



Study on factors influencing the sustainability of livestock producers' groups' formation in Northern Uplands of Lao PDR



By
Silinthone SACKLOKHAM
Chitpasong KOUSONSAVATH
Fue YANG
Maiyer XIONG
Faculty of Agriculture, National University of Laos

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Table of contents

| | |
|------------------------------------|----|
| 1. Rational..... | 3 |
| 2. Objective..... | 4 |
| 3. Methodology | 4 |
| 4. Theory and related studies..... | 6 |
| 5. Result of Study..... | 10 |
| 6. Conclusion..... | 25 |
| 7. Recommendation | 27 |
| Reference | 28 |

1. Rational

In late 1980s the Lao government changed from planned economy to market economy to achieve the goal of poverty eradication and getting out from the list of least developed countries by 2020. Therefore, many development policies, law and regulation have been issued by the government to facilitate the agricultural production for the market including the law, decree and policies to support and enable collective action of producers in the agricultural sector.

According to the Department of Agriculture, Ministry of Agriculture and Forestry of Lao PDR (2011), farmer production groups play an important role in the further development of the sector yet the direction and development plans of the production groups have to be aligned with and contribute to the direction and policies of the party and the government. In addition, producers' group formation can also secure the funding and technical assistance from various sectors, as well as increase the competitiveness of Lao farmers in domestic and International markets.

Until present, a number of production groups including crop and livestock groups have been formed through both projects and by self-motivated farmers and are functioning in Lao PDR. However, farmer groups have been formed mostly for primarily production purposes, the groups deploying collective action beyond production like the aggregating of produce for supplying markets demanding large quantities, is still limited. Of the many groups that were established over the past decades some are still functioning actively and some are not active without technical support and after the project ended. It would be useful to understand both, internal factors including management, leadership, participation of members etc. and external factors such as market dynamics, traders, government policies that have had an influence on the formation and sustained operations of existing producer groups. What internal features and policies and/or other external condition have been key to the success (or failure) of existing groups hence which factors have to be considered and reviewed to allow agricultural producers' groups to benefit from collective action in a tangible and sustainable manner?

This study will draw the lessons from implementation of the producers group's establishment policy by evaluating the performance of groups previously established, so it can provide useful information to the government agencies and development partners to improve their approach regarding the support to the establishment and sustainable operations of producers groups.

Producers' groups including crop and livestock groups, have been established under previous and ongoing IFAD funded projects to improve the income and nutrition status of the poor households in Lao PDR. This study will use the groups formed by one of the IFAD funded projects namely as the Northern Region Sustainable Livelihoods through Livestock Development (NSLCP) to understand the practices of the producers' groups and factors that have influenced the success and failures of the groups' established in the framework of this project.

2. Objective

- To identify good practices for performance and sustainable operations of producer groups formed to enhance the competitiveness of smallholder farmers;
- To identify constraints and opportunities for the implementation and scaling up of producer groups initiatives under IFAD-funded projects in the Lao PDR.

3. Methodology

3.1 Study Area

According to the time constraint, funding availability of the research project and the recommendation of the IFAD representative office in Vientiane, the research has selected 2 of the 5 of the NSLCP project site as the study area. It covered 2 Districts such as Phonxay and Viengkham of Luangprabang province and Khoun and Nong-had Districts of Xiengkhouang Province. Those two sites are located close to international border and exported animals China and Vietnam market as well as domestic market. These different sites will allow the research to find out if the different socio-economic conditions and geographical location may have influenced the livestock trading and the overall performance of studied producers' groups (see figure 1).

3.2 Product

Phase 1 of the ADB/IFAD funded NSLCP project aimed at improving the livelihood of poor households, thus targeted population were mostly poor farmers by introducing small animals such goat, pig and poultry. These animals are expected to provided marketable products quicker, especially in the case of the project site in Luang Prabang. Because of the promising potential of rearing large livestock in Xieng Khouang Province, the project supported the production of cattle in this specific Province. Thus, for this study, the research has targeted 3 main products notably cattle in Xieng Khouang Province and, goat and pig in Luang Prabang Province.



Figure 1: Map of Studied areas

● Area of Study

3.3 Selection of the groups

In order to understand the reason why after the project ended, some group members or producers' groups are still continue their groups' activities actively while others have ceased operations, the research, with the assistance of the NSLCP, has chosen two producers' groups per district (one active and one not active) of NSLCP previous intervention areas. In totally 4 actives and 4 non-actives livestock groups were selected for the study. The criteria of both successful groups and groups that failed to sustain operations should have the same situation and context in terms of no additional external support through other projects or programs has been offered to the selected research groups.

3.4 Studied method and data collection

The eventual study is a qualitative study based upon qualitative research methods using organizational and stakeholders mapping and analysis as core tools. The main actors of livestock value chain were identified and selected data were acquired. As the time of study was limited and the research objective was aimed to understand the performance and sustainability of particularly the effectiveness of producers' groups formation, the data collection was conducted through the main domestic actors as well as the supporting organization such as District Agricultural and Forestry Office (DAFO), Provincial Agricultural and Forestry Department (PAFO) and domestic bank etc.

4. Theory and related studies

4.1 Theory

- Definition on collective action

According to Elinor Ostrom (2004), collective action occurs when more than one individual is required to contribute to an effort in order to achieve an outcome. People living in rural areas and using natural resources engage in collective action on a daily basis when they plant or harvest food together, use a common facility for marketing their products, maintain local irrigation systems or patrol a local forest to

see that users are following rules; and meet to decide and agree on collective rules related to the concerned collective action.

- Definition on farmer organization

Farmer organisation is defined as a formal or informal (registered or unregistered) membership-based collective action institution serving its members, who are rural dwellers that get part or all of their livelihood from agriculture (crops, livestock, fisheries and/or other rural activities). Services provided by the FO aim to improve the livelihoods of its members, and include access to advice, information, markets, inputs and advocacy (FAO, 2014).

- Definition on cooperative

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

The cooperative should have its values such as the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others (Daman Prakash, 2003).

Department of Agriculture, Ministry of Agriculture and Forestry in Lao PDR 2014 stipulated “*Cooperative of agricultural producers is organization of collective farmers enterprise voluntary joint established to help each other in the production for market as well as to provide services for access to production inputs, credit and selling products, including ensuring the welfare of members and family members of the cooperative*”.

“Cooperative is individual parties who work together and share the economic and social benefits by self-reliance and mutual assistance by establishing their own rules and apply their membership according to the regulations. The basic characteristics of the cooperative are: 1) groups of people with the same economic and social interests; 2) have the intention of helping themselves and supporting each other; 3) organizing business and perform it together continuously to achieve the

objectives of cooperative; and 4) the purpose of this business is to promote the interests of members”

The Agreement of the Minister of Agriculture and Forestry of Lao PDR number 2984/MAF dated 25 September 2014 on Group Formation and Management of agricultural producers’ group is the rule, regulation, principle and measures for the organization and movement of agricultural producers’ groups in the context of the Lao PDR. It is a legislation that encourages smallholder farmers to be more productive and ready to work as a producer cooperative, to generate income and improve living conditions, aiming at addressing the poverty and contributing to the development of the socio-economics.

Legislation on the establishment and management of producers’ groups is a tool that helps to explain the meaning of the term, as the conditions for a group setting, the obligations of membership, administrative activities of groups, policy to groups, government policy to groups such as technical support, information, promoting access to finance and markets, to reduce or exclude from tax, creating favorable conditions to group’ performance and activities. The concerned legislation formulates “the rules of the game” with respect to establishing and operating of Producer Groups and assures alignment to the overall policy framework and goals set by the Lao government for the agricultural sector.

4.2. Related studies on collective action

Coffee Producers’ groups and Coffee Producers’ Cooperative were established with supports from Agricultural Development projects and Private organizations for Development. Souliphone Sidavong (2012) reported that coffee producers’ groups in Champasack province were established with assistance from the Bolaven Plateau Agriculture Development Project. The objectives of the project at the beginning were to aggregate the products for processing and selling them together under the management of the coffee association. The activities of the groups could improve the income of coffee producers’ group members. They share the benefits of better access to production inputs, from low bank interest rate, new production technique and guarantee the minimum price of coffee. However, different

groups have also faced different problems, most of encountered problems being related to the group management, selling price and payment method of coffee association. Those problems have had consequence on the motivation of farmers to join coffee producer groups, showing an overall decrease in membership for coffee producers' groups.

The Lao government has been promoting organic production since the year 2003 with supports from HELVITAS. In 2015 there were organic production groups in Vientiane Capital and in 7 provinces of the Lao PDR which together comprises of 22 large organic producers' groups including 88 small groups from totally 1,598 households. The production area of organic producers' group covered 3,002 hectares and could produce approximately 3,375 tons of agricultural products annually including 1,186 hectares of vegetable and fruits production area which could provide 1,458 tons per year (Agricultural Department, Ministry of Agriculture and Forestry 2016).

Bolaven Plateau Organic Coffee Producers Cooperative was established in 2006 for supporting organic coffee producers' groups, to access to mean of production such as production equipment, tools for soil preparation and management of orchard, seeds, compost and peeling machine. Moreover, cooperative helps in group formation and management, setting up the internal control system so that groups can get the organic certification and processing for export. The Organic Coffee Producers' Cooperative organization structure is composed by President and committee members who come from coffee production villages. In the cooperative there is two section production and processing and marketing. In each producer's group there is the group management committee which is composed by head of the group, deputy head, Internal Control System specialist and group members. Organic Coffee Producers' Groups have created their own rules and got approval from the chief of village, DAFO District governor and PAFO. Groups organize the group meeting every month and have the primary coffee processing together. Groups have regular technical support from DAFO. All production and processing of organic coffee is for supplying to cooperative.

Organic Coffee Producers' Groups in Luang Prabang has the same group structure as on the Bolaven Plateau Organic Producers Groups. Members of the group have their monthly meeting, they help each other in organic production technics, collecting the coffee production data from members, group has products collecting point of the group, determining the price, contracting and negotiation with traders and the market on quantity, quality and price of coffee. Groups have got follow-up and support regularly from DAFO especially at the beginning of the production season and harvesting period. Groups have signed the contract with private company called Shefron Coffee Company for selling organic coffee of the groups.

Regarding the livestock group formation, approximately 1,500 livestock groups were established by the IFAD through the project NSLCP between 2007 and 2013. There has been no information found on the performance and sustainability of those livestock groups.

5. Result of Study

5.1 The general information on livestock farmers' groups

According to the objective of the NSLCP project of helping livestock farmers to eradicate poverty, the livestock groups were established as tool to enhance family income through livestock raising. A typical group has had 7 to 22 members depending on the interest of farming households and size of the village. The majority of group' members are poor farmers because the target population of the project was to improve the livelihood of poor villagers through livestock promotion. Livestock farmers becoming group member own on average 0.6-8 hectares of grassland per household, where they grow forage and keep their animals in pasture land. Farmers raise cattle, goat and pig according to their means of production. Those who have land, capital and labour will choose to raise cattle since the market demand is relatively high, while poorer farmers will choose to raise smaller animals that require less investment and get return from the production investment in a shorter time span.

The main activity of the villagers in the study area is rice production mainly for home consumption. Farmers usually owned about 1-2 hectares of upland (rain-fed) rice area. Each household has around 3-5 plots of land to cultivate rice, because they need time for rotation (widen agriculture or shifting cultivation). Raising animals is for the purpose of selling for having reserve, especially cattle, because the market demand is relatively high with stable price. Thus when the farmer need some cash for their subsistence or unexpected expenses they will sell their cattle. Planned fattening of cattle (set duration, target weight for marketing etc.) is not yet common practice. Goat is also another type of animals for selling to have cash and is used for traditional ceremony. This animal is quite productive due to regular and frequent offspring yet the market is still relatively small with unstable prices as compared to large cattle. Those are the main reasons why farmers prefer raising large cattle above raising goats. As for pigs, farmers raise pigs mainly for consumption, especially for traditional events and / or sell in local markets only. Poultry is also common as livestock for poor farmers, they raise mostly chicken for their own consumption. In addition to the rice and animal production, farmers whose village is located close to Laos-Vietnam border produce (fodder) maize about 1-4 hectares per household for export to Vietnam and increasingly China.

5.2 Structure of the livestock producer group

According to the discussion with the head and the deputy head of the livestock producer group and the producer group formation proposal proposed to the district governor in 2009. It can be seen that the livestock producer group is divided into two different management level which the management level and implementation level. The management level consists of the head and the deputy head of the group and the implementation level are those who are the producer group member. Figure 2 illustrates the structure of the studied livestock producer group.

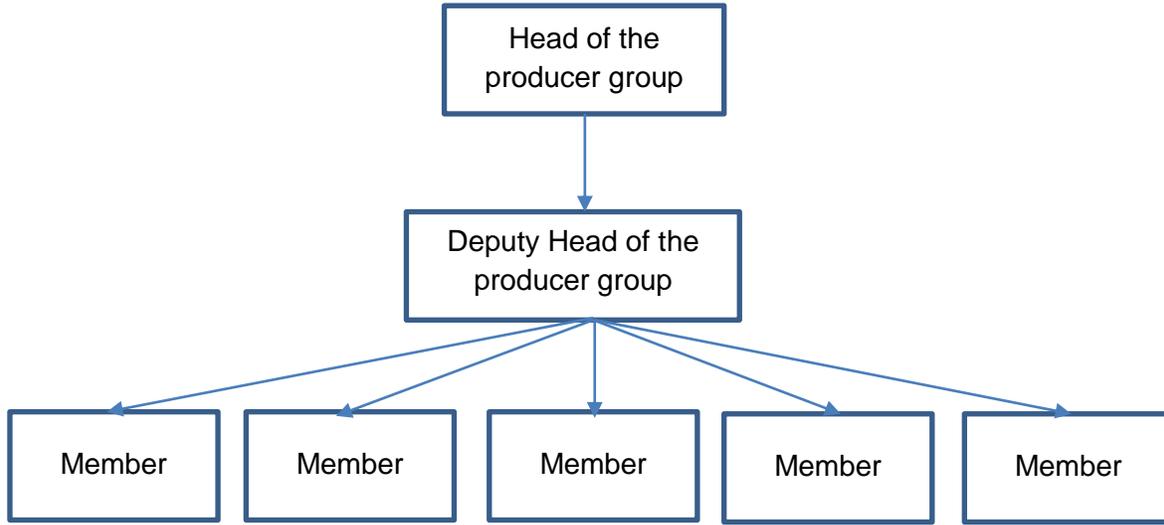


Figure 2 group structure

a. Roles and responsibilities of the head and deputy head of the producer group

The main roles and responsibilities of the head of the producer group are mainly supervise the overall group performance, leading the group planning development, be aware of group concern or problem and seek advice from the concern government agency, regularly report the group performance to the head of the village and the district government agency, inspecting and evaluating the group performance, and taking note when organize meeting with group members.

The primary roles and responsibilities of the deputy head of the group is acting as an assistant of the head of the group. He or she will take charge of monitoring group performance and report to the head of the group, collection information of all member (such as: name, number of livestock, trading situation of the group). The deputy head of the group will also collect all comments and problems from the group and report them to the head of the group, and disseminate any announcement received to the group member.

The head and deputy head of the group will also act as a coordinator between the group and project and the government agency (DAFO). The head and deputy head of the producer group are selected by members of the group, then

approved by the district governor and receive no payment from the group. The selected head and deputy head of the group will be working for the entire period of the project.

b. Roles and responsibilities of producer group members

The members of the producer group have certain roles and responsibilities. The member of the group required to take action according to the agreement made between the head/deputy head of the group and members during the meeting, regularly involve in the group meeting, participate in the training and other collective activities. The group members shall frequently consulting, exchanging and reporting activities implementation to the head/deputy head of the group, and finally and more importantly the members should help and supporting each other.

According to the discussion with members of the group and reading from the NSLCP previous project documents, it can be seen that there are some member selection criteria that need to be considered while selecting member. The member of a specific village group has to come from that village (housing, living and having permanent land ownership in that village), working in agriculture sector, being a poor, minority, disability, hardworking and honest household, all household member support the participation, one household can only be a member in only one producer group and finally the members have to regularly pay the membership fee to the group.

Besides the conditions for becoming a member of the group, there are also conditions for drop out from the group. The member who passed away or resign (approved by the head of the group) from the group, lack of qualified criteria mentioned above, not participate in the group meeting more than three time (without reasons), violate the national laws/producer group regulation and the group is no longer operate are those conditions that can affect the membership of the members.

c. Collective action of the group

According to the interview of group members, the main collective activity of the livestock farmers' organization is aim to organize consultancy meeting in case of any issue related to animal rearing and fencing the forage. The organization plays a

role of service center for the members in terms of the technical exchange, guarantees a loan for members. In the meantime, there were some challenges for the group organization as well, such as there is no remuneration for the group management committee which cause of the lacking incentive for a good management. In addition, the members lack of collective activity because they misunderstand the purpose of the project.

5.3 Understanding the functioning livestock value chain and livestock groups

5.3.1 Characteristic and functioning of animal market chain

- Production

The animal production system in the studied area is free grazing, semi-free grazing systems are found in some villages where animal rearing (cattle) is going well and farmers have commercialized production. Forage was introduced in the studied area in late 2007 and then expanded slowly due the lack of follow-up investments in the



Figure 3: Cattle raising in Phonxay district of Luangprabang province

capacity of poor farmers and the price of animals during the concerned period being low. The average of annual cattle selling was 1-3 cattles/household, while the majority of groups member have 1-4 head of cattle/household. Only few members have more than 5 heads of cattle per household.

- Animal market chain

Results of study found traders can buy the animals from any farmers without having contract beforehand. Trade relations are ad-hoc and informal. Mostly, the animal trading is practiced based on the relationship between farmers and collectors. Animal collection is organized in both village level and district level. The collector in the village acts as broker for collector in district level and the collector in

district will distribute or sell animals to his clients which are farmers, slaughterhouses, animal trading association (special case in Xiengkhouang province), restaurants and exporters for international market (China and Vietnam).

Regarding the price of animals usually the owner of animal will be pricing first following by price negotiation between farmer and collector based on the animal type and weight of the animal. No pre-described quality benchmarks or categories exists to determine price setting. Collectors in the study areas explained traders buy the animal per head and then sell it in kilograms. They have good experience in animal weigh estimation without weighing. Moreover, the price for cattle is quite stable and the market demand is unlimited, the price is not an issue. According to the website of (www.sokhaviak.com/archives), date 27th September 2018, the market demand for cattle from Laos in China is about 500,000 heads of cattle per year or 1,900 cattle per day which is relatively large market and until present the supply side still fails to meet the full market demand. Therefore, it is good opportunity for farmers to increase their income by improving the livestock production system. In addition, this is a good opportunity for Lao government to achieve the policy on reducing the shifting cultivation in the upland areas.

In order to understand if there is the relation between farmer's groups' performance and sustainability and market chain development the research has used the market chain analysis approach and collect the data from main actors in the livestock value chain and supporting organizations. The animal market chain are drawn and explained as below:

a). Cattle market chain

Based on the discussion with the actors involved in the cattle market chain we can map the cattle market chain as below :

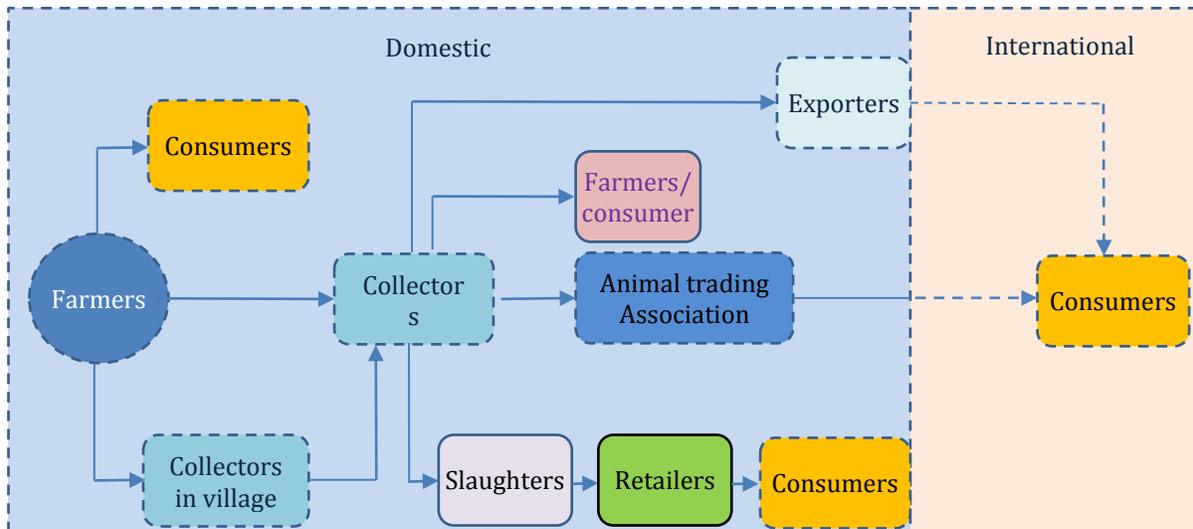


Figure 4: Cattle market chain in Northern Laos

In the case of cattle market chain in Luang Prabang, there are livestock farmers who act as collectors in the village. They collect their own animals and also collect/buy the animals from others farmers in the village, in order to have sufficient numbers of animals to sell to the traders in the district in batches. At the same time, some farmers who have access to a vehicle, carry their animals directly to the district to sell to collectors. In the case of arranging own transportation to district markets / buyers the price setting is significantly higher.

At the district level, the further market arrangements depend on the condition of each district, some district have only 1 big collector, for example in the case of Phonxay District where only one collector collects all cattle from Phonxay district by paying a lump sum tax of 50 million kip to the district (government endorsed monopsony). In the mean-time the trader also buys the cattle from Xiengkhouang if there are traders who want to deliver to him. On average, he sells or delivers the cattle 1 time per week or at least 3 times per month to the exporter in, Luang Namtha Province (the Laos-China border) and each time he delivers about 30-40 cattle. In some cases such in Viengkham District, there are several small collectors in the district level where they buy the animal from the farmers or collector in the village then deliver to the exporter Luang Namtha province as well (open market). In this case, they will pay tax per time of selling. In average they sell about 7 cattle per

time and paid tax 600,000kip per time to the district authorities. Per month they can deliver the cattle 3 to 4 times to the exporter at the border.

In addition to the export of cattle, collectors also sell the animals to local consumers, but it is very small quantity as local people do not consume beef regularly, they just use cattle meat for the occasion of wedding and traditional events. Sometime farmers also buy the animals from the trader to expand their herds.

In the case of the cattle market chain in Xiengkhouang, there are collectors in the village who collect the cattle and delivered to district collectors (middle man). Since the capacity of investment of these village level collectors is low and the competition with other household activities is high, collectors can collect/buy only small quantities to deliver to district collectors. At district level, there are several collectors who collect/buy cattle directly from farmers and collectors (middle-man) who deliver to them. For one year, a collector at district level can deliver about 400-600 cattle to exporters. Collectors in Khoun district deliver 25% of their collected cattle to slaughterhouse, 50% to farmers who want to expand their herds and 25% delivered to animal trading association at the province level. The animal trading association is a vehicle to manage the animal export to the international market. In Nonghad district, collectors in district level also collected cattle from farmers and collectors in village level, then they export all cattle direct to Vietnamese traders. In this case district collectors combine both functions, being collector and exporter. Traditionally only live animals are exported.

In the near future, the IFAD project has plan to build 2 standard slaughterhouses, one in Luangprabang and one in Xiengkhouang in order to increase the local value adding of cattle by exporting processed meat as product to China and Vietnam.

b). Market chain of Goat

According to the discussion with the actors involved in the goat market chain in Luangprabang province, we found that it is a simply chain as mapped below:

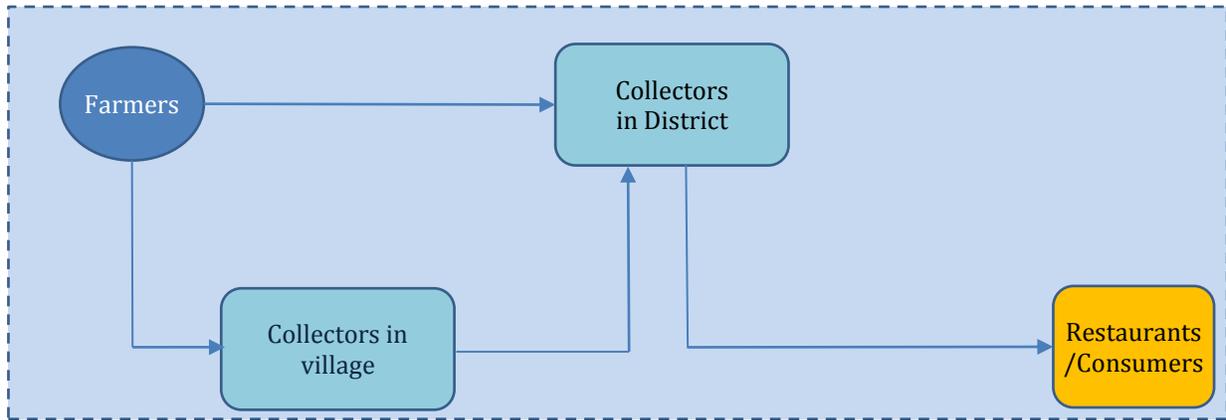


Figure 5: Goat market chain in Luang Prabang province

Goat raising farmers were found being numerous in Luangprabang province. The production is only for domestic consumption. Farmers explained Goat is easy to raise and expanding the herds is simple due to the high levels of off-spring produced, however, the problem that discourage farmers to raise goats is the unstable market price. Since the market demand is volatile and unstable, the price will fluctuate according to the demand.

With regard to the goat market chain, there are collector in the village level who deliver to the district collectors. Sometimes, farmers sell their animal directly to the district collectors depending on their access to transportation. The district collector deliver or sell the animals to consumers such as goat barbecue restaurant, people who need goat for party and ceremony, and those who need to buy goat to expand their herds. The destination for goat market are Vangvieng district, Vientiane Province, Gnot-Ou district of Phongsaly province and Namtha district of Luangnamtha province. In one district market there are about 2-3 traders focusing on goats. They pay the collecting tax about 2,000,000 kips to the district plus 300,000-500,000 kips per each delivery. On average they can sell or deliver 2 times per month. Goat is bought and sold per kilogram with 20,000-50,000 kips of difference between male and female (almost 10,000kip/kilogram higher).

The trader said, they buy animal from the farmers freely without any contract, however, they also face challenges, especially during periods of heavy rains in the

rainy season in July and August when they could not transport the animals due to bad road condition. Also goats regularly suffer from diseases during the rainy season.

c). Market Chain of Pig

Based on the data collection with the actors who are involved in the pig market chain in Luangprabang province we found that pig distribution channel is simple and straight-forward from the producer to consumer as mapped below:

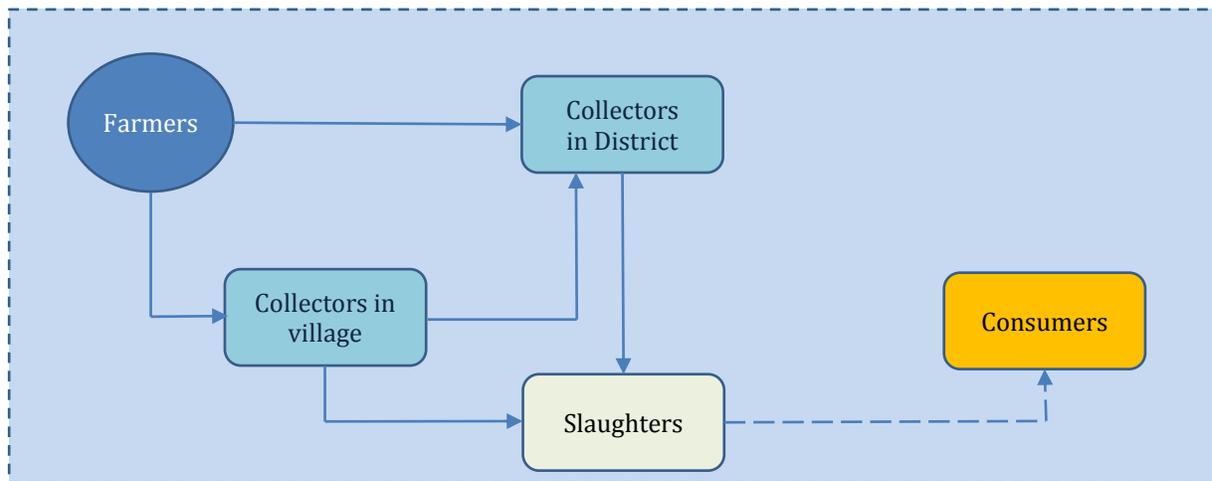


Figure 6: Pig market chain in Luang Prabang province

Most of the farmers raise their pig for household consumption only, especially they use pig in the traditional ceremonies. Market oriented pig production is found mainly in Luangprabang Province. In this case, animal production is for supply to the local market, particularly the district market.

In general, there are collectors in the village who collect pigs and sell to the district collectors, or sometimes district collectors buy animals directly from the farmers, depending on their access to transportation. There is no contract of pig production and trading; it is up to the negotiation between the seller and the buyer. In the study area, the district collectors also play a role in slaughtering and processing of pig meat. There are about 3 or more pig traders in each district and they slaughter an average of 1 pig per day to supply to the local market and change the turn among the collectors or slaughters every 3 days. Usually, the slaughters will sell the pork meat directly to the consumers, however, sometimes they can also sell to retailers.

and then retailers sell to the consumers in the market. For trading pigs, collectors need to pay the tax of 280,000 kips per month to the district commercial authority.

5.3.2 Understand the livestock farmers groups' formation

Based on the NSLCP project' objective of improving the livelihood of poor villagers through livestock promotion the livestock farmers groups were established in 2007-08 with the objective to have access to loan and livestock technical trainings. Access to loan and training were expected to increase the size of herds and the livestock productivity and allow farmers to respond better the markets demand. The NSLCP IFAD funded project in collaboration with local government agencies in the area such as PAFO and DAFO established the farmers' groups and build the capacity of the farmers and group management committees. To understand the main factors influencing the performance of livestock farmers' group effective operations and sustainability, main findings of the study are presented below:

a. Internal factors influencing the performance and sustainability of the groups

According to the discussion and interviews with local authorities and livestock farmers during the survey the main internal factors influencing the performance of the group formation and operations are presented below:

- **Knowledges and experiences of livestock group' members:** in this we refer to the factors related to the technical capacities and experience of the group's members on the livestock rearing. The survey found that the groups that operate actively and effectively are merely found in the Hmong villages where members have experiences in animal rearing especially cattle while, the non-active livestock groups were in Khmu villages where members in general lack prior experience and knowledge for cattle rearing.

- **Unequal sharing works and benefits among members:** in the villages where the groups are not active, livestock members of the group lack motivation and incentives to invest in collective work because the unfair repartition of works and benefits among members. For example, one non-active group in Luang Prabang could not use their common pasture land due to each member having unequal number of animals thus the benefits of collective grazing lands being un-equally

distributed among members. Members who have less number of animal also have less motivation to work and manage the common pasture land, while other member who have more animals intent to be more active. Consequently, there is conflict between members of the groups and it is one of the reasons of group failures.

- **Understanding the objective and goal of the group formation:** The majority of the members of non-active groups did not understand clearly the goal and objective of group formation. The objective of reunion was merely to ensure access to credit for livestock production. Obligations of repaying taken loans back to the bank were also not clear. Most of group' members thought it was the grant from project. They did not pay much attention in production for being able to pay back the loan.

- **Less knowledge and experience in farmers' group management.** The management board of the group had no experience and knowledge in leading and management of production groups even though the project tried to help group to set up the group's management system. In the first phase of the NSLCP project, the aim was to improve the poor farmer's livelihood through animal production for consumption as priority which was not focused for commercial purpose. Therefore, the members have no income for paying the membership and for supporting the functioning of the group management and activities. Thus, the group management board did not have sufficient incentives to invest in performing their tasks.

b. Supporting function to make the increase efficiency of the animals value chain

- **Technical support from the project:** livestock farmer groups' members and local district staff have received training on animal disease prevention and care, forage establishment and production and animal feeding techniques (cut & carry) to improve the animal productivity of group members. In addition, the project also provided forage seeds to the target livestock farmers.

- **Infrastructure support:** basic equipment for animal raising were provided by the project to livestock group members in order to facilitate their livestock production

system. Delivered equipment includes materials for building the animal shelter, barbed wires for making fence of their pasture land etc.

- **Credit support:** the project has provided specific loans for animal rearing activity to member of livestock production groups through Lao women union organization at district level. This credit was aimed mainly to improve the productivity of the animal production system. Farmers can use this fund for buying animals, medicine for treatment of animal disease and production input such as the forage seeds. This fund was ranged from 1,000,000 to 8,000,000¹ kip per member with the loan interest rate of 8% per year for the amount of lower than 5,000,000 kip and 12% per year for the amount between 5,000,000-8,000,000 kip. This is a short period of loan which is lower than 3 years.

- **Input services support:** The district agriculture and forestry office (DAFO) and project representative who is responsible for input providing such as animal medicine and vaccines. At the beginning, the project provided about 0.5 kg/variety of forage seed to each livestock member and totally they received 1.5 kilograms of forage seed of three varieties such as Russy, Kini and stylo. The purpose of the providing forage seeds was to improve the availability of feed for cattle and promote stall-feeding (cut & carry) as to increase the productivity (increasing growth rates) of animal rearing.

- **Group management skill:** Based on the discussion with members and group management board which is composed by head and deputy head of the group, all groups received training from the project to enhance group management skills when the group was establishing but the lack of follow-up coaching to ensure the gained skills were applied led to failure by many management board committees. Thus, the group management board committee could not sustain to lead the group after the project ended. Moreover, the management board committee lacked incentives to perform their tasks, because they were not paid for doing so. According to the group regulation, member has to pay a monthly membership fees to the group for management of the group' activities, however, as mentioned

¹ 1 US\$ = 8,530 LAK

earlier, members rarely sold their animals and had no income, so they were not motivated or could not pay their membership fee. Consequently, the group was left without income to run their groups' activities.

c. Rules and Regulation of the group

Basic rules and regulation of the groups were formulated at the beginning of the group establishment. It was the result of the collaboration and joint contribution of project representative, DAFO and livestock farmers in each village. However, the rule and regulation were not fully applied due to many reasons mentioned above. Importantly there was no coaching from parties concerned after establishment of the rule and regulation.

d. External influences

- **Market demand:** according to the discussion with district authorities and livestock farmers the market demand of animals, especially cattle is higher than the capacity of group to supply to the market. This is a good potential for making livestock group member to work together as a group to supply the good quality of animals to the market. A secured market and stable prices are a good starting point for collective investments to increase production.
- **Policy:** livelihood improvement for the poor is one of the Lao Government priority policies that aim to reduce the poverty by 2020. Animal raising and especially cattle raising is one of the most promising options for farmers to improve their income and livelihood. Moreover, livestock rearing will be alternative for transformation from the shifting cultivation to permanent agricultural systems in the uplands. Since more than two decades Lao government has strived for ending upland rice cultivation applying slash and burn practices through developing and endorsing many laws and regulations to end such practices, together with promoting alternatives like new livestock production techniques as well as providing loans with low interest rate to poor farmers especially groups of farmers to be able to invest in improving their livestock production for market.

- **Opportunity cost:** despite these supporting factors, there are other circumstances that provide challenges regarding the uptake of improved livestock practices. One major factor is the competition with productive activities which required less of production cost and provided regular or better income to the farmers. In Khoun district, in a village close to the dam construction most of the farmers are employed as in the dam site. They have a good salary and wages. This activity that can provide the immediate income can attract members' intention more than investing in animal rearing for a long term benefits. Also, the profitable margins for growing maize and other cash crops competes for scarce households assets (land, labour, liquidity) with livestock raising. Therefore, the competition with other activities is an external factor influencing livestock group performance and sustainability.

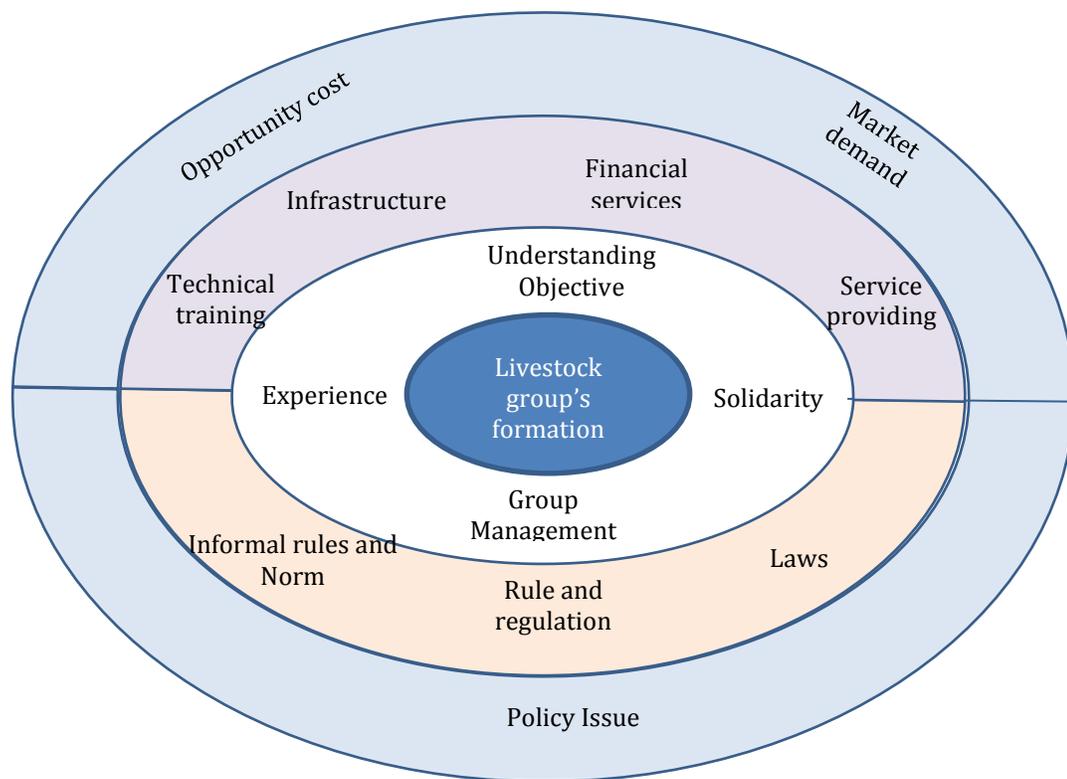


Figure 7: summarize the factors influencing on the sustainability of livestock farmers group

6. Conclusion

Based on the findings and results of study, we are able to distinguish several reasons, both internal and project-related, as well as external factors that clarify why some of the established livestock groups were successful and able to continue operate and while others failed and ended up being non-active.

Internal factors:

Most group find themselves with in-sufficient capacities and a too simple governance structure to handle tasks ahead and sustain operations without external support. The group interviewed had in general a simple governance structure, in most of the cases consisting of the head of the group and the group members. This structure is not conform the foreseen governance structure that was promoted and initiated during the time of the establishment of the groups. Ending up with a structure that is not sophisticated enough to effectively manage operations in a participatory and transparent manner is due to the lack of follow-up coaching and mentoring from the project and DAFO after the establishment of the group. The one-off training in group management is clearly not adequate enough to enhance capacities to the necessary levels. Another critical factor related to capacities is the limited understanding of members of the groups on the purpose, goal and objective of the group. Full understanding and endorsement of purpose, goal and objectives of the group by all members is an essential condition for successful operations of membership groups. Understanding, endorsing and actually owning the principles and regulations that govern collective actions and bind and guide the group members are key to successful and sustainable group operations.

Livestock groups that were established by the IFAD funded project had the purpose of production for consumption (nutrition) of the poor. Those members had no means and interest to pay membership fees hence, there was a lack of incentives for the group management board to fulfill their tasks. Including a for-profit (commercial) objective to the group's mission seems a prerequisite to ensure financial sustainability.

External factors:

Livestock production technics: in some communities, there was not enough technical services from extensions agencies, especially at village and farm-gate level access to technical advisory services was found to be too limited or inconsistent to ensure broad take-up of the promoted enhanced production livestock raising practices. As a consequence farmers felt back on their own experiences and traditional methods of livestock raising which are not very efficient.

Opportunity cost: The investments in one production activity will at household level compete with alternative options. In some villages, the farmers have other and seemingly better opportunities to generate income than investing in livestock production. Household assets that are scarce to poor households like labour and land are allocated to these activities and not into livestock raising.

Market Demand: The initial objective of the group was increased production for home consumption only, yet during the course of the project strong market demands for cattle developed particularly in international markets (China) that pulled farmers towards production for the market. Market oriented production and increased income were not included in the initial objectives of the groups established and groups were not suited to capture emerging market opportunities. Due to lack of generating income at household and group level, members of the group had no means nor incentive to pay membership fees.

7. Recommendation

Based upon the findings some recommendations can be formulated as per below:

- Group management: the project should provide more support or training on group management particularly coaching and mentoring services to ensure that the group management board understand their tasks and can manage the group accordingly. Moreover, the formulation of group regulations should be done in a more participatory manner assuring all members fully understand, endorse and own the groups' rules and regulations. Deploying mechanism for motivating collective activities among group' members that result in tangible benefits to its members such as common services, reduced costs etc. are crucial for sustaining group operations.
- Production techniques knowledge and skill: enhancing the livestock technical knowledge of members of the group for improving their livestock productivity and for market is essential. Assuring access to quality advisory services (including veterinary and animal health care services) is key for broad uptake of advanced production livestock raising practices.
- Markets play crucial role in sustainability of the groups; production for the market should be considered as one of the objective of livestock producers groups. They will be committed to participate actively in the group and more likely to invest in improving livestock techniques when markets will award them with good / higher pricing for their produce. Increased income is also a strong incentive for complying with membership fees and other costs related to the group membership and as such contributes to the sustainable functioning of groups.
- To facilitate producer groups' formation and its sustainability, there is a need to train PAFO and DAFO in the following areas: Market systems / Value chain to enable broader and more holistic scope of interventions and group formation, organizational strengthening of groups and facilitating leadership development within groups.

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