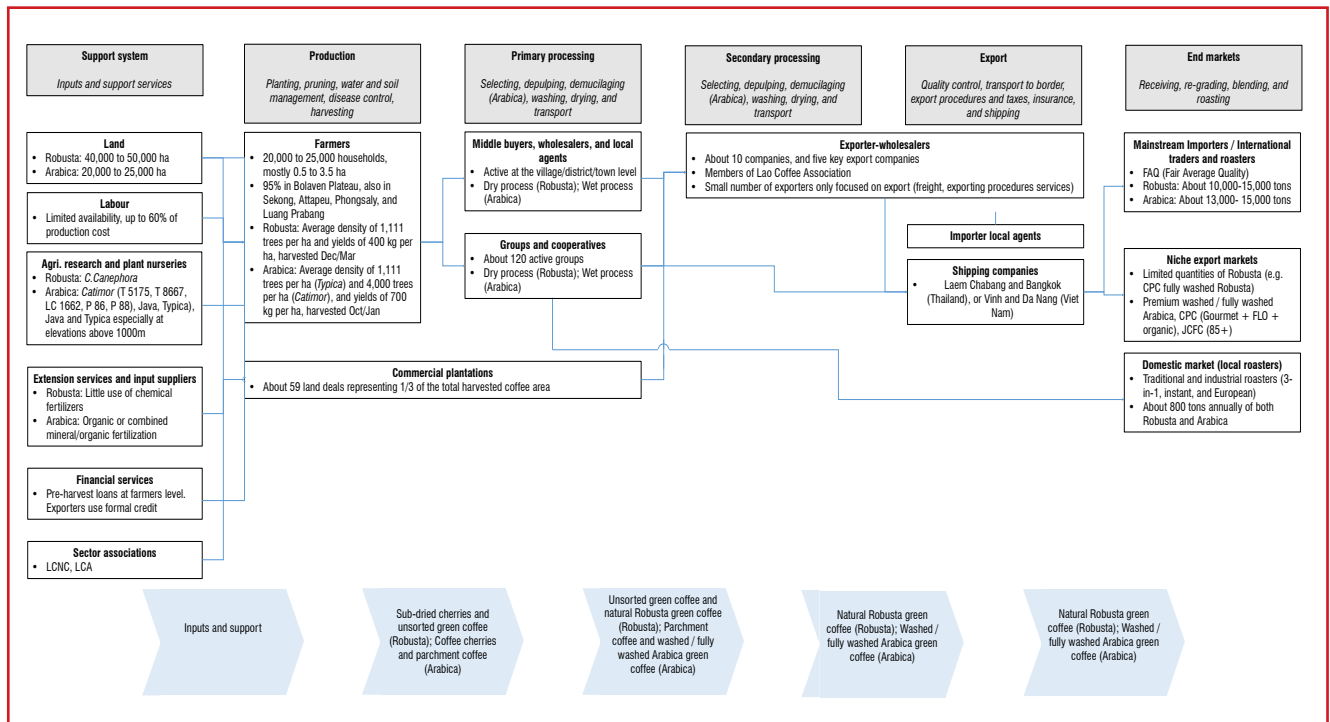
Production activities include planting, pruning, water and soil management, disease control, and harvesting. In total, 20,000–25,000 households are involved in production, most of which farm plots of 0.5–3.5ha. Robusta is grown with an average density of 1,111 trees per ha and yields of 400kg per ha. It is harvested from December to February. Arabica is grown with an average density of 1,111 trees per ha (Typica) and 4,000 trees per ha (Catimor), and yields of 700kg per ha. It is harvested from October to January. In addition to smaller producers, commercial plantations are active in the sector. Approximately 59 land deals represent one-third of the total harvested coffee area. The outputs of the production stage of the value chain are sun-dried cherries and unsorted green coffee (Robusta) and coffee cherries and parchment coffee (Arabica).

Primary processing activities include selecting, depulping to remove the pulp from ripe coffee cherries, demucilaging to remove the layer of mucilage from cherries (for Arabica), washing, drying and transport. Groups and cooperatives, of which approximately 120 are active in Lao PDR, and middle buyers, wholesalers and agents (active at the village, district and town levels) are involved at this stage. Commercial plantations handle much of this on-site. The outputs of primary processing are unsorted green coffee and natural green coffee (Robusta) and parchment coffee and washed/fully washed green coffee (Arabica).

Secondary processing activities include cleaning, hulling, polishing, grading, sorting and bagging. Exporting activities include quality control, transport to border, export procedures and taxes, insurance and shipping. Exporter-wholesalers are active in both of these stages. Approximately 10 companies are involved in these activities, with the largest responsible for an estimated two-thirds of total exports of Lao coffee. Most exports are routed through the Laem Chabang and Bangkok seaports in Thailand, or Vinh and Da Nang in Viet Nam.

End market activities include receiving, regrading, blending and roasting. In the domestic market, local roasters include traditional and industrial roasters, which use approximately 800 tons annually of both Robusta and Arabica. Mainstream exports and sales to international traders and roasters of Fair Average Quality (FAQ) coffee total an estimated 10,000–15,000 tons of Robusta and 13,000–15,000 tons of Arabica. Limited quantities of Robusta are exported to niche markets, such as CPC's fully washed Robusta. Niche market Arabica exports include premium washed/fully washed beans; gourmet, Fairtrade certified, and organic exports by CPC; and 85+ beans by Jhai Coffee Farmers Cooperative (JCFC).

Figure 11: Coffee sector value chain



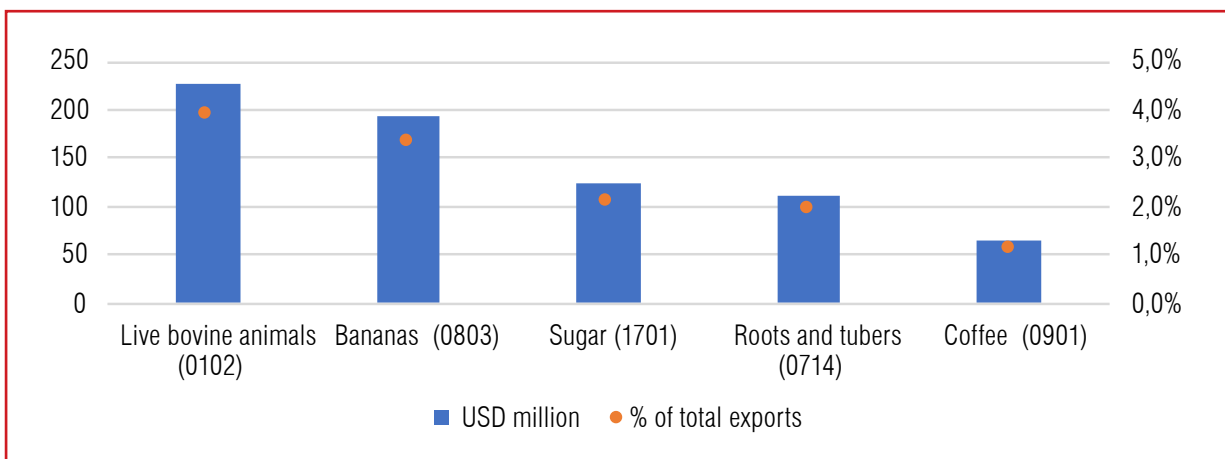
Source: ITC.

2.4. LAO COFFEE EXPORTS

Coffee is an important component of Lao agricultural exports, and thus contributes to growth and diversification. Lao coffee exports totalled \$64.3 million in 2019, representing 1.1% of the value of all Lao exports, and making it one of the country's most important agricultural exports, following

live bovine animals (\$226,679), bananas (\$193,867), sugar (123,263), and roots and tubers (111,491) (Figure 12). In international comparison, Lao PDR is relatively small, however, and was the world's 39th largest coffee exporter by value and the 31st largest exporter by volume in 2019.

Figure 12: Exports of selected agricultural product clusters (2019)

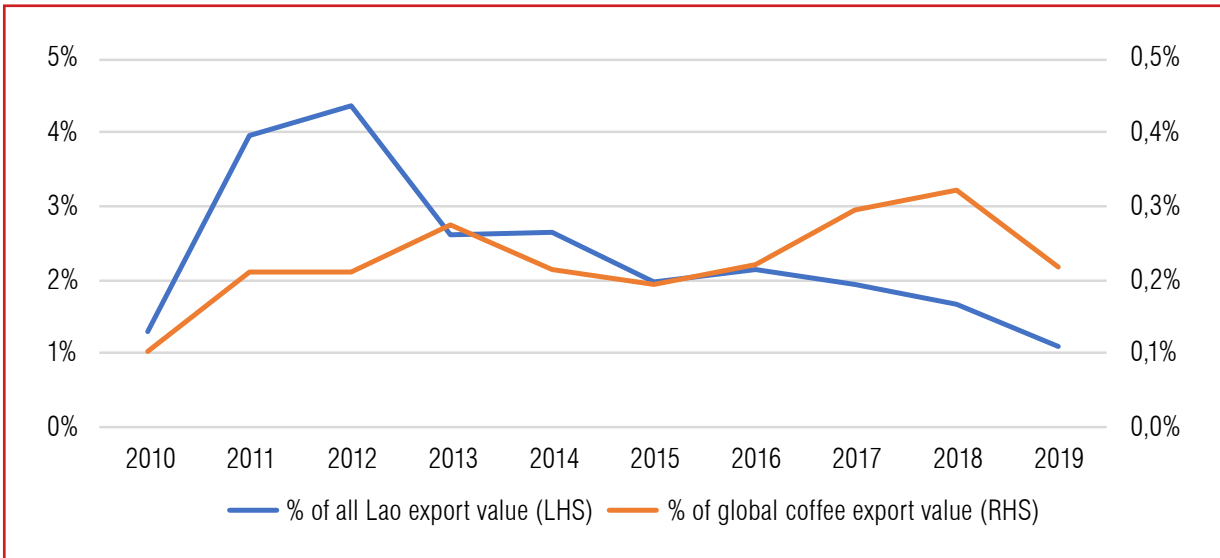


Source: ITC, Trade Map.

The sector's exports have been growing in absolute terms and in comparison with other coffee exporters, though more slowly than other Lao export products. By volume, coffee exports increased from 9,193 tons in 2010 to 27,435 tons in 2019. As a share of the value of total exports from Lao PDR,

coffee has declined from a recent peak of 4.4% in 2012 to 1.1% in 2019 (Figure 13). However, Lao coffee exports have increased somewhat in recent years as a share of global coffee exports, from 0.10% in 2010 to 0.22% in 2019.

Figure 13: Lao coffee exports (2010–19)



Source: ITC, Trade Map.

Green coffee beans account for most exports. Exports of non-roasted and non-decaffeinated coffee represented 85.1% of exports in 2019. Roasted coffee, by contrast, is primarily sold in the domestic market and within the region. Other coffee products, such as decaffeinated coffee and coffee husks and skins, tend to account for very small shares of export value.

Arabica and Robusta each represent approximately 50% of exports as a result of the growing importance of Arabica, which has increased from an estimated 10% of exports 15 years ago. By volume, it is likely that Robusta exports currently total 10,000–15,000 tons, with a notable quantity being traded across the Vietnamese and Thai borders informally (Box 2), while Arabica exports total approximately 13,000–15,000 tons.



Photo: ITC

Box 2: Discrepancies between direct and mirror trade data

A comparison between Lao PDR direct and mirror trade data (reported by Lao PDR and destination countries respectively) shows that exports might be under-reported by approximately 10%–30% (Figure 14). This is consistent with findings from a 2017 International Monetary Fund (IMF) study on general trade statistics in Lao PDR, which concluded:

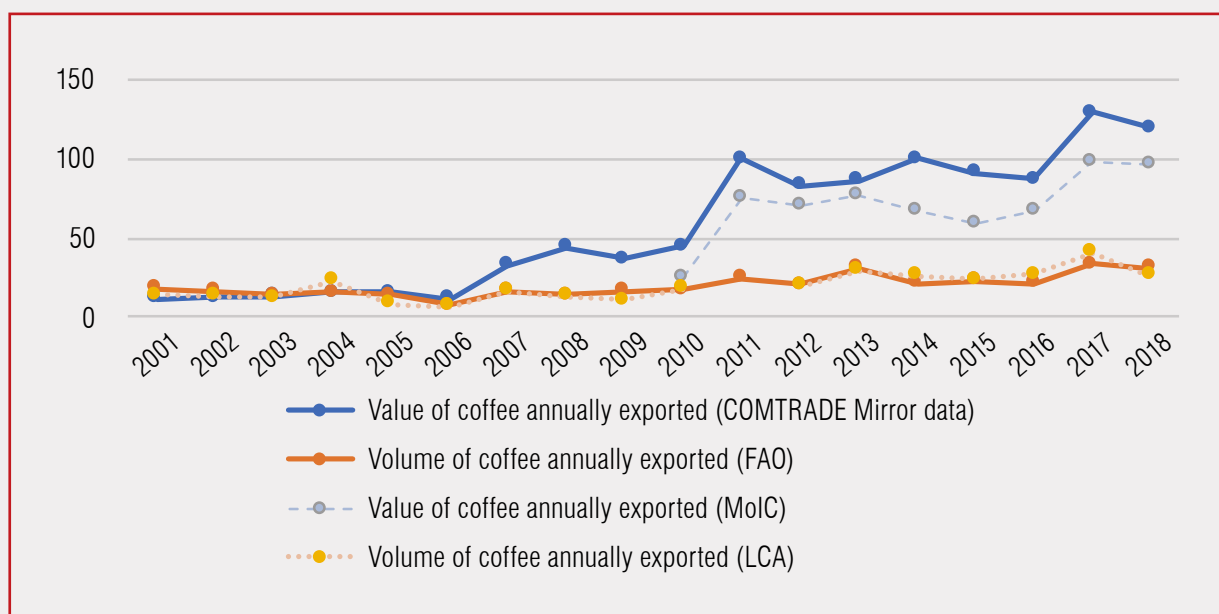
“Our results indicate that, for 2014/15, exports could be under-reported by 8 to 50 Percent [...]. Underreporting is concentrated in trade with major partners, including Thailand (17 percent of total

trade), China (10 percent of total trade) and Vietnam (3 percent of total trade).”¹

One possible explanation for this discrepancy may be informal cross-border exports to Viet Nam and Thailand in particular, which could possibly represent an additional volume of approximately 6,000–10,000 tons of green beans (mostly Robusta), with an estimated market value of \$15 million to \$25 million.

1.– Geoffrey Bannister, Manuk Ghazanchyan and Theodore Pierre Bikoi, «IMF Working Paper – LAO P.D.R.: Assessing the Quality of Trade Statistics», 2017.

Figure 14: Lao PDR coffee export value and volume
USD million (value), millions of metric tons (volume)



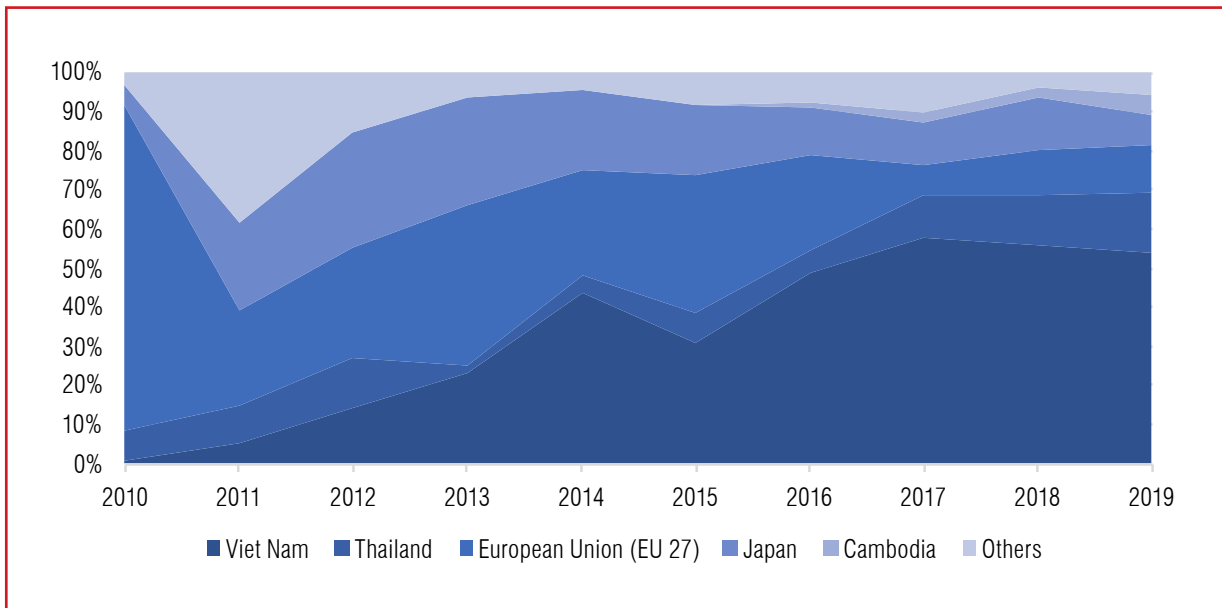
Sources: UN Comtrade, Food and Agriculture Organization (FAO), MolC and LCA.

In recent years, Lao coffee exports have shifted towards regional markets. In 2010–19, Asian markets increased from 15.7% of Lao coffee exports to 86.5%. Much of this growth has been led by Viet Nam, which grew from being the destination for 0.7% of exports by value in 2010 to 54% in 2019 (Figure 15). Thailand, Japan and Cambodia are important

regional markets as well. In 2010–19, the share of total Lao exports to the European Union in terms of value fell from 83.2% to 11.8% as absolute quantities exported slipped from 7,670 tons to 2,911 tons.

Figure 15: Lao coffee exports by destination (2010–19)

Percent of total value of coffee exports



Source: ITC, Trade Map.

2.5. TRADE SUPPORT INSTITUTIONS

By developing and implementing policies affecting the sector and trade, facilitating public–private dialogue, collecting and disseminating production and market information, and organizing collective action, trade support institutions play an important role in supporting the realization of the coffee sector’s international trade potential. These institutions provide a range of valuable services to clients in the private and public sectors and play a critical role in the implementation of this roadmap, including on capacity development, policy reform, investment attraction and improving export prospects. However, limitations in the capacities of these institutions themselves to carry out their missions and a lack of alignment of stakeholder concerns with some of their priorities undermines their effectiveness. Reform and new approaches may be needed to strengthen the impact of the trade support institutions active in the Lao coffee sector.

The Lao coffee sector is supported by the Lao Coffee Board (LCB/CNCL), the inter-professional body entitled to represent the entire Lao coffee sector, and the private sector-led Lao Coffee Association, as well as producer cooperatives. Along with other business interests, the sector is also supported by the work of the Lao National Chamber of Commerce and Industry (LNCCI). Government is particularly involved in the sector at the national, provincial and district levels through the work of the Ministry of Industry and Commerce (MoIC), Ministry of Agriculture

and Forestry (MAF), Ministry of Finance (MoF), Ministry of Natural Resources and Environment (MoNRE), Department of Intellectual Property, Standardization and Metrology (DISM), National Authority for Science and Technology (NAST), Provincial Agriculture and Forestry Office (PAFO), Provincial Industry and Commerce Division, and Department of Agriculture, Forestry and Fisheries (DAFO), as well as through other public sector organizations, such as the National Agriculture and Forestry Research Institute under MAF (Table 2).



Photo: (cc) trophygeek,

Table 2: Trade and support institutions active in the coffee sector

Institution	Assessment of relevant activities
Lao Coffee Board (LCB/CNCL)	The Lao Coffee Board is the body responsible for representing the Lao coffee sector. Officially created by Prime Minister's Decree No. 085/PM, 25/06/2010, the CNCL gathers public and private stakeholders involved in the coffee value chain with the core mandate of ensuring political and institutional steering of the National Strategy for Lao Coffee Development and Promotion (LCSDS).
Lao Coffee Association	The LCA has been the private sector association that supports coffee production, collects statistics on exporting and promotes Lao coffee internationally since 1994.
Producer cooperatives	Producer cooperatives, such as the Bolaven Plateau Coffee Producers Cooperative (CPC) and Jhai Coffee Farmers Cooperative (JCFC), offer assistance to members through technical and financial support, marketing activities, and processing and other light infrastructure.
Ministry of Agriculture and Forestry (MAF)	MAF plays a lead role for the development of the coffee sector through the Department of Agriculture (DoA), the Department of Planning and Cooperation (DPC) and the Department of Agricultural Extension and Cooperatives (DAEC), and also hosts the Lao Coffee Board.
National Agricultural and Forestry Research Institute, MAF	The National Agricultural and Forestry Research Institute is in charge of agronomic research and the development of varieties through the Coffee Research Experimentation Centre in Ban Itou.
Ministry of Industry and Commerce (MoIC)	The MoIC regulates industry in Lao PDR and its provincial offices oversee the sale, transport, processing and export of coffee.
Lao National Chamber of Commerce and Industry (LNCCI)	The Lao National Chamber of Commerce and Industry (LNCCI) was established in 1989 as an independent body that represents the business community in Lao PDR. It currently has more than 1,000 members represented through 18 provincial chambers of commerce and business associations and groups.
Ministry of Finance (MoF)	MoF is in charge of finances, budget and taxes nationwide, and as such is capable of allocating public funding in order to develop the coffee value chain. It is a key actor in supporting the coffee sector's competitiveness through adaptations to the taxation regime and targeted tax exemptions.
Ministry of Natural Resources and Environment (MoNRE)	MoNRE is a key player supporting the agroforestry model in coffee production, and leads work on sustainability standards and climate change adaptation. It was created in 2011 by merging the Water Resource and Environment Administration (WREA) with the departments of the National Land Management Authority (NLMA) and portfolios of other ministries, including the Geology Department, and the Forest Conservation and Divisions within the Ministry of Agriculture and Forestry (MAF).
Department of Intellectual Property, Standardization and Metrology (DISM), NAST	Under the National Authority for Science and Technology (NAST), which is in charge of defining standards (e.g. food safety) and dealing with intellectual property, DISM is particularly relevant to the efforts for setting standards and grades for coffee quality.
Provincial Agriculture and Forestry Office (PAFO)	PAFO is the provincial-level authority for MAF, which issues licences, supervises the implementation of national policies locally, collects data and provides support as needed through existing programmes.
District Agricultural and Forestry Office (DAFO)	DAFO is the local agent of MAF in charge of implementation of national policies locally and day-to-day interaction with farmers.
Provincial Industry and Commerce Division	The Division facilitates sale to processing companies/factories or exporters, and subsequently issues transport permits. It monitors the transportation of coffee lots.

Box 3: National context and key messages for the roadmap

The national context of the Lao coffee sector – including development trends, planning and policies, socioeconomic situation, relationships within the value chain, export performance, and roles and responsibilities of trade support institutions – shapes its future potential. Beyond just addressing the challenges outlined below,

the roadmap leverages strengths in identifying high-potential export markets in the region and beyond, the possibilities for increasing selected high-value added exports, and the potential for innovation and change across the value chain.



3. SECTOR CHALLENGES

The potential to develop higher-value Lao coffee exports and to expand the sector's contribution to the domestic economy through enhanced trade has been held back by constraints related to productivity, differentiation and quality, and sector organization and the business environment.

Farm-level yields and productivity tends to be low, limiting competitiveness and reducing sector income. There is thus a need for capacities for research and commercialization to be further developed to boost yields.

Quality management remains an issue and the Lao coffee sector relies heavily on mass market with little market segmentation. Minimum quality standards for coffee exports are lacking. Only a few actors in the sector can find buyers paying higher prices due to their reputations for perceived reliability and the higher quality of the coffee produced. In particular, the potential of Lao specialty coffees produced for export have not been fully realized and voluntary sustainability standards have been underused.

Weak sector governance and lack of opportunities for meaningful participation of the private sector limits the value chain's ability to change and adapt to the fast-paced evolution in international demand. This can be seen in the limited extent of sector organization, which hampers effective coordination. The challenging business environment, in turn, slows investment and growth of the coffee sector, and high transportation costs and barriers to market access and visibility in key markets hinder exporting in particular. Issues also remain regarding the sector's sustainable and inclusive development, and in the adoption and effective use of digital tools.

These key challenges to sector competitiveness are examined further through three pillars: constraints to the capacities of micro, small and medium-sized enterprises (MSMEs) to compete, connect and change (Table 3), at the three layers of firm-level capabilities, the immediate business environment and the national environment. Constraints are evaluated on a three-point scale of severity (low, moderate and high). Relevant activities in the plan of action addressing each constraint are identified.

Table 3: 3Cs competitiveness framework

Capacity to compete	The static dimension of competitiveness, centred on present operations of firms and their efficiency: accessing the right inputs at the right cost, producing in a consistent and cost-effective manner, but also benefiting from the right institutional and business services and also proper infrastructure and trade policy framework.
Capacity to connect	The capacity to gather and exploit business-relevant information and knowledge, including information about consumer trends, compliance requirements, demographics, trade size and flows, contractual agreements, barriers to trade and competition intensity.
Capacity to change	The capacity to execute change in response to, or in anticipation of, dynamic market forces, including adapting business models, managing financial options and innovating processes and products.

3.1. COMPETE

LOW FARM-LEVEL PRODUCTIVITY LIMITS COMPETITIVENESS AND INCOME OPPORTUNITIES

Low productivity and yield, particularly in Robusta-producing areas, limits opportunities for income generation and reduces the competitiveness of Lao coffee exports. In particular, many Robusta production areas are too old to provide a sufficient return for farmers, particularly given labour costs and depressed farm gate prices resulting from product quality and low prices available in the market. This challenge has been exacerbated by insufficient investment,

which has meant a lack of upgrading and replanting with improved and better-suited varieties. Depending on altitude, either Arabica or Robusta may be appropriate. Some areas have even been abandoned or replaced with other crops as a result of low profitability, limiting opportunities for sector growth.

New models of production are needed that foster enhanced productivity and profitability, while minimizing environmental impacts. Agroforestry, including the use of shade trees, proper soil management, and organic practices and certifications, would seem to be a relevant example for producers to follow. At the same time, enhancements to extension services are also needed to spread awareness

of opportunities for improving productivity and expanding the use of good agricultural practices (e.g. soil management, shading and pruning), as well as covering harvest and post-practices.

On-farm productivity challenges are to be addressed in the roadmap through activities designed to improve knowledge and upgrade farming practices, including through enhanced access to financial services.

Relevant layer	Firm capabilities
Severity of constraint	● ● ●
Relevant PoA activities	Information dissemination (1.1.3), Model farms (1.1.4), Worker safety (1.1.5), Financial access (1.1.6), Financial literacy (1.1.7), Insurance coverage (1.1.8)

SPECIALTY COFFEE POTENTIAL HAS NOT BEEN FULLY REALIZED

In addition to supporting the export of Fair Average Quality (FAQ) coffee, enhancements to quality management are also needed to support the export potential of Lao specialty coffee. Standards for premium qualities based on grading and organoleptic quality are needed, and quality assessment capacities will need to be strengthened. However, there are insufficient capacities to assess the quality of coffee lots, which is needed to ensure proper pricing and provide market feedback to producers.

The effects of this are seen in the composition of coffee exports. Despite favourable conditions for production,

few lots of high-quality Robusta are sold on the specialty market. While some washed Robusta, which seems to be a promising product, has been produced and exported, this is not yet being sold in large, commercially viable volumes. These low volumes limit visibility in markets and raise costs. Similarly, there are no guarantees for international buyers on quality of Arabica lots except for the individual reputation of the producer/exporter. The absence of a collective quality assurance mechanism hinders the development of large export volumes that are consistent in quality and recognized by the market, and also reduces visibility. Price premiums and incentives to improve quality over the value chain are, therefore, missing.

The prospects of these exports are held back by the lack of quality standards, which could be combined with a geographic indication that leverages strengths in Lao coffee production to ensure price premiums. Also needing to be addressed are insufficient testing capacities (including laboratories and equipment for tests and sampling), as well as the shortage of certified coffee graders and cuppers.

The potential of specialty coffee is to be realized through activities in the roadmap on establishing high-quality coffee standards, using geographical indications, improving testing and promoting quality.

Relevant layer	Immediate business environment
Severity of constraint	● ● ○
Relevant PoA activities	High-quality standards (2.1.1), Specific high-quality coffee pilot initiative (2.1.3), Geographical indications (2.1.4), Sampling and testing laboratories (2.3.1), National quality award (2.3.2)

3.2. CONNECT

MINIMUM QUALITY STANDARDS FOR COFFEE EXPORTS ARE LACKING

Improvements in Lao coffee quality are essential to raising profits and productivity, as well as to reaching new export markets. However, these improvements have been stalled by the lack of official export quality standards and minimum quality requirements. Exporting countries typically use sets of these standards suited to their production and needs, and that are understandable to local and international buyers. While the Department of Metrology from the Ministry of Science and Technology has been formally responsible for enforcing a set of standards on coffee exports since 2011, interviews in the field with various actors involved in the sector, including the local office of the Ministry of Science and Technology (MOST), established that these standards are often unknown to the industry and not commonly used. Similarly, while progress is being made on improving food quality inspection capacities, sanitary and phytosanitary

issues remain relevant to the sector in expanding the potential reach of exports.

While these challenges are acknowledged by many in the sector, there are also concerns about insufficient awareness on the importance of quality among value chain actors, particularly regarding the connections between quality and pricing. Market-driven quality standards will need to be developed in an open and transparent process, with broad-based participation from the sector. Minimum standards for export coffee should be based on ICO recommendations.

Relatedly, a significant share of Robusta production is sold for less than the Fair Average Quality (FAQ) market price, as the lack of quality control can result in an inconsistent mix of beans with too many defects and too much moisture. Much of this coffee crosses into Viet Nam and Thailand at discounted prices through informal cross-border trade, contributing to the 10%–30% discrepancy between direct and mirror trade data discussed in Box 2.

Substandard Robusta resulting from improper harvest and post-harvest practices will need to be addressed. While greater use of cost-effective measures to improve quality –such as the use of tarpaulins or concrete slabs to dry Robusta coffee cherries– is recommended, systems that recognize and reward quality enhancement will need to be strengthened in order to motivate these changes. This includes quality control measures aimed at ensuring minimum quality and Fair Average Quality (FAQ) prices, as well as support for reaching new buyers and markets.

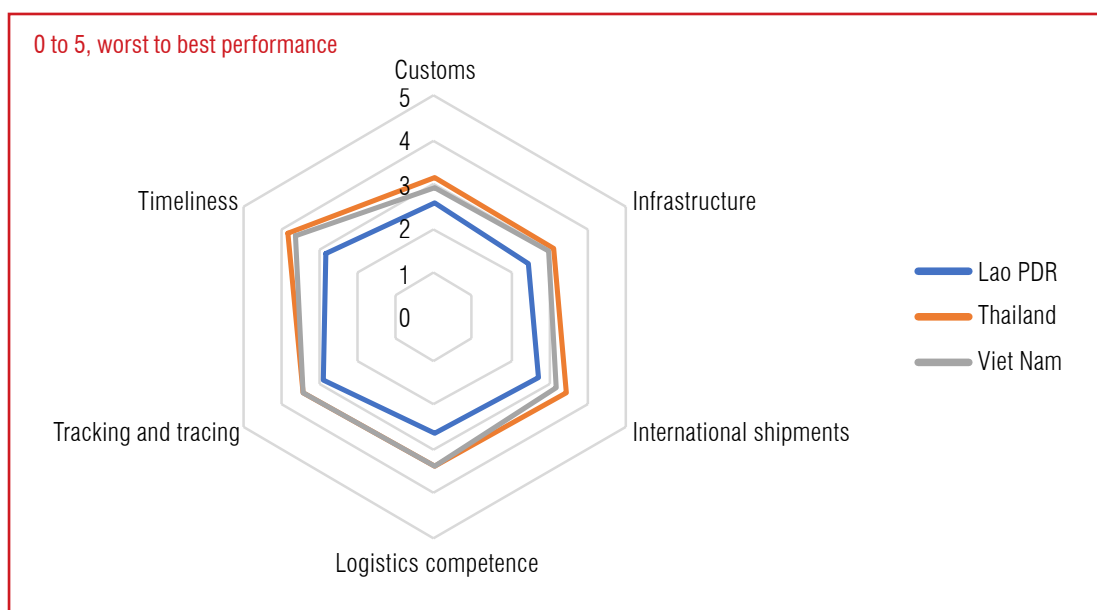
Minimum quality standards are to be strengthened through the roadmap’s activities on standards, training, quality infrastructure, and the support of leaders in this field.

Relevant layer	National environment
Severity of constraint	● ● ●
Relevant PoA activities	Green coffee standards (2.1.2), Quality enhancement training (2.2.1), Pulping centres (2.2.2), Quality champions (2.2.3)

HIGH TRANSPORTATION COSTS REDUCE EXPORT COMPETITIVENESS

Transportation costs and time taken in Lao PDR and in neighbouring countries –particularly transit port handling charges in Thailand– can be quite high, raising export costs and undermining Lao producers’ price competitiveness. At an average of **₹489** per ton-km, these costs are relatively high in comparison with neighbouring countries. This is partly due to a lack of competition in the Lao transport sector, which is limited to a few operators, as well as low levels of productivity, unfavourable geography and weak transportation infrastructure. Lao PDR is ranked 82nd in the World Bank’s Logistics Performance Index, while Thailand and Viet Nam are ranked 32nd and 39th respectively (Figure 16). A limited number of road transport operators drives up costs and often leads to long transit times. Exporters could work to identify alternative routes that suit their needs, including by exporting through Viet Nam and Cambodia.

Figure 16: Logistics Performance Index scores for Lao PDR, Thailand and Viet Nam (2018)



Source: World Bank.

Regulatory factors also raise export and transportation costs. Exporting a coffee container from Laos is relatively costly and time-consuming as compared with neighbouring countries or other coffee-producing nations. Multiple procedures –including certifications of origin, certifications of quality, plant quarantine certifications, receipts, profit taxes, export fees and various supporting letters– with up to 12 different administrations and agencies add considerably to these burdens. Streamlining regulations and administrative procedures would thus help to reduce the

delays that currently slow logistics, such as transportation or roadside checks.

Investments in new infrastructure are helping to facilitate lower-cost transportation, and increased attention is being paid to other contextual factors that complicate domestic and international logistics services.

An activity in the roadmap dedicated to the exploration of alternative transportation options will seek to address this issue, which will also be addressed indirectly through efforts to improve policy dialogue and reform in the sector.

Relevant layer	Immediate business environment, national environment
Severity of constraint	● ● ○
Relevant PoA activities	Public-private dialogue (3.1.1), Policy review and reform (3.1.2), Sector directory (3.1.3), Alternative transportation options (4.3.3)

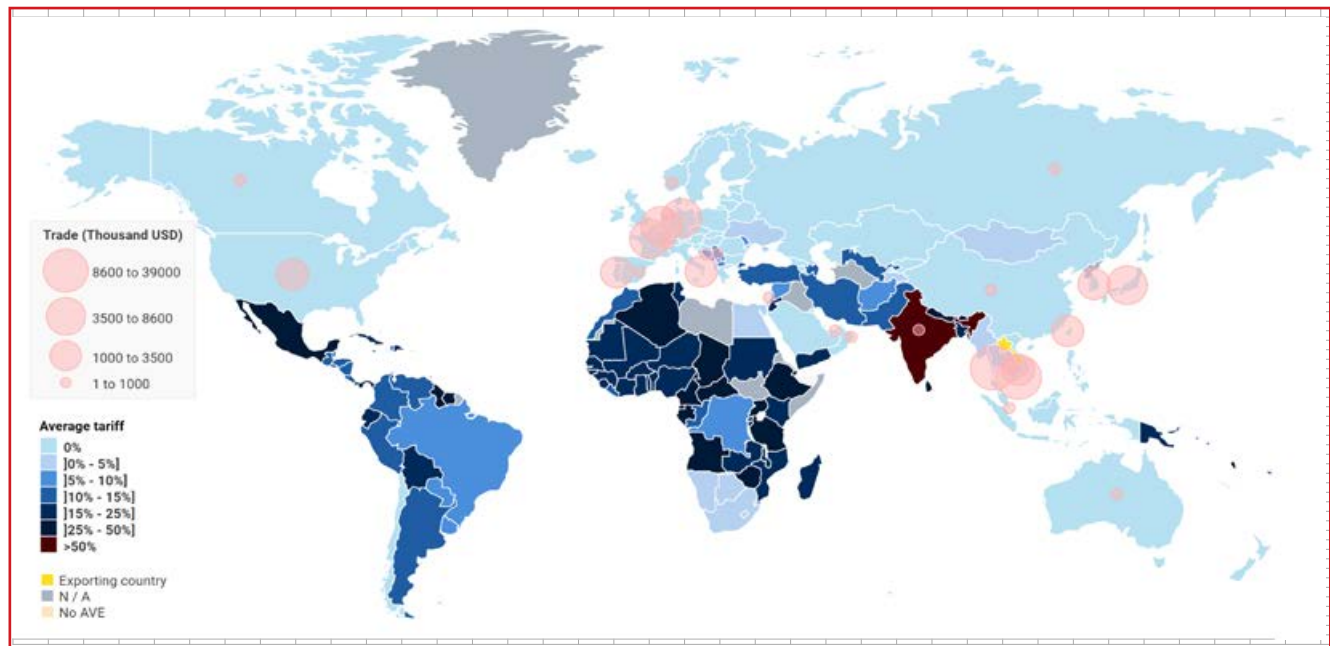
FURTHER EFFORTS ARE NEEDED TO IMPROVE MARKET ACCESS

While Lao PDR has signed bilateral trade agreements with 15 countries in the world, and is a party to various regional and multilateral trade agreements (ASEAN Free Trade Area, and Asia Pacific Trade Agreement, etc.), non-tariff measures and related entry issues still represent a major impediment in various export markets (Figure 17). Lao PDR has also benefitted from the Everything but Arms (EBA) scheme and other arrangements as a least developed country (LDC), though its graduation from this LDC status has implications for these conditions.

Coffee sector stakeholders have expressed particular concern that exports have been hindered by challenges related to phytosanitary certificates (e.g. validity periods and request for originals), food safety controls and the implementation of quarantine requirements.



Figure 17: Average effective applied tariffs and number of non-tariff measures applied on Lao coffee exports



Source: ITC, Market Access Map.

Improvements to market access will be worked towards through the roadmap, with activities related to access requirements and trade policy.

Relevant layer	Immediate business environment
Severity of constraint	● ● ○
Relevant PoA activities	Sanitary and phytosanitary (SPS) gap analysis (4.1.3), Government trade capacities (4.3.1), Trade negotiation (4.3.2), Informal trade responses (4.3.4)

TRADE INFORMATION AND PROMOTION IS NEEDED TO THRIVE IN KEY MARKETS

Realizing the full potential of Lao coffee in international markets will require building demand for these products. However, the lack of robust quality management systems and informal trade with bordering countries – as well as the lack of recognition of Lao coffee internationally – has meant that Lao exports are often mixed with Vietnamese or Thai coffee and sold at a discounted price below the Fair Average Quality (FAQ) level. The establishment of quality standards and associated controls should thus be tied to international promotional efforts to raise demand and prices for Lao coffee.

Improvements to the collection and use of information on key markets is also needed to support improved export performance. According to the results of the Lao PDR COVID-19 Rapid Assessment of the Coffee Sector, only 26% of firms rate their understanding of how coffee prices are set as being “high”, with most describing their understanding as only “moderate” (60%). Necessary improvements can be made by informing branding and promotion activities in these markets, and are also required to join specialized international organizations such as ICO. Even though there have been major changes in the world market in the recent period, the Lao coffee sector has performed insufficient analysis of export markets to better understand these trends. These challenges are exacerbated by institutional challenges, such as the need for strengthened capacities among trade support institutions (TSIs) and ICO membership.

The roadmap includes activities to address trade information and promotion limitations through market studies and the dissemination of information, branding and promotion, participation in trade fairs, support for exporting firms and targeted marketing strategies.

Relevant layer	Immediate business environment
Severity of constraint	● ● ○
Relevant PoA activities	Market reviews (4.1.1), Trade information dissemination (4.1.2), Sanitary and phytosanitary (SPS) gap analysis (4.1.3), Firm export capacity building (4.1.4), Branding and promotion (4.2.1), Trade fair participation (4.2.2), Negotiation assistance (4.2.3), Trade support institution (TSI) support (4.2.4), Domestic marketing (4.2.5), Tourism and coffee joint marketing strategy (4.2.6), Marketing specific high-quality coffees (4.2.7)

LIMITED SECTOR ORGANIZATION HAMPERS EFFECTIVE COORDINATION

As outlined in the review of support institutions, the Lao Coffee Board, Lao Coffee Association and various government bodies involved in the sector have developed a shared system of responsibilities for sector governance, though processes for public–private dialogue could be made more inclusive. Many actors in the value chain are not regularly involved in discussions on key issues that affect their businesses. Relatedly, the limited capacities of the Lao Coffee Board and the Lao Coffee Association hinder the reach and effectiveness of sector governance, though cooperatives play a key role in helping to organize smaller producers.

The roadmap is to address limited sector organization through activities on building the capacities of existing organizations and establishing new groupings, supporting ICO membership and establishing mechanisms to implement sector planning.

Relevant layer	Immediate business environment
Severity of constraint	● ● ○
Relevant PoA activities	LCA capacity building (3.4.1), Specialty coffee group (3.4.2), ICO membership (3.4.3), Strategy implementation (3.5.1), Roadmap implementation body (3.5.2), Roadmap implementation monitoring (3.5.3), Donor round table (3.5.4)

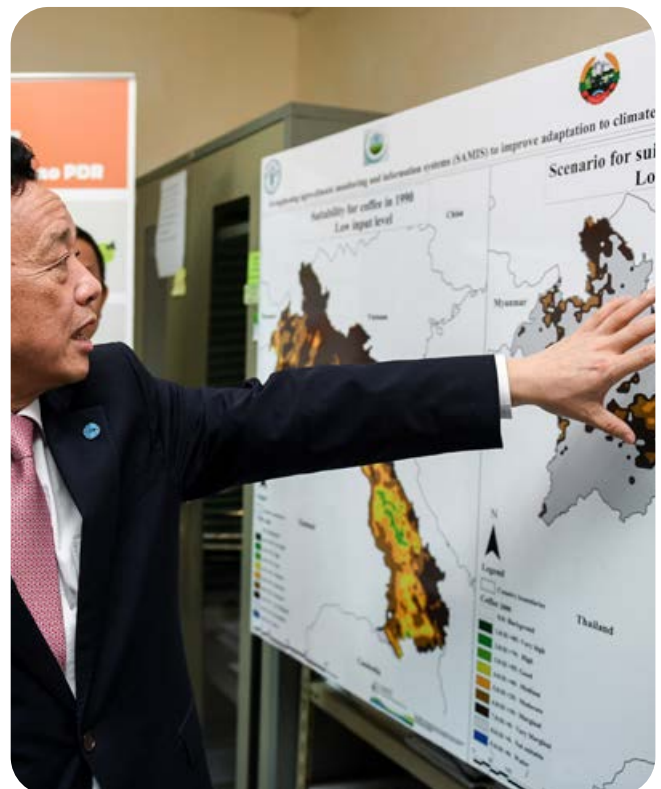


Photo: ©The Food and Agriculture Organization of the United Nations (FAO), Director-General of the Food and Agriculture Organisation o.jpg

3.3. CHANGE

CAPACITIES FOR RESEARCH AND COMMERCIALIZATION NEED TO BE FURTHER DEVELOPED TO BOOST YIELDS

Access to improved and suitable varieties is a critical component of enhancing yields and productivity in coffee production. While there seems to be a good basis for specialized coffee research in Lao PDR, particularly through the work of the National Agriculture and Forestry Research Institute, LCA facilities, and laboratory of the coffee research centre, ensuring widespread access to the results of this work will require additional effort. In addition, facilities for testing and certification related to food safety are limited.

In particular, a large quantity of seedlings and plantlets in improved varieties will be needed that combine the right organoleptic qualities, yield and pest resistance. The development and commercialization of improved varieties has been complicated by insufficient funding for coffee research, institutional factors such as the weak linkages between private sector and agronomic research, and the insufficient number of nurseries across the country. There is thus a need for the establishment of a specific programme linking agronomic research, nurseries and the private sector in order to ensure selection of the right varieties and their availability at affordable prices.

Activities in the roadmap related to improving innovation and research in the sector include efforts to improve research commercialization and research on production.

Relevant layer	Immediate business environment
Severity of constraint	● ○ ○
Relevant PoA activities	Research commercialization (1.1.1), Production research (1.1.2)

VOLUNTARY SUSTAINABILITY STANDARDS HAVE BEEN UNDERUSED

Voluntary sustainability standards (VSS) can help to open new markets to producers and to raise the prices that their coffee can attract by fetching price premiums on the market, while fostering the sector's environmental sustainability. However, while a significant quantity of Lao coffee is produced with little or no use of chemicals, only few actors have decided to apply voluntary sustainability standards. Outspan (Olam), Jhai Coffee Farmer Cooperative, and CPC/AGPC are the main actors in the Lao coffee sector involved in producing and selling certified sustainable coffee; Outspan

follows VSS such as 4Cs, Rainforest Alliance, and UTZ, and CPC/AGPC coffee is organic certified (EU, International Federation of Organic Agriculture Movements and the US National Organic Program) and Fairtrade certified.

Certification may not be attractive to all producers, even when it does not require significant changes to their regular practices, but there is not sufficient support for producers that may be interested in certification. In addition to financial constraints, there is little awareness on sustainability standards and the potential commercial benefits of certification, with little information available on which standards are the most relevant from a cost–benefit perspective. Cost–benefit analyses are needed to assist in identifying commercial prospects for sustainability standards and selecting those that are most appropriate.

Use of voluntary sustainability standards will be promoted through roadmap activities on awareness raising, information dissemination and domestic cooperation on sector standards.

Relevant layer	Immediate business environment
Severity of constraint	● ○ ○
Relevant PoA activities	Organic certification awareness (2.4.1), Certification information (2.4.2), Quality Compass (2.4.3), Cooperation on sector standards (2.4.4)

A CHALLENGING BUSINESS ENVIRONMENT SLOWS INVESTMENT AND GROWTH OF THE COFFEE SECTOR

Additional investment will be needed to drive the expansion of and upgrading in the Lao coffee sector. The attractiveness of the sector's strong potential is offset to a considerable extent by the challenging business environment, however. While some large international groups are active in Lao PDR's coffee sector, there is a shortage of local investment that hinders progresses in terms of productivity and quality improvement, as well as sector expansion. In addition, foreign investment in the sector is explicitly limited by rules on international ownership.

The overall business environment limits the attractiveness of investment opportunities in the coffee sector. Lao PDR is ranked 157th globally in the World Bank's Doing Business rankings, with a score of 50.8 (Figure 18). The main issues faced are linked to starting a business, paying taxes, protecting minority investors, enforcing contracts and resolving insolvency. The taxation regime is considered

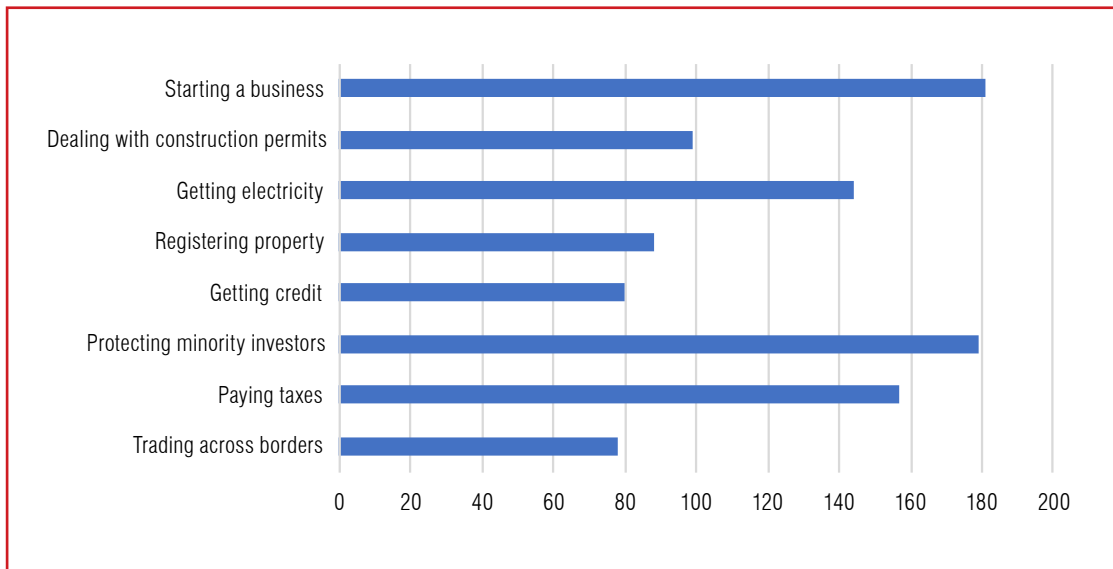
to be complicated and affects Lao PDR's capacity to attract investment, and there are gaps in the Lao contract and commercial law and limitations as to its enforcement. Obtaining access to credit is difficult for coffee producers, interest rates are relatively high and pre-harvest loans are often informal, further complicating local investment at the farm level. Administrative procedures can be burdensome; one exporter noted that exporting is complicated

by the preparation and submission of documents to the Department of Technology and Science, Ministry of Industry and Commerce, Tax Department, Ministry of Agriculture and Forestry, and Lao Coffee Association.

The government has instituted a number of measures to encourage private investment, including planned amendments to the tax law and review of explicit limitations on foreign investment, though further reforms will be needed.

Figure 18: Lao PDR Doing Business rankings by topic (2020)

Ranking out of 190 economies



Source: World Bank.

The roadmap addresses the business environment through activities related to encouraging investment, supporting public–private dialogue and policy reform, improving information sources, strengthening public sector capacities, mentoring new leaders in the sector and developing business skills.

Relevant layer	National environment
Severity of constraint	● ● ○
Relevant PoA activities	Investment profile (1.3.1), Investment proposition (1.3.2), Investment incentives (1.3.3), Public–private dialogue (3.1.1), Policy review and reform (3.1.2), Sector directory (3.1.3), Public sector capacities (3.1.4), Business incubator (3.2.1), Women's mentorship programme (3.2.2), Exporter business skills (3.2.3)

AN EXPANDING COFFEE SECTOR WILL NEED TO MANAGE ENVIRONMENTAL CHALLENGES

Coffee production contributes to some of the environmental challenges being faced by Lao PDR, where rapid economic development has resulted in increased greenhouse gas emissions, a general loss of biodiversity, and increasing scarcity of timber and non-timber forest products. In particular, coffee production increases land pressure through deforestation and shifting agricultural practices, as well as soil depletion and the increased use of chemical fertilizers in large plantations. Pests have been a serious challenge, damaging approximately 30% of coffee plantations in the southern growing areas in the early part of 2020, for example. There is thus a need to promote a new production model that balances the need for increased productivity while ensuring sustainability and climate change adaptation, based on agroforestry and the use of climate-smart agricultural practices (e.g. shading, cover plants, adapted varieties and soil management).

Sustainable development is to be fostered through the roadmap with activities on risk analysis climate change adaptation, and training on environmentally responsible production.

Relevant layer	Firm capabilities, immediate business environment, national environment
Severity of constraint	● ● ○
Relevant PoA activities	Disaster risk analysis (1.2.1), Research on climate risks (1.4.1.), Climate change adaptation (1.4.2), Recycling and waste management training (1.4.3), Organic fertilizer (1.4.4), Pest control (1.4.5)

ACHIEVING INCLUSIVE DEVELOPMENT IN THE COFFEE SECTOR REMAINS CHALLENGING

While the coffee sector has the potential to contribute to inclusive growth in Lao PDR, this potential is not being fully realized, as can be seen regarding the development of the sector and poverty alleviation and women's economic empowerment.

Poverty alleviation and rural development can be fostered by creating opportunities for MSMEs, smallholders and workers in the coffee sector. However, this potential has been limited by the challenges smaller producers face in investing in expanding and upgrading production resulting from barriers in access to finance and limited extension services, among other factors. There is a growing gap between large commercial estates set up with foreign direct investment (FDI) and the vast number of smallholder coffee farmers that lack the resources to invest in enhanced productivity and improved profitability. Price premiums need to reward improvements from smallholders so that coffee production is profitable at all levels of the value chain.

Women play a crucial role in the functioning of the Lao coffee sector, and are involved in nearly all activities relating to coffee production: land preparation; planting; weeding; pruning; picking coffee cherries; post-harvest handling, including depulping and drying; transporting; and selling. They often work on their family farm, or may be hired as daily labourers for other farms or industrial plantations. However, women working in the sector can face unique challenges, including a lack access to information and trainings on improved farming, harvest and post-harvest techniques; the lack of significant roles in decisions made over borrowing or buying/selling assets; less representation in collective decision-making forum such as village groups and cooperatives, etc.; and constraints on participating in other forms of employment or income-generating activities.⁴ These challenges are largely the result of deep-rooted traditional perceptions and cultural values that consider women as responsible for

4.– EMC Consulting, Oxfam Laos, "Gender Power Analysis of Coffee Sector", 2015.

the domestic sphere, and therefore less legitimate as decision makers on key financial/business issues.

The roadmap will support inclusive development through activities on worker health and safety, financial access and literacy, resiliency at the firm level and support for women working in the sector.

Relevant layer	Firm capabilities, immediate business environment, national environment
Severity of constraint	● ● ○
Relevant PoA activities	Strengthened worker health and safety protections (1.1.5), Improved financial access (1.1.6), Enhanced financial literacy (1.1.7), Resiliency assistance (1.2.2), Gender analysis (1.4.6), Mentorship for women in the sector (3.2.2)

Capacities to benefit from digitalization and e-commerce opportunities are limited

Business-to-business (B2B) and business-to-consumer (B2C) e-commerce has the potential to help transform the Lao coffee sector, by: raising awareness and demand, especially for specialty products; reducing transaction costs; and facilitating access to new markets. E-commerce platforms and tools increasingly play a central role in supply chain management in the global coffee sector, and have taken on additional relevance during the COVID-19 pandemic. More generally, digitalization also has the potential to improve productivity at the farm and firm level, improving access to market information and facilitating sector coordination. However, new technologies are not often used and significant constraints continue to slow their adoption. Limited ICT access and low levels of digital skills mean that internet use is relatively low. Lao PDR was ranked 113th out of 153 countries in the 2019 UNCTAD B2C E-commerce Index, which is based on measures of ICT use and infrastructure, as well as postal reliability.

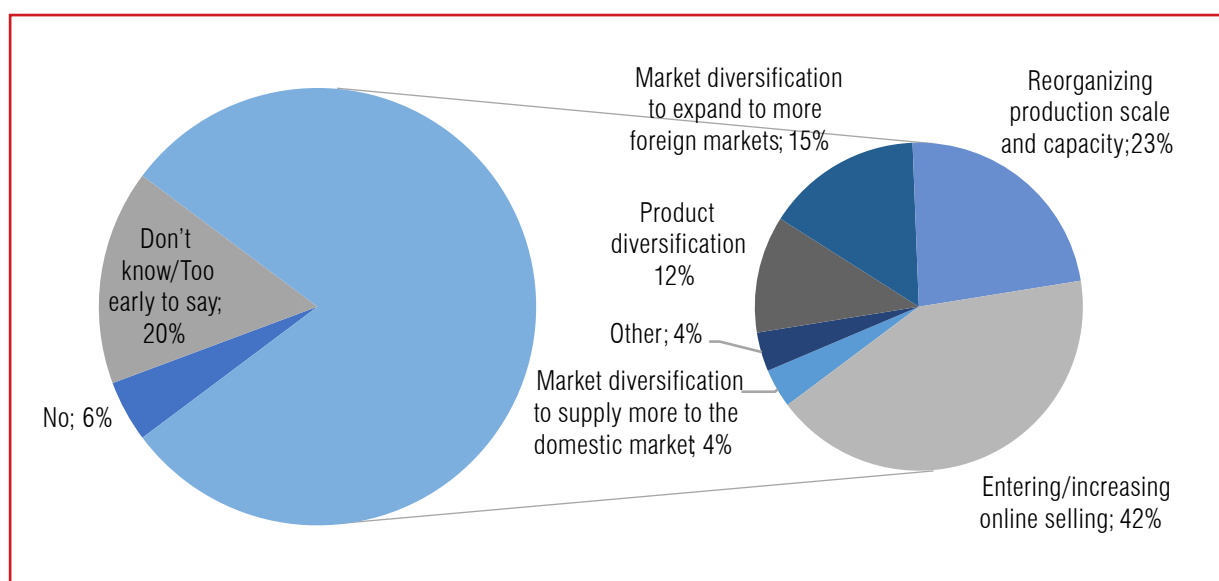
Digital tools and platforms have already proven popular as a means of enhancing firm resiliency in the sector. According to the Lao PDR COVID-19 Rapid Assessment of the Coffee Sector, 37% of respondents implemented teleworking arrangements during the early phase of the pandemic, and 42% of the firms re-evaluating their business strategies in response to the pandemic are doing so by beginning or expanding selling online (Figure 19).

The sector's potential to benefit from digitalization is to be strengthened through a benchmarking of e-payment systems and training on ICT use, as well as leveraging activities on branding and promotion and supporting firms in establishing linkages with other businesses.

Relevant layer	Firm capabilities, immediate business environment
Severity of constraint	● ○ ○
Relevant PoA activities	E-Payment benchmarking (3.3.1), ICT use training (3.3.2), Branding and promotion (4.2.1), Business linkages (4.2.2.)



Figure 19: Re-evaluation of business strategies by Lao coffee firms in response to COVID-19



Source: ITC calculations based on Lao PDR COVID-19 Rapid Assessment of the Coffee Sector. Data collected 7 July to 21 August 2020.

Box 4: Sector challenges and key messages for the roadmap

Activities to be implemented under the roadmap are designed to respond to each of the key challenges that have been identified by sector stakeholders. The roadmap therefore includes a range of projects and reforms (including trainings, reviews and consultations, organizational and policy reforms, the development of new

reference materials, and promotional activities, among others) to address issues limiting competitive capacities, barriers to building international connections, and factors impeding change and growth in the sector.



Photo: (cc) coffee-technology-equipment-drink-espresso-education-914918-pxhere.com.jpg

4. THE WAY FORWARD

The Coffee Sector Export Roadmap will help to address these challenges and leverage the strengths and opportunities of coffee production in Lao PDR, which include factors related to geography and environment, sector organization and production practices, and trends in international trade. Environmental factors offer favourable growing conditions for producing high-quality Arabica and Robusta. The Bolaven Plateau features favourable temperatures, has suitable levels of rainfall, is at a high elevation and has volcanic soil appropriate for growing high-quality coffee. Growing production in other regions of Lao PDR has further demonstrated the strengths of much of the rest of the country as well.

Sector organization and production practices have helped to establish conditions supportive of growth, and global and regional trends are favourable to Lao coffee's prospects. The large EU market represents considerable

potential and growing demand, particularly in Asian markets, and provides an opportunity to be seized by Lao exporters. At the same time, ASEAN integration, reductions in transit cost and time through neighbouring countries, and improvements in market access are also making trade-led growth a more attractive prospect. Producers can leverage the limited use of chemical inputs by smallholders in pursuing organic certification and the use of other voluntary sustainability standards to expand markets for their products.

The roadmap builds on these strengths and opportunities, with recognition of the current context (Box 5) and high-potential markets that can be prioritized in efforts to expand exporting. The vision for the roadmap offers a common goal for stakeholders, which is supported by four strategic objectives. The implementation management framework to be established will help to ensure that the actions outlined in the roadmap are implemented effectively.

Box 5: Addressing the COVID-19 pandemic and enhancing resiliency through the roadmap

The COVID-19 pandemic and associated economic crisis have highlighted the risks faced by the Lao coffee sector and the need for enhanced resiliency. Accordingly, the plan of action includes an operational objective (1.2) on supporting enhanced resiliency across the value chain through activities on risk assessment and planning, as well as targeted assistance to smallholders and MSMEs in the sector. In addition, to address reduced demand and improve the sector's flexibility to adjust to sudden changes

in demand, there may be a particular priority to: attract new investment (see PoA actions under Operational Objective 1.3); foster digitalization and the use of e-commerce tools (Operational Objective 3.3); and connect the sector to new international opportunities by improving understanding of international market opportunities (Operational Objective 4.1), increasing demand through branding and promotional initiatives (Operational Objective 4.2), and facilitating international trade (Operational Objective 4.3).

4.1. MARKET OPPORTUNITIES

A focus on high-potential export markets helps to prioritize efforts to improve export prospects, including those related to compliance with quality and other standards, trade policy, or branding and promotional initiatives. Demand trends, proximity and market access considerations all suggest that the European Union, ASEAN, Japan and the United States are particularly promising final markets for Lao coffee exporters to target. While the present and potential importance of these countries to Lao coffee exports is varied, they all represent markets that could be targeted by exporters, with

adaptations to strategies employed to respond to unique aspects of these markets.

EUROPEAN UNION

While the European Union is the world's largest market for coffee, a smaller share of Lao exports are destined for Europe than in the past. Significant untapped potential remains in the European Union as an export market for Lao

coffee, however, particularly as adaptations to production, processing and trade are implemented over time. Exporters stand to benefit from growing interest in specialty coffees and other products, though they will need to adapt to the expectations of buyers and customers in order to increase their small market share in this highly competitive market.

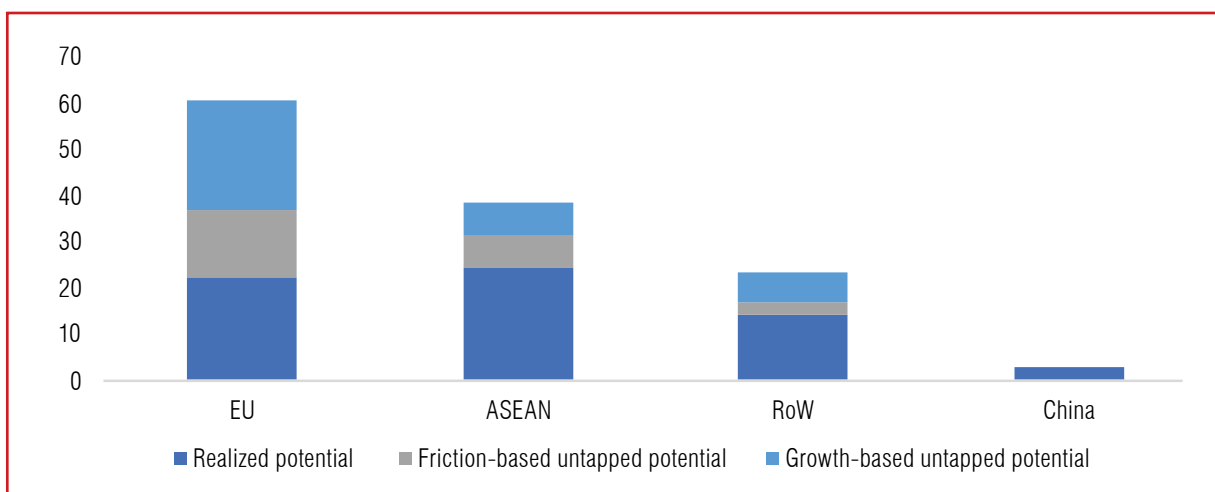
Demand for coffee is high, but growing slowly. EU imports (including intra-EU trade) totalled 4.3 million tons in 2019, with a value of \$16.5 billion (representing 50.9% and 52.4% of global imports by volume and value respectively). Particularly promising markets with the European Union include the Kingdom of the Netherlands, the Republic of Finland, the French Republic, the Republic of Poland, Eastern Europe, Scandinavia, the Kingdom of Belgium, the Republic of Italy and the Federal Republic of Germany. In the longer term, demand is expected to remain relatively stable due to market saturation, however. In 2010–19, annual growth in import volumes averaged just 1.3% per year.

Lao PDR is a relatively small source of EU coffee imports. The biggest suppliers of imports from outside of the bloc are Brazil, the Swiss Confederation, Viet Nam, Honduras and the Republic of Colombia. With \$21.6 million in imports coming from Lao PDR, it is the 43rd largest source of imports, representing just 0.15% of the import market share. Imports of non-roasted and non-decaffeinated coffee from Lao PDR are subject to no tariffs (most-favoured nation (MFN) duties are 0%), though a range of import requirements are applied.

According to ITC estimations, much of Lao PDR's \$62 million in untapped potential in coffee exports is found in trade with the European Union (Figure 20). Just 36.3% of the total Lao coffee export potential with the European Union has been realized. Of the untapped portion of this potential, 38.4% is due to trade frictions and 61.6% is due to growth-based untapped potential.

Figure 20: Lao PDR coffee export potential, by destination

USD million



Source: ITC.

Interest in specialty coffee is growing among European consumers. Several notable trends have included the growth of signature blends, single origin products, and single farm or estate products, as well as increased trade in micro and nano lots of 74 bags or fewer. At the same time, ready-to-drink coffees are the fastest-growing product, and single-serve products, such as coffee pods and capsules, have also grown in prominence in the European markets in the past decade. Single-serve products are particularly popular in France, the Netherlands and Belgium.

Consumers in the European Union are increasingly knowledgeable and demanding about the coffee they drink. In addition to concerns about quality, many are interested in the social and environmental impacts of the products, and

look for certification and information on the origins of products purchased. The most common sustainability certifications are Rainforest Alliance, C.A.F.E. Practices, Nespresso AAA, and the 4C Association. The requirements to label products as organic are set out in EU legislation, and an audit of growing and processing facilities by an accredited certifier is needed. Fair trade and biodiversity certification may also help in accessing some market segments.

European buyers tend to highly value suppliers' reliability and transparency, expecting regular updates on emerging issues and forecasts of future production. Retail coffee markets in the European Union are fairly concentrated, and Nestlé and Jacobs Douwe Egberts hold high market shares in several large markets (Table 4).

Table 4: Top retail coffee companies in selected European markets (2019)

Country	Top three companies and shares of retail value
Belgium	Jacobs Douwe Egberts (30.7%), Nestlé SA (24.8%), Koffie F Rombouts NV (4.4%)
Finland	Paulig Ab (46.1%), Massimo Zanetti Beverage Group SpA (18.7%), Nestlé SA (9%)
France	Nestlé SA (31.7%), Jacobs Douwe Egberts (29.2%), Lavazza SpA, Luigi (14.1%)
Germany	Jacobs Douwe Egberts (24%), Tchibo GmbH (11.7%), Nestlé SA (10.9%)
Italy	Lavazza SpA, Luigi (27.4%), Nestlé SA (21.1%), Kimbo SpA (5.4%)
Netherlands	Jacobs Douwe Egberts (37.8%), Nestlé SA (20.5%), Lavazza SpA, Luigi (1%)
Poland	Jacobs Douwe Egberts (27.8%), Nestlé SA (15.1%), Tchibo GmbH (15%)

Source: Euromonitor.

ASEAN

Rapid growth in demand for coffee in South-East Asia is being driven by rising incomes and growing middle classes, population growth and urbanization, tourism, and international and regional economic integration. ASEAN imports (including intra-ASEAN trade) totalled 290,713 tons in 2019, with a value of \$672.7 million (representing just 3.3% and 2.2% of global imports by volume and value respectively). Malaysia, Thailand and the Republic of Singapore, the largest importers in ASEAN, together represent more than two-thirds of imports. Demand has been growing rapidly in the region. In 2010–19, annual growth in import volumes averaged 8.5% per year. The broader Asian market imported \$4.2 billion of coffee in 2019, led by Japan, the Democratic People's Republic of Korea, Malaysia, China and the Kingdom of Saudi Arabia.

These markets are likely to figure in short-term growth planning for sector exports, as Lao PDR is already a somewhat important supplier of coffee to ASEAN countries. The biggest suppliers of imports to ASEAN markets are Viet Nam, Indonesia, Colombia, Brazil and China. Lao PDR exports \$69.7 million to the region, making it the 10th largest source of imports and representing 8.7% of the import market share. Lao exporters are increasing their prominence in the region; in 2001, their exports represented just 1% of the total value of Lao coffee imports. According to ITC estimations, 64.3% of Lao coffee export potential with ASEAN markets has been realized. Of the untapped portion of this potential, 48.2% is due to trade frictions and 51.8% is due to growth-based untapped potential.

Imports of non-roasted and non-decaffeinated coffee from Lao PDR are subject to a range of tariffs in ASEAN countries (Table 5), though a range of import requirements are applied, which vary by import market.

Table 5: ASEAN tariffs applied on Lao coffee

Country	Tariff
Brunei Darussalam	0% preferential tariff for ASEAN countries (compared with 2.29% ad valorem equivalent MFN rate)
Cambodia	5% for ASEAN (compared with 15% general tariff)
Indonesia	0% preferential tariff for ASEAN countries (compared with 5% MFN rate)
Malaysia	0% MFN rate
Myanmar	0% preferential tariff for ASEAN countries (compared with 15% MFN rate)
Philippines	0% preferential tariff for ASEAN countries (compared with 40% MFN rate)
Singapore	0% MFN rate
Thailand	20% ad valorem equivalent applied to Lao PDR exports (compared with 90% MFN rate)
Viet Nam	0% preferential tariff for ASEAN countries (compared with 15% MFN rate)

Note: Tariffs on HS 09011110.

Source: ITC, Market Access Map.

Premium and specialty coffees are seeing growing demand in much of the region. Robusta is particularly important in the region. It accounts for 99% of coffee imports in the Philippines and 70% of coffee imports in Viet Nam and Indonesia. Green coffee accounts for 61% of coffee imports in the Philippines, 56% in Viet Nam and 47% in Indonesia.

Increasing competition and local preferences will require exporters to differentiate their products to gain market share. While international brands such as Nestlé have a large share of the market, the strong positions held by local brands and mixes in these markets demonstrate the need for products and branding that appeal to local tastes. In Indonesia, for example, the largest share of the retail market (47.1% in 2019) is held by Kapal Api Group. At the same time, the region is diverse in terms of consumer preferences. For example, coffee pods are particularly popular in Singapore, while instant coffees are more popular than fresh coffee in Indonesia. In Malaysia, the growth of coffee chains is driving increased consumption of fresh coffee and in Thailand there is high levels of interest in premium instant coffees.

JAPAN

Japan is a large, but mostly saturated coffee market. Japan's imports of coffee totalled 443,747 tons in 2019, with a value of \$1.2 billion (representing 5% and 4.1% of global imports by volume and value respectively). Demand has been mostly stable in the recent past. In 2010–19, annual growth in import volumes grew by just 0.7% per year.

Lao PDR is a small, but growing source of Japan's coffee imports. In the shorter term, exporters can leverage this momentum and proximity, while adapting to secure additional market share and higher-valued sales in the medium term. The biggest suppliers of imports to Japan's market are Brazil, Colombia and Viet Nam. Lao PDR exported \$5.5 million to Japan in 2019, making it the 20th largest source of imports and representing just 0.4% of the import market share. Lao PDR's exports to Japan are growing, however; while Lao exporters sold 2,206 tons of coffee to Japan in 2019, less than 1,000 tons were exported in any year before 2009. Imports of non-roasted and non-decaffeinated coffee from Lao PDR are subject to no tariffs (MFN duties are 0%), though a range of import requirements on contamination, labelling, microbiological criteria, hygienic practices, traceability, quarantining and other topics are applied.

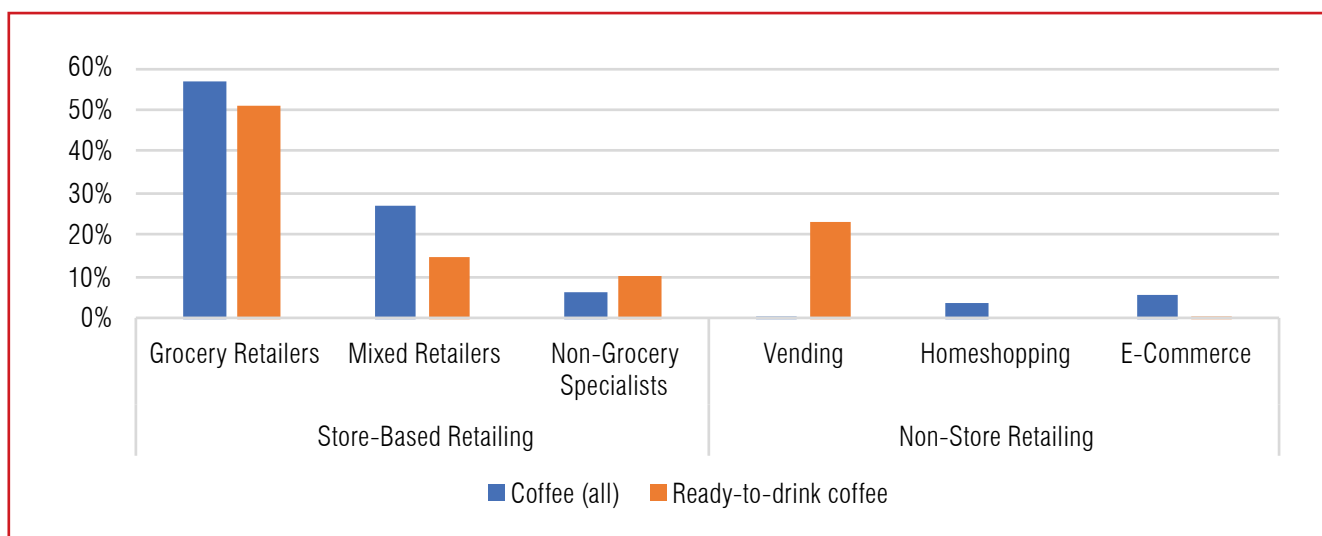
The Japanese retail coffee market is fairly concentrated. Nestlé has the largest coffee retail share (33.9%), followed by Ajinomoto Co. Inc. (14.1%) and UCC Holdings Co. Ltd. (13.9%).

While growth in demand for coffee has stalled, increased emphasis has been placed on coffee quality, including specialty products and those highlighting their origins. Decaffeinated coffee products have also seen growth as companies look for alternative ways to boost demand by encouraging consumers to drink coffee at more times throughout the day.

While many are turning to fresh coffee, ready-to-drink coffee remains particularly popular in the Japanese market; 3.1 billion litres of ready-to-drink coffee was sold in Japan in 2019. It is sold in stores and in many of the approximately 2.5 million vending machines around the country (Figure 21).

Figure 21: Japan retail coffee sales by channel (2019)

Percent of total sales by product category



Source: Euromonitor.

UNITED STATES

US imports of coffee totalled 1.7 million tons in 2019, with a value of \$5.8 billion (representing 19.2% and 19.2% of global imports by volume and value respectively). A fairly saturated market, demand has grown slowly in the recent past. In 2010–19, annual growth in import volumes grew by an average 2.6% per year.

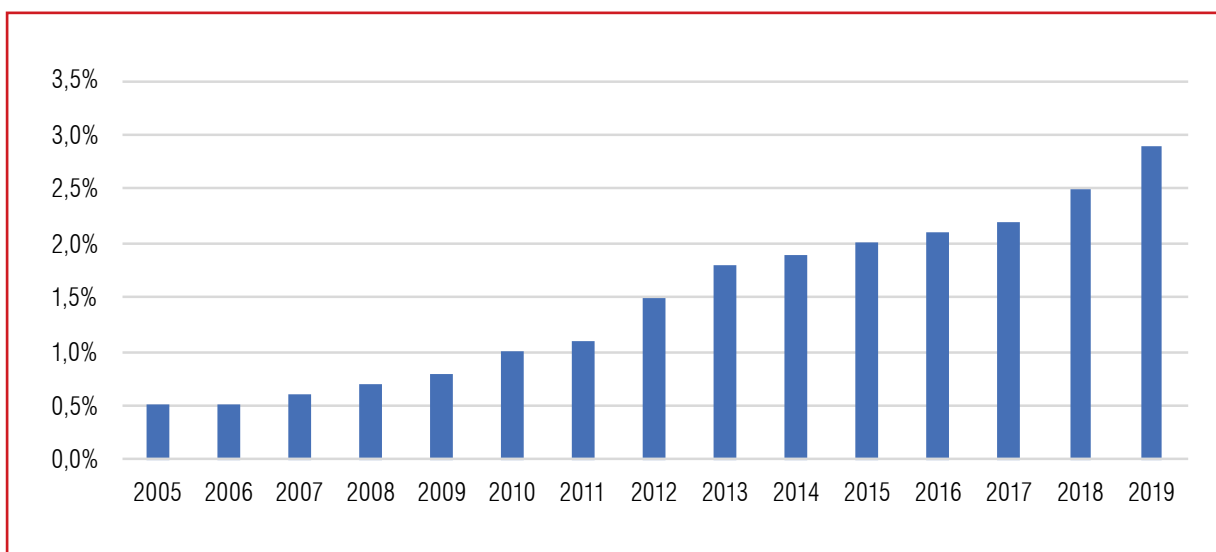
Lao PDR is a minor supplier of coffee to the US market and is likely to need time to adapt before making significant inroads. The biggest suppliers of imports to the United States are Colombia, Brazil, Switzerland, Guatemala and Indonesia. Lao PDR exported \$2.9 million to Japan in 2019, making it the 38th largest source of imports and representing just 0.05% of the import market share. Imports of non-roasted and non-decaffeinated coffee from Lao PDR are

subject to no tariffs (MFN duties are 0%), though a range of import requirements on labelling, microbiological criteria, hygienic practices, treatment, fumigation, testing and inspection, quality, traceability and other topics are applied.

Nestlé, JM Smucker, and Kraft Heinz are the biggest coffee retail companies in the United States. While premium products remain an important category in the US market, unit prices have fallen recently for fresh ground coffee and coffee pods, the two biggest fresh coffee categories, as consumers have also shown interest in whole bean and organic coffee. Sales of instant coffee are declining as well, though it remains a substitute for ground coffee or beans for many price-conscious consumers. Online sales are increasingly important in the US retail coffee market. In 2005–19, e-commerce sales as a share of total retail sales increased from 0.5% to 2.9% (Figure 22).

Figure 22: US e-commerce coffee sales (2005–19)

Percent of total retail sales



Source: Euromonitor.

4.2. VISION AND STRATEGIC OBJECTIVES

This roadmap builds on and complements the Lao Coffee Sector Development Strategy by 2025, supporting its implementation and adding to and updating its activities. To reflect this, following the strategy, the vision for the roadmap is the creation of “a dynamic coffee sector growing quality exports”.

This vision is supported by four strategic objectives, which are respectively concerned with enhancing productivity and sustainability in production and processing,

strengthening quality management systems and compliance with international standards, fostering dynamism in the sector, and connecting the sector to international opportunities.

Together, these strategic objectives cover the main areas through which improvements are needed in the sector. They thus influence all aspects of the Lao PDR coffee value chain (Figure 23).

Figure 23: Coffee sector future value chain

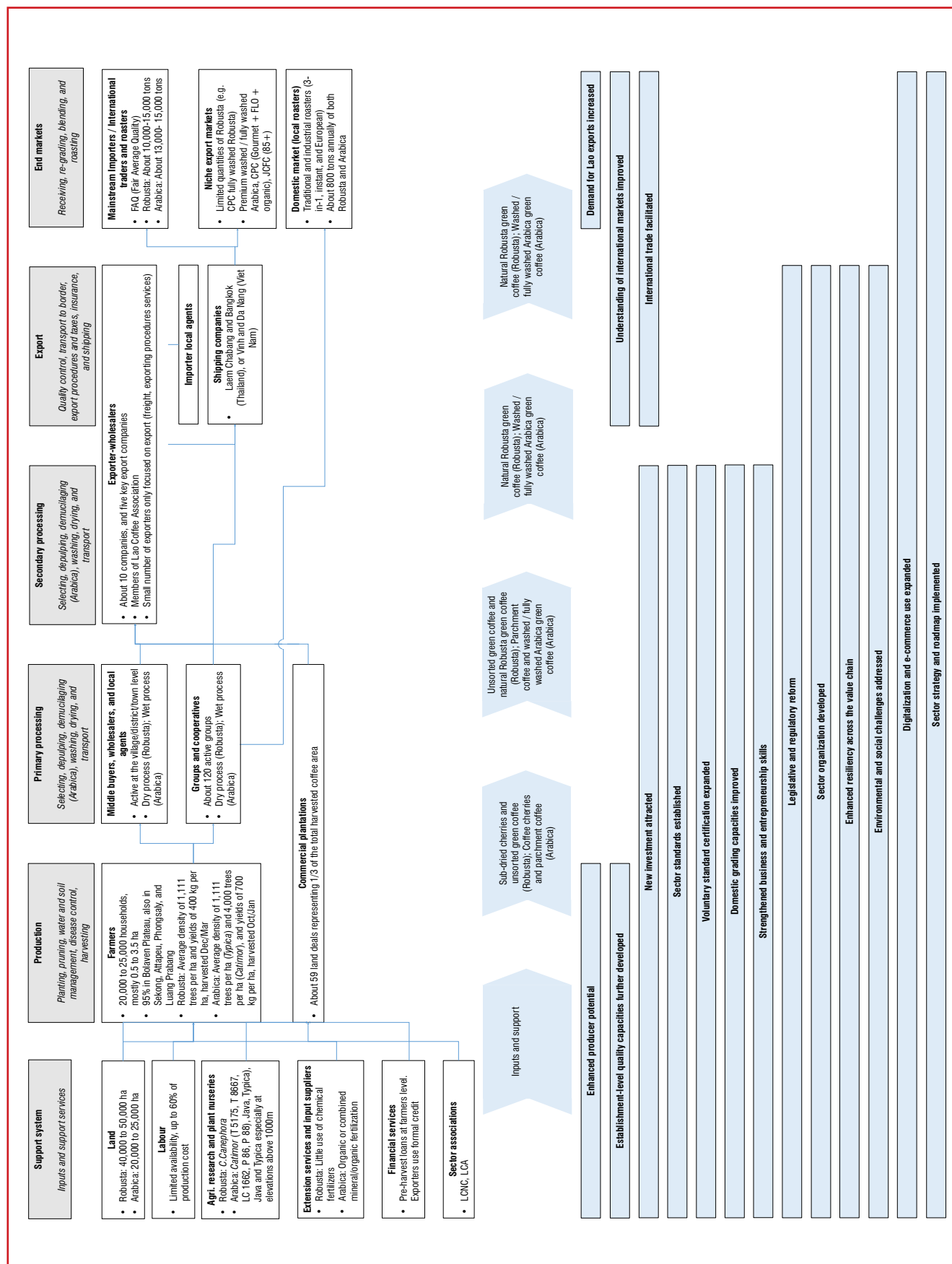




Photo: (CC BY-NC-ND 2.0) Asian Development Bank, The Paksong District coffee growers farmers cooperative store front entrance.jpg

STRATEGIC OBJECTIVE 1: ENHANCE PRODUCTIVITY AND SUSTAINABILITY IN PRODUCTION AND PROCESSING FOR EXPORT COMPETITIVENESS

Boosting productivity in a sustainable way will help to keep Lao coffee competitive, raise incomes and create new employment opportunities in the sector. Under this strategic objective, four operational objectives are concerned with enhancing producer potential, attracting new investment, responding to environmental and social development challenges, and supporting enhanced resiliency across the value chain. The first strategic objective thus addresses the sector challenges that have been identified related to the low farm-level productivity, limited capacities for research and commercialization, challenging business environment, and sustainable and inclusive development.

STRATEGIC OBJECTIVE 2: STRENGTHEN QUALITY MANAGEMENT SYSTEMS AND COMPLIANCE WITH INTERNATIONAL STANDARDS

Improving quality management systems and compliance with international standards is critical in growing export volumes, reaching new markets and raising the prices earned for exports. Under this strategic objective, four operational objectives are concerned with establishing standards, developing farm and firm capacities for improved quality, building domestic grading capacities and supporting compliance with high-potential voluntary standards. The second strategic objective thus addresses the sector challenges that have been identified related to the underdeveloped potential for specialty coffee, lack of minimum quality standards and underused voluntary sustainability standards.

STRATEGIC OBJECTIVE 3: FOSTER SECTOR DYNAMISM FOR FUTURE GROWTH

Creating an environment that encourages innovation and the creation of new competitive capacities in production will be needed to sustain growth over the long term. Under this strategic objective, five operational objectives are concerned with addressing legal and regulatory challenges, supporting the development of business and entrepreneurship skills, fostering digitalization and the use of e-commerce tools, strengthening sector organization, and implementing the sector strategy and roadmap. The third strategic objective thus addresses the sector challenges that have been identified related to the limited sector organization, challenging business environment, and limited capacities to benefit from digitalization and e-commerce.

STRATEGIC OBJECTIVE 4: CONNECT THE SECTOR TO NEW INTERNATIONAL OPPORTUNITIES

Building on improvements in competitiveness domestically, improved trade will also require dedicated efforts to improve market access and foster greater demand for Lao coffee exports. Under this strategic objective, three operational objectives are concerned with improving understanding or international market opportunities, increasing demand through branding and promotional initiatives, and facilitating international trade. The fourth strategic objective thus addresses the sector challenges that have been identified related to the high transportation costs and constraints in market access.

4.3. IMPLEMENTATION MANAGEMENT FRAMEWORK

The roadmap's objective is for Lao PDR to create an enabling environment for coffee exports and to realize the sector's potential to contribute to the country's growth, exporting and diversification. Achieving this ambitious objective will depend on the industry's ability to implement the activities defined in this roadmap.

It is the translation of priorities into implementable projects that will contribute to achieving the substantial increase in export competitiveness and in export earnings envisaged under the roadmap. Allocation of human, financial and technical resources is required to efficiently coordinate, implement and monitor work on the roadmap.

Successful execution of activities will depend on stakeholders' abilities to plan and coordinate actions in a strategic manner. Diverse activities must be synchronized across public and private sector institutions to create sustainable results. Therefore, it is necessary to foster an adequate environment and create an appropriate framework for the roadmap's successful implementation.

Key to achieving the targets will be coordination of activities, monitoring progress and mobilizing resources for implementation. To that effect, sector representatives recommended that an advisory committee of public and private sector representatives be rapidly established, operationalized and empowered. The advisory committee is to be responsible for overall coordination, provision of policy

guidance and the monitoring of industry development along the strategic orientation.

It is recommended that the advisory committee be empowered to meet quarterly and to implement the following functions:

- Create a shared understanding of key market challenges and opportunities facing the sector;
- Set goals and targets that, if achieved, will strengthen the sector's competitive position and enhance Lao PDR's overall capacity to meet the changing demands of markets;
- Propose key policy changes to be undertaken and promote these policy changes among national decision makers;
- Support the coordination, implementation and monitoring of activities in the sector by the government, business, institutions or international organizations to ensure alignment to goals and targets, as required to contribute to resource identification and alignment.

The presence of the advisory committee to oversee the roadmap's implementation is a key success factor, but it is not sufficient to effectively fulfil its assigned functions. The roadmap's success depends on sector support and participation in implementation, proactive networking and communication, and resources for implementation (Table 6).

Table 6: Key success factors for effective implementation

Factor	Details
Sector support and participation in implementation	Sector stakeholders have clearly expressed their willingness to contribute, directly or in partnership with public institutions, to the implementation of the roadmap. Their implementation efforts can range from providing business intelligence to institutions to contributing to project design, promotion and branding, and policy advocacy, etc. In brief, the sector's practical knowledge is essential to ensuring that the roadmap remains aligned to market trends and opportunities.
Proactive networking and communication	The key implementing institutions detailed in the plan of action need to be informed of the content of the roadmap and the implications for their programming over its implementation period. This networking and communication is essential to build further ownership and to provide institutions with the opportunity to confirm the activities they can implement in the short to long term. It will be important for the members of the advisory committee and other institutions to reach out to relevant institutions nationally to create awareness and support for the development of the coffee sector.
Resources for implementation	The advisory committee, in collaboration with other institutions, will need to leverage additional support for efficient implementation. Effective planning and resource mobilization is indispensable in supporting implementation. Resource mobilization –including through government budget allocations, development partners, external investors and the sector itself– should be carefully planned and organized. The various implementation modalities detailed will determine the success of the roadmap's implementation. However, high-level support from the government, in collaboration with strong championship by the business sector, will be the real driver of successful implementation.

5. PLAN OF ACTION

Strategic Objective 1: Enhance productivity and sustainability in production and processing for export competitiveness

Operational objective	Activities	Priority 1 = High 2 = Med. 3 = Low	Implementation period					Targets	Leading implementing partner	Supporting partners	Existing programmes or potential support
			2021	2022	2023	2024	2025				
1.1. Enhance producer potential	1.1.1. Establish a programme linking agronomic research, nurseries and the private sector in order to ensure selection of favourable varieties (based on the study of appropriate growing conditions, organoleptic qualities and market potential) and their availability at affordable prices. Establish a registry of research organizations, nurseries and others involved in the development of improved varieties.	1						<ul style="list-style-type: none"> Research commercialization programme is established Registry on improved varieties is created 	Ministry of Agriculture and Forestry (MOAF) (National Agriculture and Forestry Research Institute); DoA	LCA; DOSM	MOAF (DoA); Agence Française de Développement; CPC; Creating Linkages for Expanded Agricultural Networks
	1.1.2. Research the determination of costs of production and possible and economically favourable crop combinations for farmers looking to supplement their income.	3						<ul style="list-style-type: none"> Report on production costs and potential crop combinations and dissemination plan is prepared 	MOAF	MoC	
	1.1.3. Compile existing resources and disseminate training and information materials targeting farmers and others involved in post-harvest handling. Establish an online or other communications system for disseminating timely information through providers of extension services.	2						<ul style="list-style-type: none"> Online information and resource portal is established 	Lao Coffee Association; MOAF	MoIC (Department of SME Promotion); Department of Industry and Handicraft	MOAF (DoA); LCA
1.2. Support resiliency across the value chain	1.1.4. Use model farms and farmer groups to demonstrate best practices in farming and group management, including the results of activities 1.1.1., 1.1.2. and 1.1.3.	3						<ul style="list-style-type: none"> Two model farms are making use of the new materials 	MOAF (DoA): local cooperatives	Deutsche Gesellschaft für Internationale Zusammenarbeit - Agence Française de Développement (AFD); Coffee Research and Experimentation sector	International Labour Organization (ILO) (Vision Zero Fund)
	1.1.5. Support improvements in information on and practice of worker safety and productivity in the sector through the identification of areas for improvement and access to information on best practices.	2						<ul style="list-style-type: none"> Participating farms have implemented new safety measures 	LCA; local DoA		LCA
	1.1.6. Consult with the private sector on farm and firm financing constraints in the sector in order to design tailored assistance programmes, which may include establishing partnerships with financial institutions or providing credit guarantees to lower interest rates for smallholders and small firms.	1						<ul style="list-style-type: none"> Two consultations are held on improving financial access 	Department of SME Promotion (DOSMEP); Department of Trade Promotion		LCA
	1.1.7. Provide a financial literacy programme targeting smallholders and small firms, including information on the availability of and access to buyer and supplier credit to farmers, as well as information on accessing existing SME funds.	2						<ul style="list-style-type: none"> Financial literacy programme is established, with at least 50 beneficiaries 	DOSMEP; Department of Trade Promotion (DTP)		LCA
	1.1.8. Develop a pilot programme addressing a key area of need for insurance products among coffee producers, involving sector stakeholders, such as foreign buyers and local banks.	3						<ul style="list-style-type: none"> Pilot programme is established, with at least 10 beneficiaries 	DOSMEP; DTP		
	1.2.1. Conduct a disaster risk analysis regarding threats facing the Lao coffee sector to support the development of an actionable sector-wide response plan.	1						<ul style="list-style-type: none"> Report on disaster risks is prepared 	LCA; DoA		MoNRE
1.2.2. Offer targeted assistance for enhanced resilience through the provision of advisory services and micro loans and grants in line with the sector response plan to smallholders and MSMEs active in the coffee sector.	1						<ul style="list-style-type: none"> Targeted advisory services provided for at least 10 beneficiaries 	MoIC; LCA			

Strategic Objective 1 : Enhance productivity and sustainability in production and processing for export competitiveness											
Operational objective	Activities	Priority 1 = High 2 = Med. 3 = Low	Implementation period				Existing programmes or potential support				
			2021	2022	2023	2024		2025			
1.3. Attract new investment	1.3.1. Develop an investment profile for the coffee sector, identifying strengths, opportunities and potential types of investors. Identify investment-related reform priorities to be implemented under Operational Objective 3.1.	2					Ministry of Planning and Investment (MPI) (Investment Promotion Department) and ITC	MoIC (Department of Planning and Cooperation); LNCC; MoNRE	Lao PDR ARISE Plus Work Plan 2020		
	1.3.2. Building on the sector investment profile, develop a sector-specific investment proposition to be used in attracting new investment in the sector. Develop propositions for potential international joint venture partners in the coffee sector.	3						Ministry of Planning and Investment (MPI) (Investment Promotion Department)	DTP; Department of Industry and Handicraft (DOH)		
	1.3.3. Review the potential and desirability of providing financial incentives for new investment in the sector or in particular areas of the value chain, including for attracting investment for replanting of old and inefficient production areas, with a particular focus on assistance programmes targeting smallholders and MSMEs active in the coffee sector.	1						Ministry of Planning and Investment (MPI) (Investment Promotion Department); DOSMEP	DTP; MoF; DAFO	MoIC	
	1.4. Respond to environmental and social development challenges	1.4.1. Research climate change risks facing coffee producers and adaptation measures.	1					National Agriculture and Forestry Research Institute (NAFRI); MoNRE			
		1.4.2. Develop a training module for use by extension services targeting the sector on climate change adaptation issues, tailored to local considerations and including elements from the agroforestry model such as shading, cover plants, adapted varieties and soil management.	2					NAFRI; MoNRE	Ministry of Education and Sports	MOAF (DoA); CPC; FAO	
		1.4.3. Offer training and assistance to farmers on proper recycling and waste water management systems.	1					LCA; ITC-ARISE Plus Project	MOAF (DAFO); District Office of Natural Resource and Environment	CPC	
1.4.4. Offer information to producers on sourcing organic fertilizer from domestic and international suppliers and means of recycling of cherry pulps.		1					MOAF (DoA), CPC	LCA; NAFRI	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ); AFD; FAO; CPC		
1.4.5. Implement a community based campaign for pest control management without using chemical products – particularly in response to the threat from the coffee borer beetle – including training and assistance programmes such as trap setting and field cleaning.	1.4.5. Implement a community based campaign for pest control management without using chemical products – particularly in response to the threat from the coffee borer beetle – including training and assistance programmes such as trap setting and field cleaning.	1					DoA (Plant Protection Centre); MOAF		CLEAN		
	1.4.6. Building on past work on gender issues in agriculture, conduct a gender analysis of the value chain to identify key issues to be addressed.	2					Lao Women's Union		UN Women; LCA; CARE International; GIZ; International Labour Organization (ILO)		

Strategic Objective 2: Strengthen quality management systems and compliance with international standards									
Operational objective	Activities	Priority 1 = High 2 = Med. 3 = Low	Implementation period				Leading implementing partner	Supporting partners	Existing programmes or potential support
			2021	2022	2023	2024			
2.1. Establish sector standards	2.1.1. In collaboration with national stakeholders and international buyers, develop specific quality standards for high-quality Robusta and Arabica coffee, taking advantage of unique growing conditions. Develop associated verification mechanisms, including requirements, methods of sampling and tests, aligned with ICO Coffee Quality-Improvement Programme.	1					Ministry of Science and Technology (Department of Standards and Metrology); Ministry of Health; CNCL	LCA	Lao PDR ARISE Plus Work Plan 2020
	2.1.2. Raise awareness and ensure effective implementation of minimum quality standards for the export of green coffee, following their definition, by building the capacity of a designated body in collaboration with the private sector.	1					• Specific standards are developed and disseminated • Minimum standards are developed and disseminated	DTP; LNCCI LCP; CPC	AFD
	2.1.3. Support a pilot private sector-led example project on washed Robusta production of specialty grade beans.	1					• Pilot programme is established with at least 10 beneficiaries	DTP; LCA CPC	
	2.1.4. Develop a geographical indications (GI) system to improve traceability.	2					• GI programme is established across the country	MOST; DTP AFD	FAO; MOST
2.2. Develop farm and firm capacities for improved quality	2.2.1. Develop modules on quality enhancement, and compliance with minimum quality standards, to be incorporated in training and extension services, covering issues such as the use of tarpaulins or concrete slabs to dry the Robusta coffee cherries combined with a generalization of quality control measures, in order to ensure average quality and Fair Average Quality prices.	1					MOAF (DoA)	Lao PDR ARISE Plus Work Plan 2020; AFD	
	2.2.2. Establish pulping centres in selected districts to become model centres, and provide support to improve processing equipment such as depulpers, de-mucilage facilities and washing stations. Build infrastructure for coffee cooperatives, unions and processors.	3					• At least two model centres are established	MOAF (DoA); LCA DAO; GIZ; AFD	
	2.2.3. Develop a pool of quality champions to support the sector on a long-term basis by providing direct support on compliance with international quality requirements and the implementation of quality improvement projects in general.	3					• At least five quality champions are active	DTP; LNCCI; ITC MOST; CPC	Lao PDR ARISE Plus Work Plan 2020; MOST
2.3. Build domestic grading capacities	2.3.1. Establish sampling and testing laboratories in coffee-producing areas capable of supporting the training of new Q graders to expand domestic grading capacities and value-addition opportunities.	2					MOST; LCA MOST; LCA		MOST
	2.3.2. Establish a Lao PDR national quality award for coffee to raise awareness of high-quality products.	3					• A national quality award has been established and presented to at least one recipient	LCA; DTP DoA	
2.4. Support compliance with high-potential voluntary standards	2.4.1. Raise awareness within the sector of organic certification processes and provide information, resources and technical support to those seeking certification.	2					• Support on organic certification has been provided to at least 10 beneficiaries	DoA; DOSMEP	Lao PDR Competitiveness and Trade Project; T4SD hub; CLEAN
	2.4.2. Provide value chain participants with access to information on potential benefits and market opportunities, compliance and certification requirements, and available sources of assistance.	1					• An set of resources is compiled and disseminated	DTP	Lao Organic Agriculture Forum; T4SD hub
	2.4.3. Establish a quality compass, an online portal with information on quality aspects of international trade with target markets, including market access requirements, voluntary standard and market preferences, to raise awareness of issues to be addressed in improving export prospects.	1					• Online portal is established	LNCCI; ITC; MoF; MOST; MOIC DTP	Lao PDR ARISE Plus Work Plan 2020
	2.4.4. Facilitate sector cooperation and collaboration on sustainability standards, climate resilience and resource efficiency.	1					• At least two meetings are held on sustainability issues and certification	T4SD hub	

Strategic Objective 3: Foster sector dynamism for future growth										
Operational objective	Activities	Priority 1 = High 2 = Med. 3 = Low	Implementation period					Supporting partners	Existing programmes or potential support	
			2021	2022	2023	2024	2025			Leading implementing partner
3.1. Address legal and regulatory challenges	3.1.1. Support regular and substantive public-private sector dialogue by organizing a series of thematic discussions on specific issues relevant to sector development and including a broadly representative set of stakeholders from across the value chain and relevant ministries and agencies.	1						Department of Planning and Cooperation (DPC); National Implementation Unit	LCA; United Nations Office on Drugs and Crime; DoA	Lao Coffee Board
	3.1.2. Conduct a policy review with input from the coffee sector on potential reforms regarding transportation and logistics services, in order to reduce the transportation and documentation costs associated with coffee exporting.	2						WPMT; LCA	MOIC (Department of Import and Export)	World Bank (Competitiveness and Trade Project)
	3.1.3. Develop and regularly update an accessible sector directory to improve information availability to stakeholders and potential international partners.	3						LCA; DTP		
	3.1.4. Develop the capacities of ministry and other public sector organizations working in the coffee sector to collect and interpret statistics on the sector – particularly to support ICO membership – and to develop and implement policies supportive of sector development. Review responsibilities to address overlaps and inefficiencies.	1						DTP; LCA		Lao PDR ARISE Plus Work Plan 2020
3.2. Support the development of business and entrepreneurship skills	3.2.1. Establish a business incubator for new firms active in the coffee sector to provide assistance in building technical and management capacities.	2						SME Service Center; LNCCI; LCA		T4SD hub
	3.2.2. Establish a mentorship programme for women working in the sector to encourage their participation in sector cooperative management roles.	2						LCA		
3.3. Foster digitalization and the use of e-commerce tools	3.2.3. Provide training and support to relevant sector stakeholders on international coffee trading practices, market access considerations and drivers of demand in target markets. Review opportunities to develop a curriculum for coffee exporters through partnerships with business schools.	2						DTP; Ministry of Education and Sports; CNCL	LCA	AFD; GIZ
	3.3.1. Conduct a benchmarking of common e-payment practices in the sector in collaboration with domestic stakeholders and international buyers, and develop sector-specific best practices in e-payment. Identify suitable platforms for use by actors in the sector.	1						DTP		DTP e-commerce-platform development; LNCCI; T4SD hub
	3.3.2. Develop training material on ICT use and the use of platforms suitable for the coffee sector, and deliver trainings on using e-commerce for smallholders and MSMEs capable of benefiting from such support.	3						DTP; LA		DTP e-commerce-platform development; T4SD hub
3.4. Strengthen sector organization	3.4.1. Strengthen the organizational capacities and human resources of the Lao Coffee Association to better support sector development, promotion, international collaboration and coordination with government on the design of supportive policies.	1						DTP; DoA; LCA		GIZ; AFD
	3.4.2. Establish a private sector-led Lao specialty coffee group focused on specialty coffee production and marketing, which would be responsible for supporting information exchanges and other work with international partners such as the Specialty Coffee Association.	1						MOIC (DDT); LCA		LNCCI
	3.4.3. Support the capacities of organizations responsible for Lao PDR membership in the International Coffee Organization, including by participating in relevant international coffee forums expanding data collection activities and establishing a statistical database on coffee production and sales. Support stakeholders in making use of ICO membership and other relevant platforms in collaborating with international partners.	2						DTP; Mof		LCA

Strategic Objective 3: Foster sector dynamism for future growth											
Operational objective	Activities	Priority 1 = High 2 = Med. 3 = Low	Implementation period					Targets	Leading implementing partner	Supporting partners	Existing programmes or potential support
			2021	2022	2023	2024	2025				
3.5. Implement the sector strategy and roadmap	3.5.1. Support the implementation of the priority activities identified for the coffee sector's growth in the Lao Coffee Sector Development Strategy by 2025.	1						<ul style="list-style-type: none"> An implementation plan for the strategy is established, with responsible organizations identified 	MOIC; MOAF	Development partners	CNCL
	3.5.2. Establish a responsible body with broad public and private sector representation responsible for managing the implementation of the Coffee Sector Export Roadmap, building on existing sector institutions.	1						<ul style="list-style-type: none"> A body responsible for the implementation of the roadmap is established and at least four meetings are held 	Lao Coffee Board; DTP	MOIC; MAF; Ministry of Public Works and Transport; MOST	
	3.5.3. Adopt a system to monitor progress for planned activities under the Coffee Sector Export Roadmap and establish a multi-stakeholder body responsible for implementation management.	2						<ul style="list-style-type: none"> A comprehensive monitoring system is established 	Lao Coffee Board	MOIC; MAF; Ministry of Public Works and Transport; MOST	
	3.5.4. Initiate a donor table or make use of existing working groups active in related areas to inform donors and development partners active in the country about resource mobilization needs and opportunities related to the sector.	2						<ul style="list-style-type: none"> At least two meetings of the donor round table are held 	MOIC; MAF	LCA	

Strategic Objective 4: Connect the sector to new international opportunities											
Operational objective	Activities	Priority 1 = High 2 = Med. 3 = Low	Implementation period					Targets	Leading implementing partner	Supporting partners	Existing programmes or potential support
			2021	2022	2023	2024	2025				
4.1. Improve understanding of international market opportunities	4.1.1. Regularly review international opportunities, market access and demand conditions. Develop a benchmarking of sector competitiveness against main competitors in these markets.	1						<ul style="list-style-type: none"> Benchmarking methodology is established and results are updated at least twice Information repository is established and disseminated 	MOIC (DTP); Provincial Office of Industry and Commerce; PAFO; LCA	LNCCI	
	4.1.2. Create regularly updated information sources and an awareness-raising campaign for farmers and other stakeholders on high-potential opportunities in selected markets, including details on market access, buyers and expectations.	1							DoA; PAFO	LNCCI	T4SD hub
	4.1.3. Conduct a gap analysis of sanitary and phytosanitary measures vis-à-vis requirements in target export markets, building on work done through the Lao ARISE Plus project to enhance testing capacities and achieve accreditation.	3						<ul style="list-style-type: none"> A list of target markets is confirmed and a report on the gap analysis is created 			Lao PDR ARISE Plus Work Plan 2020; CLEAN
	4.1.4. Support firms in building their understanding of market access conditions and compliance with trading requirements in exporting to key markets.	2						<ul style="list-style-type: none"> Guidebook developed and e-learning course implemented 	Lao PDR ARISE Plus Work Plan 2020		
4.2. Increase demand through branding and promotional initiatives	4.2.1. Building on existing initiatives, develop branding and promotional activities targeting high-potential markets linked to national quality standards, possibly including division by production zone to develop branding and promotion activities based on their specific qualities.	1					<ul style="list-style-type: none"> A sector branding plan is established and reaches multiple high-potential markets 	MOIC (DTP); LCA	LNCCI	T4SD hub Module 2; United Nations Development Programme (UNDP); GNCL; Brand Lao	
	4.2.2. Foster the development of connections with potential buyers internationally by showcasing Lao coffee at industry fairs and through other channels, including business matching events and trade fairs.	2						<ul style="list-style-type: none"> Sector stakeholders participate in at least two major international events 	MOIC (DTP); LCA	LNCCI	Lao PDR ARISE Plus Work Plan 2020; United Nations Development Programme (UNDP); GNCL; Brand Lao
	4.2.3. Develop a programme to assist in negotiations with international buyers.	3						<ul style="list-style-type: none"> A support programme is established, reaching at least 10 beneficiaries 	LCA	LNCCI	
	4.2.4. Support trade support institutions active in the coffee sector to develop their capacities for international market analysis, information dissemination and influence on value chain development.	2						<ul style="list-style-type: none"> At least two trainings held for representatives of relevant institutions 	DTP; LCA		
	4.2.5. Study domestic market segments and develop a domestic marketing strategy.	2						<ul style="list-style-type: none"> A report on the domestic market is created and branding plan established 	DTP; LCA	LNCCI	
4.2.6. Develop a joint marketing strategy for tourism and coffee, promoting Lao PDR's natural and cultural heritage and fostering collaboration with the Lao tourism, restaurant and accommodation associations.	2						<ul style="list-style-type: none"> Marketing strategy is established and reaches international markets 	Tourism Department			
4.2.7. Establish pilot branding and promotion initiatives linked to the private sector-led example project on washed Robusta production of specialty grade beans (Activity 2.1.3) and fully/semi-washed Arabica, targeting high-potential markets.	1						<ul style="list-style-type: none"> Branding programme is established and reaches international markets 	DTP; LCA; Provincial Office of Industry and Commerce	LNCCI		

Strategic Objective 4: Connect the sector to new international opportunities											
Operational objective	Activities	Priority 1 = High 2 = Med. 3 = Low	Implementation period					Targets	Leading implementing partner	Supporting partners	Existing programmes or potential support
			2021	2022	2023	2024	2025				
4.3. Facilitate international trade	4.3.1. Build capacities in relevant government departments on researching international market trends and sector opportunities, the use of trade policy to foster sector development, and the identification of barriers to trade for the sector, as well as the prioritization of domestic reforms on tax and logistics.	1						<ul style="list-style-type: none"> At least two trainings are held 	Provincial Office of Industry and Commerce; PAFO; MOST; MoF	LNCCI	Lao PDR ARISE Plus Work Plan 2020; World Bank (Competitiveness and Trade Project)
	4.3.2. Prioritize the future negotiation of improved market access for the sector by addressing non-tariff measures (NTMs) in high-potential target markets in trade policy, including through the Foreign Trade Negotiation Roadmap.	1						<ul style="list-style-type: none"> A plan for addressing non-tariff measures (NTMs) is incorporated in the Foreign Trade Negotiation Roadmap 	DTP; DoA		Lao PDR ARISE Plus Work Plan 2020
	4.3.3. Study the potential of growing the use of alternative shipping routes for exports, particularly through Viet Nam and Cambodia.	3						<ul style="list-style-type: none"> At least one consultative meeting is held and a report is produced 	DTP; Ministry of Public Works and Transport; LCA	MOIC (Department of Import and Export)	
	4.3.4. Review possible direct responses to informal trade across the Viet Nam and Thailand borders.	1						<ul style="list-style-type: none"> At least one consultative meeting is held and a report is produced 	Department of Import and Export		

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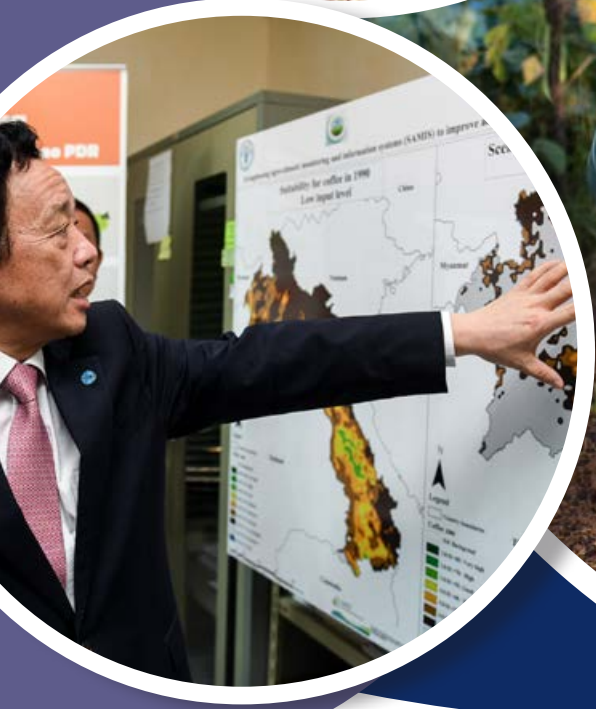
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