

Rattan in Savannakhet and Khammouane Provinces, Lao PDR

Part of a 3 value chain analysis and programme development study



Companies

Connected with

Smallholders

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Introduction and acknowledgement

Early 2008 SNV Netherlands Development Organisation started an analysis for pro-poor economic development in agriculture and forestry dependent livelihoods in North Central Vietnam. The focus of this analysis was on people living in these districts that are still furthest below the Vietnam poverty line. In the six selected districts in three provinces¹ households, local businesses and entrepreneurs as well as local authorities and government departments were interviewed to identify potential products and value chains that can be enhanced for income and employment generation. Through an initial quick scan of key economic drivers for change and multi stakeholder validation workshops three main agriculture and forestry value chains were selected. These are Acacia (for pulp or timber), Rattan (for furniture or handicrafts) and Cassava (for starch or dried chips).

A more in depth study was commissioned by SNV over the June – August period of 2008 to identify opportunities and constraints for pro-poor value chain development. This study was carried out by two teams of consultants supported by SNV advisers in part of the field work and the validation workshops with stakeholders. One team of international and national experts² analysed the value chains from markets back to producers and the second team of national experts³ who did a baseline study in the same geographical area with special emphasis on the three selected value chains.

The two teams have produced a series of reports of which this report forms part. For each value chain a desk study and a detailed field study report was produced as well as a detailed report with recommendations and suggestions for implementation of value chain development interventions. The whole set of reports was completed with a baseline report.

SNV Vietnam would like to thank the two research teams and all stakeholders involved for their work and effort put into these studies which bring about a wealth of information on these selected three value chains.

The results of these studies are used to continue our work in North Central Vietnam in our efforts to contribute to the lasting reduction of poverty.

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¹ A Luoi and Nam Dong in TT Hue province; Dakrong and Huong Hoa in Quang Tri province; Minh Hoa and Tuyen Hoa in Quang Binh province. Later also Tan Ky and Thanh Chuong in Nghe An were added as SNV with partners is implementing the Pro-Poor Forestry Project in these districts.

² This team was lead by Mr. Chris Wheatley and Ms. Dai Peters and further included staff of the Hanoi based Handicraft Research and Promotion Centre and EDC of Lao PDR who participated in a smaller study for only rattan in Savannakhet province.

³ This team was from the Centre for Rural Development in Hue.

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1 - The Rattan Situation

Not much is known about the rattan in the forest in Khammouane and Savannakhet provinces because no survey has been done by either the District Agricultural and Forestry Office (DAFO) or Provincial Agricultural and Forestry Office (PAFO). Therefore, there is little knowledge on how much and where all the rattan is. Three types of rattan grow in the forest here:

Table 1. Common rattan species in Khammouane and Savannakhet

Name	Characteristics	Years to harvest	Volume
Vay Thoon	Largest and short	> 10	Mainly in protected forest
Vay Hang Nu	Small and long	5	Lots
Vay Taleuc	Large and long	> 10	Lots

Vay Thoon is what is called May Song in Vietnamese while Vay Hang Nu is what is called May nuoc in Vietnam.

There is very little information on where the exact locations of the rattan in the forest, but one thing is clear is that rattan now mainly exists in forest far from any villages (and this is why harvesting rattan is such a difficult undertaking). This is because, though has not been a commercial product, rattan close to the villages has been harvested extensively, or even unsustainably, for local home uses such as home construction, baskets, and tools, and its shoots have been harvested vigorously for the local market to the point of exhausting the product. Where the rattan has been completely exhausted, the villagers go to the neighbouring villages where rattan is still available to harvest, leading to a more rapid disappearing rate of rattan in the forest surrounding the villages where rattan is still available. In Talon Village of Buarapha rattan in the surrounding forest is rapidly disappearing as both the 86 households in the village and neighbouring villagers harvest rattan for various uses. If all 86 households all go out harvest at once, it is estimated that they can get 100 kg of cane and that would completely exhaust the rattan in the surrounding forest.

For this reason, rattan harvest must go deep into the forest where there is little to no access. During the dry season it would take one day to reach where there is Vay Hang Nu (May Nuoc) while it takes 3 days during the wet season. To reach where there is Vay Thun (May Song) one has to venture into the deeper forest yet. Thus, until the price of May Song increases significantly higher than 10,000 vnd/kg, it does not seem to be economically feasible to harvest Vay Thun here. As the supply in May Song continues to decrease in Vietnam and hardly any planted May Song is available due to the long waiting period (at least 10 years) and the difficulty in cultivating it in plantations, it seems that the prices of May Song will eventually have to become significantly higher. Until then, there will probably be limited amount of May Song harvested in Laos and exported into Vietnam.

2 - Potential of Harvesting Rattan from the Natural Forests

2.1 How can it be done.

The way rattan is, or can be, harvested is a mystery as no one knows the whole picture of how it is done. Each stakeholder knows the part he is engaged in only, and the who picture only emerged when putting the pieces of each actor together.

PAFO

The central government sets the quota for each province, based on the suggestions from the PAFO, how many canes of rattan can be harvest from each province. For example, Savannakhet has a quota for 50,000 canes for 2008. As there is also a lack of knowledge of the differences between the various types of rattan in the forest, the quota does not specify the amount allowed for each variety of rattan. But this quota, strangely, is not set by the amount of rattan is available in the forest because, by the admission of PAFO and various DAFO, they have no idea how much is available in the forest because no survey has been done. Rattan has never brought much economic benefits, thus is not a product that has thus far generated much interest among PAFO and DAFO. The quota, instead, is set by the demand. In other words, if last year,

50,000 canes were able to be marketed, then this amount can be issued again as the quota. If the sales went below that, the quota may also decrease. Self-admittedly, this quota system is not set for commercial trade, but more as a record mechanism so that PAFO can keep track of the number of rattan being harvested. The reason that this quota system is not designed for commercial purpose is because there has, thus far, been little commercial application of rattan in Laos. A rattan production factory was once established in Savannakhet, but soon closed down due to lack of market. As the quota is actually based on demand, it is actually a very flexible concept because permits can easily be obtained when there is demand. In this sense, there is in fact no real limit to how much can be harvested. The Dung Quoc Company of Quang Ngai harvested more than 100,000 canes from only one district—Buarapha—each year during the years they harvested rattan in Khammouane Province.

Since rattan has never been a commercial product, in order to open it up as an export product, many departments, in addition to PAFO such as Department of Commerce and Industry, Department of Planning, Department of Finance, and etc. need to involve. Moreover, a staff would also need to be appointed to specifically coordinate all areas of concerns of rattan enterprise, all the way from survey of existing amount to harvest to export bureaucracies.

Laos Company

It is difficult to find a term for the Laos companies that are in this role. As the quota is set by the demand/sales from the past years, it depends on the volume that was sold last year by these companies. For example, the Kanduangdy Company got 50,000 canes of quota for 2007, but only managed to sell 30,000. This year they are very optimistic that they can sell 50,000, so they will apply for 50,000 canes. As these quotas are not for commercial purpose, they are given to these companies for free, since they are for Laos companies to harvest. In this sense, rattan is given away without yielding any benefits for the local farmers living around the forests, because if the quotas were sold even if the money went to the central government, there might still be trickle down benefits for the district. The reality is that none of the Laos companies have ever entered into the forest, or seen the rattan, let alone harvested any. The Laos companies then turn around and sell the quota to Vietnamese companies (they would sell them to anyone but so far the only demand is from Vietnamese companies. The quota is sold for 1 baht/cane, if the Vietnamese companies will complete the rest of the bureaucratic procedures themselves, and > 1 baht/cane if the Laos Company is to process the documents as it involves some expenses.

So, the Laos companies have no capital investment in the quota transaction, but sheer profit, as they obtain it for free from PAFO and then pass it on to the Vietnamese companies for 1 baht/cane. Neither do they have any follow-up or monitoring responsibility. The only investment they make is the time and effort it takes to apply for the quota and pass it on.

Harvesting companies

Once the quota has been obtained, the following documents and expenses must be submitted before the final permit is obtained and the company may begin rattan harvest. Each of these items is to be sent to a separate institute that is related to the function of the item.

- Quota
- Tax forms
- Forest development fees
- Export permit
- Passport
- State of origin certificate, this will later be certified by DAFO before the rattan can be exported out of the country.

In 2007, 30,000 canes of quota was sold to a Quang Tri company and permits on both the provincial and district levels have been approved, but DAFO of Nong District says that, since then there has been no word from the company. The permit for each year is supposed to be used that year, but an extension can be granted if taxes and development fees have already been paid. Thus, it is possible that this company has already received an extension for its permit.

Though rattan harvest did not bring any employment to the district because the local Laos do not want to engage in rattan harvesting because it is too difficult of a task. They believe that Vietnamese are stronger and more capable of such tasks. The district nevertheless has benefitted tremendously from the presence of the company, which has built the only government guesthouse, in which we spent the night, along with other infrastructure for the district. In addition, the company brings in essential household consumption goods (such as sugar and salt, etc.) during the wet season when there is little access to these goods and either sells them or distributes them.

DAFO

The general quota is set for the province, then PAFO specifies districts, depending on their “guess” (since no survey has been done and no specific information on natural rattan production is available) where the rattan resources are distributed in the forest. DAFO

Though the quota specifies the districts in which rattan can be harvested, once quota has been issued there is not much follow up on the exact location where the rattan is harvested. Neither PAFO nor DAFO, or the Laos company keeps track of the origin of the harvested rattan. The only stakeholders that know are the harvesters, and perhaps the Vietnamese company.

DAFO generally does not know about the quota granted for its district until the harvesting company comes to them with a permit. At that point, DAFO contacts PAFO to verify the permit and grant the company its permit as well. This is where it stands with the permit that was granted to the Quang Tri Company in 2007—that permits from both the provincial and district level have been issued. This quota was distributed in 10 districts in Savannakhet, mainly for Nong, Sepon, and Vlabouly districts, and it was the DAFO office of Nong informed us that permit from their district has been given to the Quang Tri company for 2007.

3 - What has been done till date

There have been only two Vietnamese companies that has actually harvested in several districts in Khammouane Province. The company that harvested about 10 years ago was/is based in the Buarapha District and operates from there. The head of the Department of Commerce and Industry (DoCI) of Buarapha District remembers the company harvested rattan in 1999-2000, but the company staff informed us that it was 1990-1995 when they were harvesting rattan, and 2 years of which they harvested in Buarapha. Though the DoCI thought it certified 30,000 canes during these two years for export to Vietnam, the company actually took out > 100,000 canes each year during those 5 years. Most of the canes harvested during those years were Vay Hang Nu (May Nuoc) as Vay Thun (May Song) is too difficult to reach and thus too expensive to harvest. Once these canes were exported into Quang Binh, they were processed (dried and boiled) and then exported to China and Saigon (then also onward to China). According to them, Dung Quoc’s rattan processing is the largest of such facilities in Quang Binh. The director of Dung Quoc, Vi Van Luu (091-329-5010), and Ong Tien, the owner of Song Son Hotel in Dong Hoi are two major rattan entrepreneurs in Quang Binh.

Most of the rattan harvested by Dung Quoc Company was Vay Hang Nu (May Nuoc in Vietnamese) because Vay Thun (May Song in Vietnamese) are so far into the forest where access is so limited that the harvest cost is too high. At the current price of 10,000 vnd/kg for Vay Thun, the staff does not think it is economical to harvest them. Dung Quoc Company brought 200-300 skilled Quang Ngai harvesters to Laos in 1990-1995 to do the actual harvesting. But these harvesters were not employees for the company, instead they sold the canes to the company at certain prices at the time. Since the company stopped harvesting rattan, after having found a far more profitable export product in tropical hardwoods, the harvesters have gone back to Quang Ngai. Rattan harvest from the forest is extremely hard work and it is not something that the easy-going Laos would take interest in. And, due to long tradition of rattan harvesting in Quang Ngai and Quang Tri, the expert harvesters are generally from these two provinces.

In 2008, The Kandungdy Company sold the 50,000 cane of quota to a Vietnamese company from Quang Tri. The quota was allocated to four districts in Savannakhet, but in the end the company harvested only 35,000 cans from only the Sepone District.

4 - What is advised to do

Mr. Lu and his wife Hoa of the Dung Quoc Company based in Buarapha, based on his years' of experience of exporting rattan and tropical hardwoods in Laos to Vietnam, and then onward to China, offered the following suggestions for harvesting and exporting rattan from Khammouane and Savannakhet provinces.

Contact agents in Quang Binh and Quang Ngai (call 091-474-8822, or 052-770-455 in Vietnam or 663-8341 in Laos to get contact information of these agents) to do a resources survey first. They will organize a group of 3-4 rattan harvest experts to venture into the thick forest in these two provinces and provide an estimate on where the rattan is located, how much volume there is of each type of rattan, and how much it would cost to harvest them—basic information that is needed to decide whether it is an economically feasible undertaking.

If the feasibility study based on this assessment suggests positive return, hire these agents (to be contractors) to organize the harvest and negotiate prices for the harvested products. Based on Lu and Hoa's experience, this is the only way it is healthy and feasible to harvest rattan from the forest.

5 - Potential of Rattan Plantation in Laos

As this is a major agro-ecological zone for rattan, it grows naturally in the villages as well. Without any inputs of seedlings or fertilizer, natural rattan in the villages grows 1 m during the first year and faster starting the second, and each plant can have about 20 shoot/yr. But the villagers wonder why there would any need to grow rattan when they can harvest in the forest. They believe that the production rate can be considerably higher and also can be sustainable if the harvest is controlled and managed. So far, they have not yet managed the harvest because the decrease in production has not been an issue or created any shortage for any purpose.

One person in Nong District of Savannakhet has established 1 ha of rattan plantation, with a variety from Savannakhet, not of any of these 3 varieties in the forest, because of the purpose is for shoot production. This plantation is located far from the district centre, but where it is most appropriate for rattan production where they grow very well. Together with other products they produce, rattan shoots are also sold to Vietnamese buyers. However, these villages are all cut off of car transportation during the raining season and are only accessible by foot, which takes about 10 hours from the nearest road drop off. Only in Nov-Dec during the dry season are the roads passable and this is when the Vietnamese come to purchase the products.

The Belgium BTC had a project here for 5 years and one of the activities was to establish rattan plantations, for shoots for local market only. However, rattan was not planted until the last year of the project and once planted, the project finished. Only 7-10 households planted a total of 1 ha for this project. The variety planted is also different from the ones in the forest which are cane-producing varieties, and the purpose of it is for shoot production also.

The PAFO and DADO would be most interested in the establishment of rattan plantations in these two provinces if a company can provide capital, technology, and market while the local farmers would provide land and labour. This follows the contract farming practices that are now common in northern Laos with companies in Thailand and China. This system has worked well and has produced mutually beneficial results and could be applied to rattan production in these two provinces.



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