

Brewing better lives

A social enterprise revives coffee production among hilltribes in Luang Prabang.

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Ban Nong Khouay, a Hmong village of about 50 families, is perched 1,000 metres above sea level. The staff of Luang Prabang-based Saffron Coffee have come here to purchase this year's coffee harvest.



Two villagers bring out sacks of red cherries weighing no more than thirty kilogrammes each. A stop at the village chief's house brings in another hundred kilogrammes, the first picking of the season by three families. The cherries are bright and plump, and the quality of the crop speaks to the collaboration between Saffron and local communities to revive coffee cultivation in northern Laos.

Coffee is the fourth largest export commodity of Laos and, in combination with other agricultural exports, accounts for over 12% of the country's GDP. Ninety-five percent of the country's coffee is grown in the Bolaven Plateau, most of which occupies Champasak Province in southern Laos. The high altitude, cool climate, rich volcanic soils and flat fields have made the region optimal for large-scale coffee cultivation. Most of the beans planted are Robusta, although the government is promoting Arabica beans, which fetch a higher price in international markets.

By contrast, coffee cultivation in northern Laos is sparse. The soils and natural shade cover found in the hills of Luang Prabang are optimal for Arabica varieties and produce flavour profiles that are less acidic, with soft floral and fruit tones. While these qualities are highly regarded in specialty coffee markets, coffee companies are deterred by the region's geographic and cultural challenges.

Coffee trees were first planted in Luang Prabang during the French colonial period. The French selected varieties that did poorly and no further attempts were made. Coffee was reintroduced in the late 1990s by the United Nations and international aid programmes as a replacement crop for opium, which was banned by the Lao government in 1997.



Farmer Don Thong has planted coffee intercropped with rice in direct sunlight, an approach that worked for him in southern Laos. However, beans in Nong Khuay need to be shade-grown (as seen at left) and Saffron Coffee is encouraging all farmers to adopt this approach.

While the UN provided technical support for coffee growing, it failed to develop adequate links to markets. With no economies of scale and severe transport liabilities, the farmers were left with a cash crop that they could neither consume nor sell. Many farmers resorted to opium production or simply settled for subsistence agriculture.

Saffron Coffee appeared on the scene in 2006 to revive production in Luang Prabang. Owners David Dale and his wife Malayvanh did not start out to grow organic, shade-grown coffee, much less run two coffee shops in the town's historic centre and actively develop export markets.

A desire to work directly with farmers to raise incomes and to reduce slash-and-burn agriculture led Mr Dale to research cash crops that fit a set of criteria. He wanted a perennial crop that could be planted in upland rice fields; that could be processed for added value; and that could withstand any global price fluctuations. Coffee's stronghold in the international market and the climate, geography and demographics of Luang Prabang province provided Mr Dale with the right blend of factors.

Mr Dale looked to northern Thailand to understand cultivation practices and scale. "Northern Thailand is ahead of Laos by about 40 years in replacing opium with other high-yielding cash crops."

Mr Dale first presented the idea for growing coffee to villages above 250 metres in Luang Prabang. The villages are home to Hmong, Khmu, Kasat and Mieng ethnic groups. They grow rice and corn for self-consumption and selling any surplus. The revenue per hectare from surplus rice and corn is relatively low. The price per hectare of coffee that Mr Dale was offering was comparatively higher. The villagers listened to Mr Dale's proposition, although the three-year maturation period for coffee plantings raised concerns.

"Poverty makes you very risk-averse," said Mr Dale. "There is a lack of entrepreneurial spirit because the potential loss from failure is too great."

Mr Dale encouraged the villagers to try coffee incrementally, no more than half or one hectare at a time. This approach allowed farmers to still grow rice and corn, while they waited for the coffee to produce fruit.



LEFT Coffee beans in Nong Khuay need to be shade-grown to thrive and Saffron Coffee helps its participating farmers to use the right approach.

Today, most of the villagers Saffron buys from cultivate between 1.5 and 2 hectares of coffee. "Our goal is to help farmers increase that to 2-3 hectares, which is sufficient to generate enough income to lift them out of severe poverty," said Mr Dale.

"We are driven by multiple bottom lines. The first is to be a profitable business so that we can continue to support our training and outreach with farmers. The second is to make a positive impact on farmers' lives. The third is environmental."

In order to achieve these goals, Mr Dale and his team function both as a traditional business driven by productivity, expanding markets and generating a profit. The social and environmental impact are inextricably linked to business performance and demand for Saffron Coffee and vice versa.

Clearly an influx of cash from the sale of coffee is an economic benefit to farmers, with the potential to expand their choices for health and education. The company conducts training programmes to help farmers grow premium highland, shade-grown Arabica coffee, including establishing nurseries, providing seedlings, and instructing villagers on best practices for plot management, planting, pruning and harvesting.

Coffee as a perennial crop helps put an end to slash and burn agriculture. By purchasing only shade-grown coffee, Saffron Coffee in effect has an impact on existing forests and reforestation. Natural soil fertility and pest management techniques also have a positive environmental impact.

"All of these 'bottom lines' are in tension with one another," acknowledged Mr Dale. "We could give up profitability for the sake of social impact, but then we would not survive and we would leave the farmers hanging."

"We could give up making a positive environmental impact for increased production, but doing so would mean destroying the natural forests and using a lot of chemical fertilisers. If making money was my only goal, I wouldn't have come to Laos to do business."

Nong Khuay is one of four districts in Luang Prabang where Saffron purchases coffee. Here many of the households feature the poster that Saffron created, with infographics and easy-to-understand visuals on preferred cultivation practices. Yet, overall production from this village is low, as residents are convert incrementally each year.

One exception is Don Thong who came to Luang Prabang about two years ago from Pakse in southern Laos. In Pakse, Mr Don witnessed the advantages of planting coffee on the Bolaven Plateau. However, the overwhelming presence of large coffee plantations and smaller, specialty growers led to inflated land prices. In Nong Khuay, he was able to buy land for 1 million kip per hectare (equivalent to 660 baht per rai) compared to roughly 40 million kip per hectare near Pakse.

Mr Don has started his own nursery of coffee plants, several hundred seedlings planted directly into the soil under the jungle canopy. He has planted two hectares of coffee on a hillside that will begin producing fruit in another year.

However, his coffee trees are planted in direct sunlight and are intercropped with rice. Having seen only coffee fields in southern Laos, where coffee is grown in large plantations without shade cover, Mr Don assumed a similar approach would work in Nong Khuay.

"We are happy to see him here," said Todd Moore, the company's assistant director. "But we have to convince him to plant some trees and encourage him to produce shade-grown coffee so we can buy from him."

Mr Moore and Mr Don discussed the feasibility of growing various varieties of nitrogen-fixing shade trees for erosion and fertility purposes. Mr Don listened intently and was responsive.

"This is probably our biggest challenge to date," continued Mr Moore, referring to issues around getting farmers to consider short and long-term gains. It is clear that farmers are first and foremost motivated by earnings, and, like Mr Don, want to increase yields rapidly. In order to encourage cultivation practices that are in line with company's commitment to buy only shade-grown, organic Arabica beans, "we need better training and we need to develop village leadership", said Mr Moore.



Most of the villagers Saffron buys from cultivate between 1.5 and 2 hectares of coffee. The company wants to help them increase planting to 2-3 hectares, which would generate enough income to lift them out of severe poverty.

In this respect, Saffron Coffee is a market-driven company that realises that it must also operate like a traditional NGO, providing training to farmers, in order to ensure a viable crop where both parties benefit.

Mr Dale generally accepts the vagaries of working with small-scale farmers who are risk-averse and cautious. In order for his company to develop strong relationships with farmers and to expand its position in the niche organic coffee market, he admits he has to adapt and cooperate in order to move his company and mission forward.

It also means being incredibly patient. Today, this means pulling the truck to the side of a treacherous road in the mountains, next to a hillside with terraced coffee trees. Saffron's staff wait patiently for the women to finish picking the day's harvest. It is a long wait, maybe not the most efficient use of time, but in the end, the social and environmental benefits will pay economic dividends.

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