



Technical Assistance Consultant's Report

Project Number: 37297
January 2008

Lao People's Democratic Republic: Marketing Support for Organic Produce of Ethnic Minorities {(Financed by the Poverty Reduction Cooperation Fund)}

Prepared by
Friend of the Upland Farmer Co., Ltd.
Luang Nam Tha, Lao PDR

For Ministry of Commerce

This consultant's report does not necessarily reflect the views of ADB or the Government concerned, and ADB and the Government cannot be held liable for its contents. (For project preparatory technical assistance: All the views expressed herein may not be incorporated into the proposed project's design.

Asian Development Bank



Final Report for
TA 4392 LAO-Marketing Support for Organic Produce of Ethnic
Minorities

Submitted to: ADB
Submitted by: Friend of the Upland Farmer Co. Ltd. (FUF)
Jan. 15, 2008

CONTENTS

Final Report

Introduction

Accomplishments

Identifying potential marketable products

Increasing / beginning production of products

Developing value-added products

Stimulating the formation of producer's groups and raising capacity

Table 1: Summary of activities and outputs to date for project interventions

Appendix 1: Financial Report

1 Introduction

Friend of the Upland Farmer Co., after a period of some uncertainty due to the fact that local and central branches of the Lao government had not renewed a couple of its business operating licenses, was poised to see its investment in upland farmers and infrastructure to support those farmers begin to pay off. With the year 2007 drawing to a close, its extension efforts had resulted in a number of positive outcomes:

- The total value of crops produced for the market in Luang Namtha (especially corn, but also rice and other specialty crops) is much higher than in previous years.
- More farmers are producing crops for the market than ever before, and income from cash crop production is significantly increased.
- Contract farming arrangements have gained much in popularity, as evidenced by the many requests FUF has received from villages to promote rice and other crops.

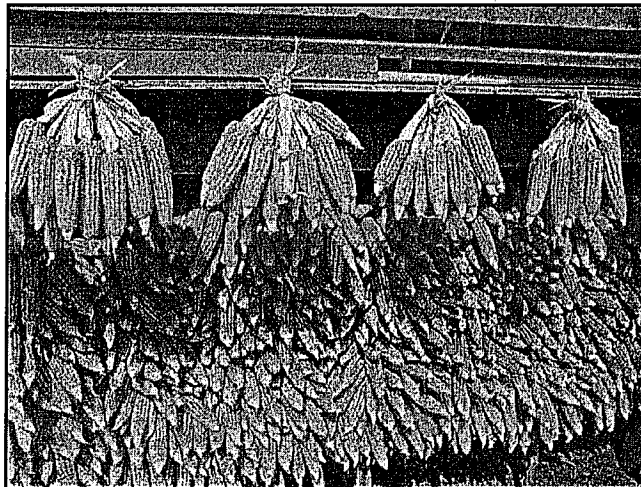
In short, despite our disappointment at the end of the year, the work undertaken by FUF under the terms of this project, has made a significant impact on the agricultural production of the target areas. The validity of this assertion will be shown below.

2 Accomplishments to Date

2.1 Identify potential marketable products.

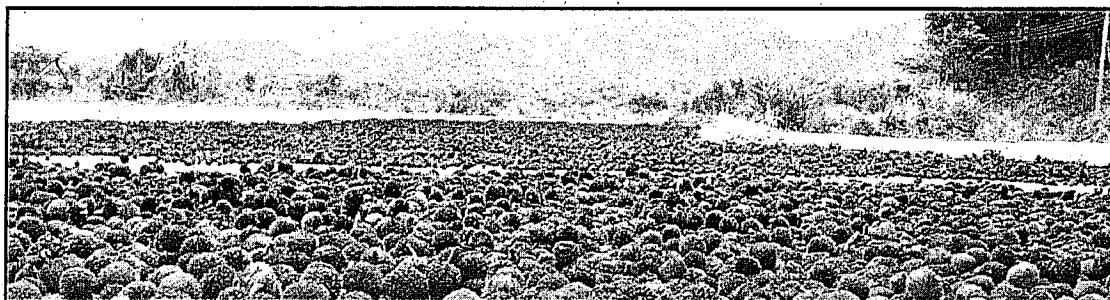
The first objective under this goal was to "Identify 3 cash crops for which there are already markets and for which there is potential for expansion of production.." The following products have been identified as having proven markets:

- Feed Corn. The demand for corn has remained high with numerous companies from Thailand, Vietnam, and China coming to FUF asking to trade in this commodity. The fact that FUF has the infrastructure to dry corn, and indeed has dried 100% of its harvest this year, makes it attractive to buyers as they look at the high costs of transporting high-moisture corn to their respective countries.



- Soy bean. Feed companies and animal raisers both within and outside of Laos continue to drive demand for this high-quality protein source. In short, markets for soy bean have not been a problem; getting farmers to produce it in quantity is a different matter.

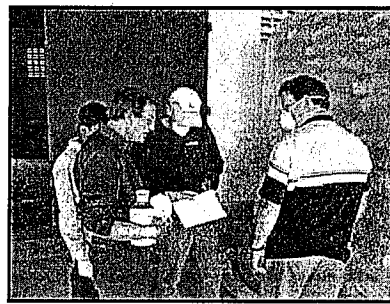
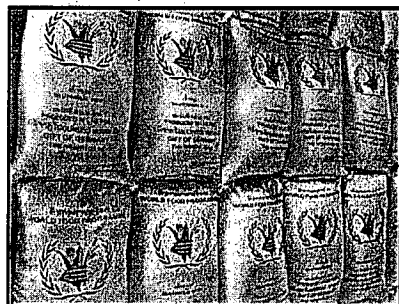
- Kuang Tung Cardamom. This year's market demand for planted cardamom has been higher than any previous year: the price in Phongsaly and Luang Namtha has gone as high as \$7-\$8 per kilogram.
- Amomi Semen (Wild Cardamom). The same has been true for wild cardamom. A shortness, due in large part to widespread slashing and burning of forest areas in preparation for rubber plantation, combined with demand from China (non-existent before for wild cardamom) sent sales prices higher than \$6. That translated to a high village-level price of \$3-\$4.50 per kilogram.



▲ Kuang Tung cardamom drying at FUF center, October, 2007.

The second objective under this goal was to "identify 3 new cash crops which have potential for production." Unfortunately, some of the crops we had identified earlier as having potential for production, have also proven illusive and harder to market than first estimated.

- Indigo for natural dyeing. With the closure of the SFE silk project in Luang Namtha our market for indigo has largely evaporated. Several reports indicated that there might be markets for indigo powder in Vientiane. If FUF had been able to enter into the production of indigo powder on a commercial scale, these markets might have materialized, but such production was beyond the capabilities of our company at present.
- Stick lac for natural red dye. The comments made above would also apply for this natural red dye.
- Sesame. Again, the problem of limited production (not enough for commercial purposes) has limited FUF's ability to find markets for sesame. In the past, everything that has been produced has been sold. Much of it has been sold by farmers to opportunistic traders before FUF is able to buy it from villagers.
- Corn for human consumption. There is a limited market for food-grade hard maize from another company in Laos which has won several contracts to produce a dietary supplement for the World Food Program. This market requires far higher standards than feed corn--and regular testing against aflatoxins and molds.



▲ The World Food Program, Laos, became a significant customer for both corn and rice in 2007; FUF worked with WFP experts to ensure corn was aflatoxin-free.

- Rice--both glutinous and white rice. FUF, beginning at the end of 2006, found markets for Luang Namtha rice. In China there is a large demand for both white rice and sticky rice. The World Food Program, Laos, also needs much rice for its programs throughout the country--for at least three years into the future. While rice has, up until now, been produced mainly for consumption, for certain areas of the north, it holds much promise for generating income to villagers.
- Jatropha. A succulent plant from which bio-diesel may be derived, jatropha is being promoted in many other provinces of Laos. FUF was unable to begin trial production of this crop, and there are many issues related to post-harvest processing and the volume of production required to reach economic viability, but this crop seems to hold some promise. Many other organizations are working on these issues.
- Paper Mulberry. The area surrounding Luang Prabang has, in recent years, produced much paper from paper mulberry trees which is shipped to northern Thailand where it is processed into a variety of handicrafts. There would seem to be some potential for expanding the production of mulberry-based paper for this market.
- Nang Tiang. Derived from a vine that grows in the forest, this bark has been traded to China for many years where it is processed into incense. This product has potential for increased production, but the size of the market is not yet known.

The third objective under this goal was to "Identify 7 value-added products capable of being produced on a large scale in Luang Namtha and for which there are markets." This objective has been more difficult to achieve. The main constraint in this area has been the lack of companies or entrepreneurs with the skills, resources, and desire to develop value added products. To date, FUF has identified only one product capable of being produced on a large scale:



- Silk scarves have proven very popular in marketing channels FUF has identified in the U.S. This has also been shown by a Swiss and Japanese company in regards to markets in Europe and Japan. By introducing new colors and color combinations, and by adapting sizes and specifications (i.e. producing woven, silk belts or smaller scarf sizes to be used as table runners) FUF has been able to increase the market potential for these products. But much more design work and adaptation is needed.

Other products and product areas which have much potential, are as follows:

- Natural cotton, hand-woven cloth and cloth products. With the help of a textile expert over the following year, FUF was hoping to be able to find products and market channels for such items as small bags, woven cloth, and other handicrafts. But this has not been achieved yet.
- Forest Foods. Forest mushrooms, roots, flavoring leaves--and many other products, it was hoped, could be developed and marketed to Asian food outlets in western countries. Samples were sent and visits made to many stores in the U.S.. But so far there has been no response back from those outlets. The size of the market demand in the U.S. is difficult to ascertain for such specialty products. Informal channels utilizing family and friend connections between Laos and the U.S. supply demand for many of these products; well-established channels for Asian foods between large-scale producers in Southeast Asia and wholesalers in the U.S., on the other hand, require a volume and packaging quality that is hard to match for such low-demand products.

- **Bamboo & Woven Products.** FUF personnel made surveys of retail outlets for woven products in the U.S. (i.e. Pier One Imports, World Markets) and the following conclusions were made: Markets for baskets and other woven products require such a high quality, volume, and low price that it would be very difficult for Lao producers to compete. Many of the retail prices in the U.S. were about on par with what we thought of paying village producers in Laos. Almost without exception, these products are being supplied by high-volume producers in China. This area of product development seems to have very little potential. The one possible exception would be for FUF to encourage the supply of bamboo building materials for the local markets. So far Luang Namtha does not have any producers supplying woven bamboo panels for fences, houses, and other uses on a regular basis--as there is in other cities such as Vientiane and Luang Prabang.
- **Natural Dyes Derived from Local Plants.** While there might be niche markets for indigo powder and red dye derived from stick lac, FUF has not been able to verify these markets. With appropriate companies to research and develop these products, it is possible these specialty dyes could become niche products with relatively high commercial value.
- **Animal & Fish Production.** Sometimes overlooked, the production of animal and fish protein from locally grown feed crops is probably one of the largest and most appropriate ways of adding value to crops. With many villages in Luang Namtha concentrating on planting rubber for the Chinese market, many informed observers are concerned about the food supply in coming years. An increased demand due to rising population, increased disposable income, and fewer animals being raised (due to restrictions on grazing areas) means that the demand for beef and pork is likely to increase significantly in coming years. The potential to stimulate small-scale production of animals, is, therefore high.

2.2 Begin or increase production of products

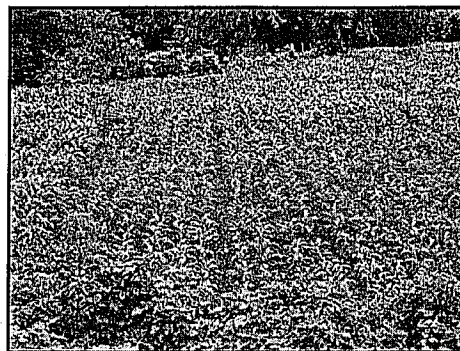
The first objective for this goal was to "expand the production of at least 3 cash crops with proven markets to 10 new villages." The year 2004 was taken as our baseline. As the table below indicates, this project has enabled FUF, during the three years from 2004 to 2007, to expand its reach to 47 new villages, an increase of 146%.

Table: Incremental Increase in Number of Villages Cooperating with FUF to Produce Crops for the Market

	2004-- Prior to Project	Actual--Project End 30 / 12 / 2007				Incremental Increase	
	Total	Vieng Phukha	Nalae	Luang Namtha	Total	Increase from 2004	Increase from 2004 as %
<u>Number of Villages</u>	<u>32</u>				<u>79</u>	<u>47</u>	<u>146%</u>
Corn	12	12	14	18	44		
Soy bean							
Cardamom, Planted	20			20	20		
Sesame		1	3	1	5		
Indigo				4	4		
Pigeon Pea/Stick Lac				1	1		
Silk Handicrafts	2			5	5		

The most outstanding aspect of what has happened over the past three years has been the dramatic increase in interest on the part of villages to grow corn as a cash crop. Interest was beginning to gather previously, but it really peaked in 2005 and 2006. FUF mounted a comprehensive effort to visit as many villages as possible. The new villages who agreed to grow corn stretched FUF's logistical capability—to distribute seed, follow up on planting, shell, buy, and dry the harvest during the height of the rainy season. Although there are several other places in Laos where corn is produced in greater quantities (i.e. Kaenthao District, Sayaboury Province) most of them are located next to border areas with strong cross-border contract farming arrangements and large warehouses and dryers located just across the border.

The increase in the number of villages is only a part of the picture. Perhaps more indicative is the increase in the number of families producing corn for FUF. Not only did FUF work in many new villages, but the many new families—with production areas and corn cribs spread out over greater distances—made the logistical arrangements attending this expansion even more challenging.

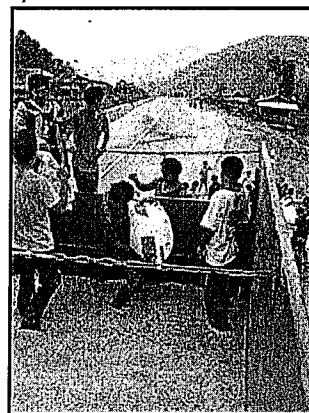


▲ Corn growing in Nalae District on contract with FUF.

	2004--Prior to Project					Actual--Project End 30 /12 / 2007					Incremental Increase	
	Vieng Phukha	Nalae	Luang Namtha	Total		Vieng Phukha	Nalae	Luang Namtha	Total		Increase from 2004	Increase from 2004 as %
<u>Number of Families</u>				<u>305</u>					<u>1618</u>		<u>1313</u>	<u>430%</u>
Corn				190		380	375	659	1414			
Soy bean				40								
Cardamom, Planted				75				75	75			
Sesame						9	16	7	32			
Indigo								22	22			
Pigeon Pea/Stick Lac								5	5			
Silk Handicrafts								70	70			

With so many new families producing crops for the market—most for the first time—it was not surprising that productivity was rather low (see table in following section). This was expected. But, by gaining experience, many of these same families, now in their second or third year of growing cash crops, are now willing to accept larger amounts of seed on credit, indicating their growing confidence.

A second objective under this goal, was to "expand the volume of production of cash crops with proven markets by at least 20%". As the following table indicates, this objective was achieved in most categories. Corn, soy bean, and planted cardamom production have all increased, with corn showing the most dramatic rise. Only the collection and marketing of non-timber forestry products—wild cardamom and broom grass—has declined as FUF made a strategic decision, in the years 2005-2006 to not compete with other Lao traders for limited amounts of these products which may be harvested from upland areas. With the price of cardamom at an all-time high in 2007 and FUF's buyers of cardamom in Korea, asking again for product, FUF again entered the market for wild cardamom, in addition to its planted cardamom. Villagers benefitted greatly from the increased price and competition for the product.



	2004—Prior to Project				Actual—Project End 30 / 12 / 2007				Incremental Increase	
	Viang Phukha	Nalae	Luang Namtha	Total	Viang Phukha	Nalae	Luang Namtha	Total	Increase from 2004	Increase from 2004 as %
Production in Metric Tons				570				1,416	846.2	148%
Corn				504	737	345	1243	2325	1821	361%
Soy bean				4		25		25*	21	525%
Cardamom, Wild				21	9		2	11	11	-50%
Cardamom, Planted							1.8	1.8		
Broom Grass				41						
Sesame					0.35			0.35		
Indigo							14	14		
Pigeon Pea/Stick Lac										

* Soya bean production in 2007 suffered from a crop failure due to unusually low rainfall during the dry season months. For this table, therefore, 2006 production figures are taken.

Over the three years of this project, corn production increased 361%. Soy bean production in 2004 was so minimal that the increase of 525% is commercially meaningless, as production of 25 tons in 2006 is still hardly enough to be commercially marketable. The other crops—indigo and sesame—were new and experimental, thus not commercially significant either.

Along with the significant increase in tons of corn produced there was a similar increase in income to villagers of 526%. When compared to 2004, however, when FUF bought large amounts of wild cardamom and broom grass, the incremental increase is 314%. Cardamom, as a relatively high-value cash crop (purchase price from villagers averages 18,000 kip/kg in a normal year. In 2007 the price was from 35,000 to 45,000 Kip). So, at project end, despite the invasion of rubber plantation into many cardamom forests, the increased price to villagers and increased sale price has made cardamom a very attractive product once again.

	2004—Prior to Project				Actual—Project End 20/3/2007				Incremental Increase	
	Vieng Phukha	Nalae	Luang Namtha	Total	Vieng Phukha	Nalae	Luang Namtha	Total	Increase from 2004	Increase from 2004 as %
<u>Income to Farmers—</u>										
<u>Millions of Kip</u>				891				3,697.03	2806.03	+314%
Corn				401	779.90	397.80	1334.40	2512.30	2111.30	+526%
Soy bean						9.80		9.80	9.80	
Cardamom, Wild				394	280.00		80.00	360.00	(34)	-8%
Cardamom, Planted								8.12	8.12	
Broom Grass				96						
Sesame							10.39	10.39	10.39	
Indigo							9.83	9.83	9.83	
Pigeon Pea/Stick Lac										
Rice (Unmilled)							740	740	740.00	
Silk Handicrafts				26			46.59	27.36	27.36	+6%



As shown in the following tables, FUF's efforts in extending its contract farming arrangements have undoubtedly increased income in target villages. In Luang Namtha District the average income per

family from producing corn was 2,024,991 kip compared to Vieng Phukha (2,052,596 kip) and Nalae (1,060,830 Kip). The overall income average per family was 1,776,709 Kip or \$189.01. In a country with an estimated per capita GDP of US\$280, this additional income from planting corn must be seen as making a significant contribution to the local village and province economy.



Table: Corn Production in Villages Assisted by FUF 2007: Total in Kip & \$US @ 9,400

Village	No. Families	Amount of Seed	Harvest In MT	Price in Kip	Income to Villagers (Kip)	Av. Income Per Family	Av. Kg Per Producer	Return per 1Kg Seed
44 Villages	1,414	13,925	2,325.90	1100	2,512,300,000	1,776,709	1,644.97	167

Although the figures on return per 1 Kg per seed (167 Kg) are not very high compared to other areas of Laos and Thailand where they might be as high as 300 kg / 1 Kg of seed, they indicate the reality that for most of the families producing corn, this is new activity--and one where no external inputs such as fertilizers were used. Compared to 2006, however, there is a significant increase in the overall average from 147 kg., representing a 20% increase. FUF was unable to find any markets willing to pay a premium for organically-produced corn since most of it is being used as a component of animal feed. The many different uses to which corn may be applied ensures, however, that the demand for it is likely to be consistent over the next several years.

Table: The 2007 Corn Season: Villages Assisted and Results from Promotion.

	Village	No.Fam ilies	Amount Seed(Kg)	Harvest Purchased (Kg)	Price (Farm Gate)	Income to Villagers (Kip)	Av. Kg Per Producer (Kg)	Return per 1 Kg of Seed
Total 3 Districts		1,534	15,024	2,325,990		2,512,266,671	1,516	6,434
Vieng Phu Kha district								
	12 Villages Total	380	4,445	737,013		779,986,310	1,940	2,021
1	NamSing	64	385	97,630	1,000	97,630,000	1,525	254
2	Talong	41	179	42,262	1,000	42,262,000	1,031	236
3	Dong Viang	13	148	28,537	1,000	28,537,000	2,195	193
4	Mai	8	58	11,025	990	10,914,750	1,378	190
5	Kampon	19	914	166,624	1,100	183,286,400	8,770	182
6	Nam Kiang	52	602	100,925	1,020	102,943,500	1,941	168
7	Viang Mai (Lawe)	41	485	90,576	1,200	108,691,200	2,209	187
8	Thiauw	20	185	29,157	1,000	29,157,000	1,458	158
9	Nam Fa	1	276	38,049	1,000	38,049,000	38,049	138
10	Lamori	43	440	59,933	1,050	62,929,650	1,394	136
11	Nam Aeng	69	710	66,896	1,050	70,240,800	970	94
12	Pha Deng	9	63	5,399	990	5,345,010	600	86
Nalea district								
	14 Villages Total	375	2,633	345,923		397,811,450	922	1,918
1	Sopsin	7	68	6,266	1,150	7,205,900	895	92
2	Had Yong	19	133	19,992	1,150	22,990,800	1,052	150
3	Sinoudom	20	128	8,645	1,150	9,941,750	432	68
4	Tauw	77	516	71,277	1,150	81,968,550	926	138
5	Sange	65	284	31,196	1,150	35,875,400	480	110
6	Phula	38	277	34,123	1,150	39,241,450	898	123
7	Had Chala	41	445	89,000	1,150	102,350,000	2,171	200
8	Vang Mi Xay	11	304	10,047	1,150	11,554,050	913	33
9	Had Loi	27	133	18,262	1,150	21,001,300	676	137
10	Phu Luang	18	113	16,971	1,150	19,516,650	943	150
11	Had Chon	28	95	10,325	1,150	11,873,750	369	109
12	Mok Chong	10	78	16,847	1,150	19,374,050	1,685	216
13	Don Say	7	39	10,543	1,150	12,124,450	1,506	270
14	Phu Viang	7	20	2,429	1,150	2,793,350	347	121
Namtha district								
	18 Villages Total	779	7,946	1,243,054		1,334,468,911	1,596	2,495
1	Nam Khe Noi	33	162	42,787	1,200	51,344,400	1,297	264
2	Tin Saan	35	294	70,269	1,100	77,295,900	2,008	239
3	Nam Deng Tai	120	1,290	296,285	1,100	325,913,500	2,469	230
4	Nateuy	145	1,453	280,629	1,000	280,629,000	1,935	193
5	Tin Tok	46	275	49,994	1,000	49,994,000	1,087	182
6	Mai Sak	17	225	37,205	1,100	40,925,500	2,189	165
7	Phaang Thong	67	915	148,287	1,100	163,100,871	2,213	162
8	Tawaan	20	122	17,937	1,100	19,730,700	897	147
9	Nam Deng Kang	31	258	35,573	1,300	46,244,900	1,148	138
10	Nam Ha	55	350	38,142	1,000	38,142,000	693	109
11	Houay Hom	28	430	46,107	1,020	47,029,140	1,647	107
12	Khua Soeng	30	355	37,039	1,000	37,039,000	1,235	104
13	Kiew Laan	27	306	28,267	1,100	31,093,700	1,047	92
14	Paang Du	22	255	23,167	1,100	25,483,700	1,053	91
15	Houay Dam	40	383	34,982	1,100	38,480,200	875	91
16	Kok Faat	17	217	19,198	1,100	21,117,800	1,129	88
17	Nam Deng Neua	31	515	33,386	1,100	36,724,600	1,077	65
18	Lak 18	15	141	3,800	1,100	4,180,000	253	27

2.3 Develop value-added products.

Objectives under this goal have been most difficult for FUF to achieve, given our heavy involvement with contract farming and agricultural promotion--and our distance from export markets in Europe, the United States, and developed Asian countries.

The first objective was to "produce samples of 7 value-added products in villages of Luang Namtha." The following samples were produced:

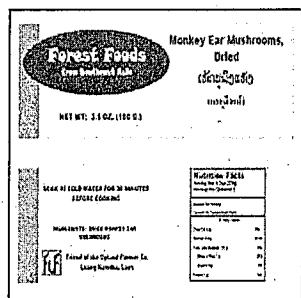
Brooms & Woven Products

- 1) Brooms made from organic, natural materials.

Forest Foods



- 2) "Hok" Bamboo Shoots
- 3) "Sweet" Rattan Shoots
- 4) Bitter Rattan Shoots
- 5) "Li" Bamboo Shoots
- 6) Bitter Bamboo Shoots
- 7) Palm Shoots
- 8) Monkey Ear Mushrooms
- 9) White Mushrooms, Dried
- 10) Kut Leaves, Dried
- 11) Yerm Leaves, Dried
- 12) Keum Fruit, Dried
- 13) Khaen Fruit, Dried



Silk Woven Products

- 14) Woven Silk Scarves, Large
- 15) Woven Silk Scarves, Small
- 16) Woven Silk Belts

With the departure of the SFE silk project mid-year, FUF was one of the few remaining outlets for Luang Namtha's silk weavers



A second objective under this goal was to "distribute samples of products to interested buyers in Asia, Europe, and North America." This has been done on many occasions:

- Forest Foods samples given to Oriental food markets in the U.S.
- Forest Foods samples shown to owner of large supermarket chain in Southern Yunnan, China.
- Silk samples sent to many different buyers in the U.S. and Japan

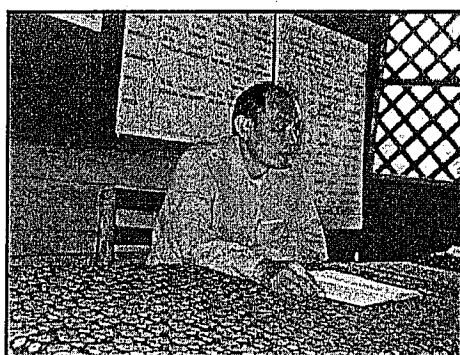
With the exception of silk, however, these initial contacts have not yielded any firm orders from potential markets in these countries. Orders for silk scarves have been steady and in fairly decent quantities.

The last objectives under this goal have been to "3) Begin small-scale production of products with favorable feedback from markets--from 3-10 products. And "4) Send medium-scale shipments to buyers." Both of these goals have been achieved only in regard to silk scarves. We had hoped to do a lot more towards reaching these goals during the period of a possible project extension, but this is, unfortunately, not going to happen.

2.4 *Stimulate the formation of producers' groups and raising village capacity.*

The objectives under this goal were as follows:

- 1) Catalyze the formation of user's groups in villages with at least two years of production for the market.
- 2) Raise the basic level of literacy and numeracy in target villages.
- 3) Raise the level of market awareness and orientation in target villages.
- 4) Make appropriate equipment and technology available to producing villages who desire it.

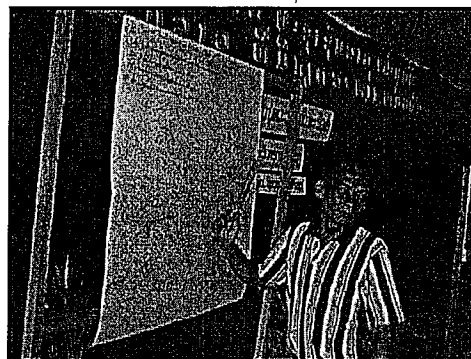


Third, FUF changed its production contract for both the dry season and rainy season production periods. The objective was to give higher prices for corn which is of higher quality--that is, drier.

▲ Training event for leaders of production groups.

The market chain explained ➤

With the exception of objective # 2--to raise basic literacy and numeracy in villages--FUF has attempted, in its contract farming arrangements to both catalyze the formation of user's groups as well as raise the basic level of market awareness. First, FUF has required all village producers to be part of production groups. Secondly, by training leaders of production groups, we have made them aware of market forces which are driving the demand for corn.



Fourth, FUF continued to raise the price it is paying to farmers in response to higher prices in end markets.

For the rainy season production period, FUF implemented a system in use in most surrounding countries, but new to Luang Namtha—that is a system of deducting a certain number of kilos from the weight, depending on moisture content of the corn. This amounts to a different price for different levels of moisture. It was felt this system would be fairer to producers in that those who produce dry corn would be awarded with a higher price. It was hoped this would provide incentive for improvement.

The way the system worked in practice, after both dry and rainy season harvests amounted to more of a negotiated price per village depending on the average dryness of the corn. In early villages multiple moisture readings were taken for each producer and the moisture-price scale on the following page was used. This soon proved too unmanageable, however, given pressure villagers to finish the process of shelling quickly. As FUF post-harvest personnel went into each new village, then, they began to take multiple moisture readings of corn in the village. After that, based on the moisture table, they negotiated an average price for the village. Villagers were generally happy with this solution; it proved fairer than systems used in previous years as villages in Nalae District, for instance, received an average price of 1,150 kip per kilogram because they were the last district to which FUF was able to move its shelling operation (due to the road being impassable).

Table: FUF's 2007 Corn Price Schedule Based on Percentage of Moisture

	% Moisture of Corn	Weight Deduction for Moisture %	Price per MetricTon	Price per Kg
1	14.5		1,200,000	1,200
2	14.6	6	1,194,000	1,194
3	15.1	22	1,178,000	1,178
4	15.6	38	1,162,000	1,162
5	16.1	54	1,146,000	1,146
6	16.6	69	1,131,000	1,131
7	17.1	84	1,116,000	1,116
8	17.6	99	1,101,000	1,101
9	18.1	113	1,087,000	1,087
10	18.6	127	1,073,000	1,073
11	19.1	141	1,059,000	1,059
12	19.6	154	1,046,000	1,046
13	20.1	167	1,033,000	1,033
14	20.6	180	1,020,000	1,020
15	21.1	192	1,008,000	1,008
16	21.6	204	996,000	996
17	22.1	216	984,000	984
18	22.6	227	973,000	973
19	23.1	238	962,000	962

Concerning objective # 2, to raise basic level of literacy and numeracy in target villages, FUF has been unable to devote time and resources to this yet. It is hoped, if this project is continued, that a foreign expert with much experience in non-formal education will be able to assist FUF to achieve this goal.

Objective # 4 concerning making appropriate equipment and agricultural supplies available to farmers, has been achieved with the opening of FUF's agricultural supply store behind the province fresh food market in the municipal area of Luang Namtha.

**Table: Logical framework for project interventions by Friend of the Upland Farmer Co., Ltd.—
Progress to Date**

Goal	Objectives	Indicators: Progress to date																								
	Identify 3 cash crops for which there are already markets for which there is potential for expansion of production.	We <u>have</u> identified 4 crops with proven markets & potential for increase: 1) Feed corn 2) Soy bean 3) Kwang Tung cardamom 4) Amomi semen (wild cardamom)																								
	Identify 3 new cash crops which have potential for production.	We <u>have</u> identified 8 new cash crops with potential for production and development: 1) Indigo for natural dyeing of silk 2) Stick lac for natural red dye for silk 3) Sesame 4) Corn for human consumption. 5) Rice-both sticky rice and white rice 6) Jatropha 7) Paper mulberry 8) Nang Tiang																								
	Identify 7 value-added products capable of being produced on a large scale in Luang Namtha and for which there are markets.	We <u>have</u> identified 1 new value-added product capable of being produced on a large scale in Luang Namtha: 1) Silk scarves Other products with potential, if developed: 2) Natural cotton, hand-woven cotton cloth 3) Forest foods: musrooms, roots, flavoring leaves. 4) Bamboo & woven products. 5) Natural dyes derived from local plants. 6) Animals and fish																								
Increase or begin production of identified products																										
	Expand production of at least 3 cash crops with proven markets to 10 new villages.	How many more villages are producing crops in 2006 compared to 2004? <table><tr><td></td><td>2004</td><td>2007</td></tr><tr><td>Total (Including Cardamom Villages)</td><td>32</td><td>79 (47 new villages, a 146% increase)</td></tr></table>		2004	2007	Total (Including Cardamom Villages)	32	79 (47 new villages, a 146% increase)																		
	2004	2007																								
Total (Including Cardamom Villages)	32	79 (47 new villages, a 146% increase)																								
	Expand volume of production of cash crops with proven markets by at least 20%.	What is the volumetric increase in each of the crops produced over 2004 levels? <table><tr><td></td><td>2004</td><td>2007</td><td>Increase: Metric Kg/ %</td></tr><tr><td>Corn</td><td>504,651</td><td>1,375,000</td><td>1,821 / 361%</td></tr><tr><td>Soy bean</td><td>4,250*</td><td>25,800</td><td>21,550 / 525%</td></tr><tr><td>Cardamom, Planted</td><td>0</td><td>1,800</td><td>1,800 **</td></tr><tr><td>Sesame</td><td>0</td><td>350</td><td>350 **</td></tr><tr><td>Indigo</td><td>0</td><td>14,049</td><td>14,049 **</td></tr></table> <p>* 4,250 is actually the production of soy bean in 2002, our previous high. 2004, due to unusual circumstances had no soy bean harvest which would, if included here, exaggerate the growth in the harvest ** A percentage increase from 2004 was not included here because it was thought to not be relevant, overly exaggerated</p>		2004	2007	Increase: Metric Kg/ %	Corn	504,651	1,375,000	1,821 / 361%	Soy bean	4,250*	25,800	21,550 / 525%	Cardamom, Planted	0	1,800	1,800 **	Sesame	0	350	350 **	Indigo	0	14,049	14,049 **
	2004	2007	Increase: Metric Kg/ %																							
Corn	504,651	1,375,000	1,821 / 361%																							
Soy bean	4,250*	25,800	21,550 / 525%																							
Cardamom, Planted	0	1,800	1,800 **																							
Sesame	0	350	350 **																							
Indigo	0	14,049	14,049 **																							

Goal	Objectives	Indicators: Progress to date
Develop value-added products		
	Produce samples of 7 value-added products in villages of Luang Namtha.	<ul style="list-style-type: none"> We <u>have</u> produced 16 different samples of potential products and photographed them
	Distribute samples of products to interested buyers in Asia, Europe, and North America	<ul style="list-style-type: none"> We <u>have</u> shown products to markets in the U.S. We <u>have</u> set up a network of distributors for silk scarves.
	Begin small-scale production of products with favorable feedback from markets--from 3-10 products.	<ul style="list-style-type: none"> We <u>have</u> started 3 silk weavers groups in 3 villages.
	Medium-scale shipments sent to buyers	<ul style="list-style-type: none"> We have sent many shipments of silk scarves to distributors in the U.S.
Stimulate the formation of producer's groups and raise village capacity		
	Catalyze the formation of user's groups in villages with at least two years of production for market	
	Raise basic level of literacy and numeracy in target villages	<ul style="list-style-type: none"> We <u>have not yet</u> held any literacy and numeracy classes in target villages We <u>have not yet</u> tested literacy or numeracy levels in villages prior to beginning classes We <u>have not yet</u> produced or acquired any materials for teaching basic numeracy and literacy in villages.
	Raise level of market awareness and orientation in target villages	<ul style="list-style-type: none"> We <u>have not yet</u> produced any materials for aiding in teaching market awareness along with on-going literacy classes.
	Make appropriate equipment and technology available to producing villages who desire it	<ul style="list-style-type: none"> We <u>have</u> established an agricultural supply and equipment store in the Luang Namtha market area. We are currently adding inventory to the store to have needed supplies on hand for the up-coming harvest seasons.

Appendix 1

Financial Report

Final Report (January 15, 2008)

	Budget	Received to Date	Expensed Previously	Expensed this time period - Feb. 28, 2007 - April 30, 2007	Expensed to Date April 30, 2007	% Total Budget Rcvd. to Date	% Total Budget Expended to Date (April 30, 2007)	Notes & Explanations
CONSULTING								
Contract farming expansion	\$45,220.00	\$40,698.00	\$18,088.00	\$21,253.40	\$45,220.00	90%	100%	Expenses incurred from April 1, 2006 to Feb. 28, 2007 @ 9600 Kip=\$1, average for time period
Consulting--Domestic Consultants	\$45,220.00	\$40,698.00	\$42,054.60	\$3,165.40	\$45,220.00	90%	100%	Est until Feb. 28, 2007 22.5 months or 93% of 24 months
ACTIVITY BUDGET	\$63,130.00	\$57,116.11	\$23,234.94	\$20,636.12	\$63,130.00	90%	100%	
Input material for demonstration	\$2,000.00	\$1,800.00	\$2,163.00	0	\$2,163.00	90%	108%	All expenses to develop indigo & sick lac plantations
Farmer Training and Demonstrations	\$3,000.00	\$2,700.00	\$3,000.00	\$0.00	\$3,000.00	90%	100%	Production groups training & education trip
Extension and Follow-up Services	\$9,604.12	\$8,643.71	\$6,572.51	\$3,031.61	\$9,108.78	90%	95%	Rainy season & dry season promotion campaigns
Market survey and studies	\$15,000.00	\$13,500.00	\$5,723.16	\$9,276.84	\$15,000.00	90%	100%	
Sample development	\$12,858.22	\$11,572.40	\$11,281.39	\$1,576.83	\$12,858.22	90%	100%	Costs to develop & purchase silk samples
Product testing and certification	\$3,000.00	\$2,700.00	\$600.00	\$2,400.00	\$3,000.00	90%	100%	
Overhead								
Office & Support	\$12,000.00	\$10,800.00	\$10,800.00	\$1,200.00	\$12,000.00	90%	100%	
Miscellaneous administration and support costs								
Vehicles & Transportation	\$6,000.00	\$5,400.00	\$5,400.00	\$600.00	\$6,000.00	90%	100%	
CONTINGENCY								
Domestic Consultants	\$8,000.00	\$7,200.00	\$7,200.00	\$800.00	\$8,000.00	90%	100%	Exchange rate May 2005: 10,300; March, 2007: 9600 represents a 7% devaluation; 7% of total budget is \$8,144
Activity Budget	\$4,000.00	\$3,600.00	\$3,600.00	\$400.00	\$4,000.00	90%	100%	
	\$4,000.00	\$3,600.00	\$3,600.00	\$400.00	\$4,000.00	90%	100%	
TOTAL Budget	\$116,350.00	\$105,014.11	\$48,522.94	\$42,689.52	\$116,350.00	90%	100%	