



**UNITED NATIONS  
WORLD FOOD PROGRAMME  
LAO PDR**

**FOOD MARKET STUDY  
AND  
PRELIMINARY HOUSEHOLD LEVEL  
SURVEY ON THE IMPACT OF HIGHER  
FOOD PRICES ON HOUSEHOLD FOOD  
SECURITY**

**By  
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Vulnerability Analysis Mapping (VAM) Unit**

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## **EXECUTIVE SUMMARY:**

### ***Why do a food market study and preliminary household level survey on the impact of higher food prices on household food security in the Lao PDR?***

The world has been experiencing dramatic increases in food prices since late 2007. Higher food prices have had negative implications on the food security of vulnerable households living in low-income and crisis-prone countries.

In a briefing release from WFP Head Quarters titled and relating to “*Recent Food Price Developments in Most Vulnerable Countries*”, Laos was indicated as a country of concern (category 2) due to the populations dependence on a single staple food (rice) and vulnerability to food insecurity from price increases in this commodity.

This food market study and preliminary household level survey on the impact of higher food prices on household food security represents WFP Lao PDR ongoing attempts to gain a deeper understanding on food availability and food security issues in the country and to evaluate and response to current food security shocks such as higher food prices.

With the international donor community currently responding to the crisis of higher food prices by making additional funding available for food-assistance and food-security development programmes, it is a critical time for the preparation of WFP Laos country proposals seeking such initial response funding. This paper provides information relating to food markets, the preliminary household level survey on the impact of higher food prices on household food security and operational recommendations for WFP which can be used to support such country proposals.

### ***Main objectives:***

The overall objective of the study and survey was to gain a deeper and up-to-date understanding of food markets in the Laos, focusing mainly on the dominant staple food (rice), and to obtain preliminary indications into the impact of higher food prices on household food security in order to serve as a guide to WFP’s short-to-medium term decisions and strategies regarding amending, reinforcing or expanding current food security and/or safety net programmes in Laos in response to the food security shock of higher food prices.

A secondary objective is to share this information with the UNCT and FAO to assist with their related projects and assessments.

### ***Primary sources of data:***

The primary sources of data for the food market study were interviews with key food market informants such as representatives from; Department of Agriculture, Department of Trade, State Foodstuff Enterprise, Traders and Millers. These interviews were undertaken in seven provinces in Laos in September and October 2008.

The primary sources of data for the preliminary household level survey involved WFP staff interviewing 220 household representatives in 39 districts and nine provinces in Laos over August and September 2008. One instrument was created to collect primary data a “questionnaire for villagers on food prices and possible impact on their livelihood”.

## **EXECUTIVE SUMMARY:**

### ***Main conclusions:***

The main conclusions derived from the food market study and preliminary household level survey on the impact of higher food prices on household food security in Laos were;

- Food prices have risen in Laos but not to the extent of global and regional markets. Despite being impacted by similar factors the country produces a significant portion of its own food.
- The agricultural challenges being experienced this year have raised concerns of reduced production in 2008. This has the potential to put further upwards pressure on food prices and impact food availability and access in Laos.
- Many households in Laos rely on food markets for rice and other food items necessary to meet their households' food requirements and have been experiencing higher food prices across most food categories purchased.
- There would seem to be a strong preliminary indication that many households in Laos have struggled to maintain their purchasing power as a result of higher food prices and have been required to employ a number of non-sustainable coping strategies to deal with this and other food security shocks being experienced this year.

### ***Main recommendations:***

It is suggested that WFP Lao PDR consider the below recommended response options;

#### **Short-term activities;**

- Continue to monitor food the situation
- Assist and be involved with related UN projects
- Continue to increase local procurement from surplus areas until further “purchase for progress” (P4P) strategies can be developed
- Undertake further assessments as required to assist with narrowing targeting or increasing awareness of vulnerable people being impacted by higher food price
- Develop country level strategy to assist people vulnerable to food insecurity and higher food prices in Laos by promoting agricultural growth

#### **Medium-term activities;**

- Assist the Government in its initiatives to protect the population against higher food prices and promote agricultural growth
- Strategy Implementation – Reinforce / expand WFP programmes and introduce P4P initiatives

## SECTION 1: INTRODUCTION

The world has been experiencing dramatic increases in food prices since late 2007. Actions taken by numerous Governments over recent months have stabilized and reduced prices somewhat but they are not expected to decline to pre-2008 levels<sup>1</sup>. Higher food prices have had negative implications on the food security of vulnerable households living in low-income and crisis-prone countries but also create opportunities for developing agricultural production and rural development.

Higher food prices have set back progress towards the reduction of poverty and hunger (Millennium Development Goal 1 (MDG1)), with current estimations that this shock might push an additional 100 million people into poverty and will make it more difficult to achieve other MDGs. The present situation calls for a rapid reaction from governments and the international community: policies need to be adjusted and programmes put in place or expanded to address the negative social impacts and/or capitalize on agricultural growth opportunities.

In a briefing release from WFP Head Quarters titled and relating to “*Recent Food Price Developments in Most Vulnerable Countries – Issue #1, August 2008*”, Laos was indicated as a country of concern (category 2). The main concern for countries in this category relates to significant food price increases of a single staple food which provides at least a third of the population calorie intake. It is recommended that price impact assessments be undertaken to apprehend the extent to which households’ food security situation have been impacted and enable negative impact mitigation responses.

This food market study and preliminary household level survey on the impact of higher food prices on household food security represents WFP Lao PDR ongoing attempts to gain a deeper understanding on food availability and food security issues in the country and to evaluate and response to the current food security shock of higher food prices.

With the international donor community currently responding to the crisis of higher food prices by making additional funding available for food-assistance and food-security development programmes, it is a critical time for the preparation of WFP country proposals seeking such initial response funding. This paper provides information relating to food markets, the preliminary household level survey on the impact of higher food prices on household food security and operational recommendations for WFP Laos which can be used to support such country proposals.

A more comprehensive analytical study on the social impact of higher food prices in the Lao PDR is being commenced by UNCT and FAO is undertaking a rapid rice assessment over the 2008 wet season cropping season. The present paper will be shared with these taskforces in hope of assisting with their related assessments and efforts.

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<sup>1</sup> WFP: Higher Food Prices & WFP – Briefing Booklet (June 2008)

## SECTION 2: OBJECTIVES AND METHODOLOGIES

### 2.1 Objectives:

The overall objective of this study and survey is to gain a deeper and up-to-date understanding of food markets in Laos, focusing mainly on the dominant staple food (rice), and to obtain preliminary indications into the impact of higher food prices on household food security in order to derive and suggest appropriate operational recommendations for WFP Laos.

A key objective of this study and survey is to serve as a guide to WFP's short-to-medium term decisions and strategies regarding amending, reinforcing or expanding current food security and/or safety net programmes in Laos.

A secondary objective is to share this information with the UNCT and FAO to assist with their related projects and assessments.

### 2.2 Methodologies:

#### 2.2.1 Document review

Prior to commencing the study and survey an extensive review of available food market and food security literature in Laos was undertaken in order to understand fundamentals, assist with the design of the food market study and preliminary household level survey and with the completion of this paper.

This paper draws on and builds upon recent information produced by WFP in;

- WFP Lao PDR : Comprehensive Food Security & Vulnerability Analysis: (CSFVA 2006) and
- WFP Review of Food Security and Food Market Systems in the Lao PDR: A Preliminary Analysis (2006).

*TABLE 1: Important secondary documents reviewed*

Global / Regional Focus	WFP	Laos
High Level Taskforce on Higher Food Price - Comprehensive Framework for Action	High Food Prices & WFP – Briefing Booklet	FAO: Food Insecurity Assessment on Food Consumption Statistics derived from the 2002/03 Lao PDR Expenditure and Consumption Survey (LECSIII)
Global Food Crises - Monitoring and Assessing Impact to Inform Policy Responses (IFPRI)	Recent Food Prices Developments in Most Vulnerable Countries – Issue #1	Emerging Rice Market in Laos - Country Economic Report (Sweden Unverisity)
Rising Food Prices in East Asia (World Bank)		Agricultural Commercialization – A Strategic Direction for Farm Families to Overcome Poverty in the Lao PDR (ADB)

*See Annex 7.2.5; Data sources - Secondary Literature Review*



### **2.2.2 Food market study**

The primary sources of data for the food market study were interviews with key food market informants such as representatives from:

- Department of Agriculture
- Department of Trade and Commerce
- State Food Enterprise
- Traders and Millers
- District Governors
- WFP Field Staff
- International Development Organisations with an agricultural development focus

These interviews were undertaken in Vientiane, in three provinces in northern Laos (Luangprabang, Oudomxay, Luangnamtha) and three provinces in southern Laos (Champasak, Attapeu and Savannakhet) in September and October 2008. These provinces were chosen in order to allow food market differences between the north and south and surplus and deficit provinces in Laos to be considered.

The market for rice was the main focus of this study as a significant portion of the population draws their calorie intake from rice consumption and sufficiency in rice is still considered to be sufficiency in food in Laos.

Qualitative data related to this study is summarised for each province in Annex 7.2.2 of this papers.

This primary source of data has been complemented by secondary data such as consumer price index (CPI) information from the Department of Statistics and agricultural production data from the Ministry of Agriculture and Forestry in Laos.

### **2.2.3 Preliminary household level survey on the impact of higher food prices on household food security**

Primary data collection for the household level survey involved interviewing household representatives during July and August 2008. One instrument was created to collect primary data, a “questionnaire for villagers on food prices and possible impact on their livelihoods”. The questionnaire was designed to provide indications in relation to: household characteristics, access to food markets including food categories purchased, food prices and impact of price movements, livelihood activities, current food security difficulties being experienced and the coping strategies being employed by households to overcome these difficulties.

The questionnaire was first developed in English and subsequently translated into Lao.

To ensure that this survey could be conducted in a timely and cost effective manner, the primary data collection was conducted by WFP field staff in nine sub-offices. Most field staff interviewed households in villages that currently receive WFP support during their normal programme related field visits. The survey gathered information through a sample of 220 households in 39 districts and nine provinces. Heads of WFP sub-offices were consulted with the aim to gather further qualitative information into the responses of households.

Questionnaires completed by WFP field staff were collated by heads of sub-offices into an established excel-based questionnaire tracking file and sent to the Country Office for analysis. The questionnaires were then summarized by province into a master file to allow for averages to be calculated and considered.

Qualitative and quantitative data related to this survey is summarised in Annex 7.2.1 of this paper.

## **2.3 Study and survey limitations**

### **2.3.1 Food market study**

The limitations of the study include;

- An extensive and complete list of key food market informants for each province could not be interviewed and all provinces could not be studied due to budget and time limitations
- The study focussed on rice markets so some comments may not be reflective for other food commodities

### **2.3.2 Preliminary household level survey on the impact of higher food prices on household food security**

The limitations of the survey include:

- A limited number of households (220) were interviewed and they were not chosen in a random manner: for example, there were bias towards villages already receiving WFP assistance, and hence, the results shall be considered as preliminary indicators and not statistical estimates
- Predominantly rural households were interviewed for this study, which means that the preliminary indications are not as reflective of the urban population. Further assessments are required to determine the social impact of rising food prices in urban areas
- Ethnic diversity: Forty-nine different ethnic groups are officially recognized by the Government of Lao PDR. These groups have different cultural practices, including food consumption patterns and livelihood strategies. This survey cannot capture this diversity
- Translation from English to Lao can create confusion on some concepts and may limit the data accuracy
- It was not possible to clearly distinguish between the impact of seasonally high food/rices prices, as survey was undertaken during Lao's lean season (July-October) when food prices are annually higher, on household food security and the direct impact of higher food prices relating to the surge in global/regional food prices being experienced this year.

### **2.3.3 Study and Survey**

A potential limitation of both the study and survey is that primary data were collected in the rainy season in the months prior to the main harvest in Laos. During this period food prices are at their highest as food availability is under strain as household food stocks are at there lowest and reliance on market is higher. This may give an artificially bad picture of food markets and the impact of higher food prices on household food security.

Given these limitations, it is advisable that the discussion below be treated with some caution.

## SECTION 3: SUMMARY OF FOOD MARKET STUDY

### 3.1 Food markets – importance and the main unintegrated parties involved

#### 3.1.1 Importance of food markets

The dominant staple food in Laos is rice and the majority of the population draws a large portion of their calorie requirements from rice consumption. Consequently, this commodity was the main focus of this study.

Traditionally in Laos, farmers are subsistence-oriented with about 60 percent of households getting rice from their own production<sup>2</sup>. Although, recent growth in the take-up of commercial / cash crop farming is likely to have reduced this percent and increased reliance of food markets for rice supply.

Food markets are an important primary or secondary source of food for a large portion of the population in Laos.

#### 3.1.2 Main unintegrated parties involved

The market for rice in Laos is dominated by numerous producers/sellers and buyers.

The main source of supply is small hold farmers selling stocks after harvest or throughout the year in an effort to generate some income to cover production debts, other food requirements and household essentials. There are few large commercial operations but some do exist in the larger rice surplus provinces of Vientiane, Savannakhet and Champasak.

These small hold farmers are connected to larger markets or customers through a vast number of mainly unintegrated traders and millers. Larger customers include the domestic markets, State Food Enterprise (SFE) / National Army and Police and neighbouring countries.

### 3.2 Access to food market

It should be noted that physical access to food markets influences the importance of food markets as a primary source of food for particular areas in Laos;

- Those in very remote locations, such as the northern and southern uplands, have limited physical access to markets, rely mainly on their own food production and collection of foods from the forest in an attempt to meet their food requirement needs. In some cases, periodic markets occur in remote areas where villagers may travel to in order to trade for other required items. These groups are more at risk of a food security shock when their own production is negatively impacted by climate conditions, there is a reduction in forest availability or the availability of food in the forest than higher food prices.
- Those in locations with improved access to markets (including; traders), due to better road access or less physical distance to the district centre, trade agricultural production much more frequently and are hence more exposed to the risk of a food security shock resulting from higher food prices. This is because farmers/households may need to sell some of their produce after harvest and throughout the year to meet their households expenditure needs and may lack sufficient livelihood opportunities to generate income to meet the households' food requirements later in the season when food prices have risen.

#### ***Recommendation – Assessments to narrow targeting of people impacted:***

It is recommended that the UNCT analytical team focusing on the social impact of higher food prices consider drawing on information from Government departments relating to determining areas with access and high dependence on markets (significant rice-deficit areas with physical access to markets) and have limited incomes (lack livelihood opportunities) to help narrow targeting of areas impacted by higher food prices.

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<sup>2</sup>CFSVA (2006)

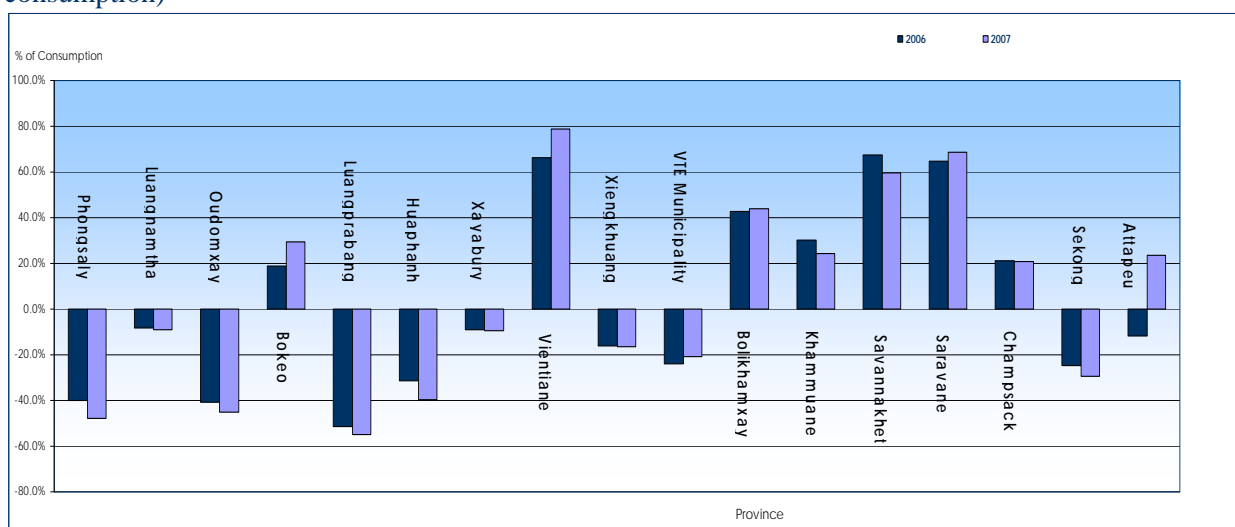
### 3.3 Food availability

#### 3.3.1 Rice self-sufficiency:

Laos is reported to produce rice surpluses at approximately 10 percent of net production over the last 5 years although there are significant differences in the levels of rice self-sufficiency amongst provinces<sup>3</sup>:

- Per capita net production in the northern provinces is low when compared to both the per capita requirement and the actual consumption over the past 5 years. Four of the seven provinces (Phongsaly, Oudomxay, Luangprabang and Huaphanh) of the northern region have a deficit of more than 40 percent of the estimated per capita requirement (592 g per day) each year and only Bokeo has registered minimal surplus over 2006 and 2007.
- The central region is rice sufficient with the exception of two provinces, Xiengkhuang and the former special zone of Xaysomboun. Bolikhamxay has unstable rice self-sufficiency patterns.
- Most of the rice surplus in the country is in the Vientiane and Southern region, with only Sekong and Attapeu provinces being net deficit production area in the last two years.<sup>4</sup>

FIGURE 1: Estimated Rice Surpluses and Deficits for 2006 and 2007 by Province (represented as a % of consumption)



Source: Internal analysis; see Annex 7.2.3 Lao PDR: Rice Production versus Estimated Consumption (2006 and 2007).

It was noted that rice self-sufficiency is a key objective of the Department of Agriculture in each province despite geographical constraints and rice deficiency status in the past. For example, The Department of Agriculture in Oudomxay, which has a poor history of rice self-sufficiency, has plans to expand the irrigated cultivation area to 100 percent in the lowlands by 2015 and to build a large reservoir in an attempt to support multiple cultivations per year and achieve better provincial rice self-sufficiency.

#### **Recommendation - Reinforcement of food/cash for work and training programmes:**

WFP can support the Department of Agriculture in projects to increase agricultural production in deficit areas through reinforcing current food/cash for work and training programmes. Supporting agricultural growth projects in partnership with the Government, FAO and International Development Organisations already promoting agricultural growth in Laos (such as; GTZ and IFAD) will allow WFP to assist in improving the food security situation in Laos by supporting increased production / food availability and reduce the negative impacts of some food security shocks such as higher food prices.

<sup>3</sup>Based on agricultural production statistics from the Ministry of Agricultural and Forestry as compared to estimated consumption

<sup>4</sup>CFSVA

### 3.3.2 State Food Enterprise (SFE)

As a main procurer of rice in Laos, the SFE has the ability to impact on food availability in the country. The SFE procures rice mainly after harvest time and sells to the National Army and Police and the domestic markets during rice shortage periods in an effort to help stabilize rice prices. They were previously a significant procurer of rice, 20 to 25 thousand metric tonnes of rice per year in 2006<sup>5</sup>, but have been experiencing difficulties such as; the collapse of SFE centres in some provinces, inability to mobilize sufficient capital to operate effectively, loss of the Army and Police as customers in some provinces, food quality issues, and other general operational limitations (such as; milling capacity and storage). The Government is attempting to correct some of these issues, for example, by replacing the steering committee in some provinces and increasing funding.

In July 2008, the Government announced they plan to manage the risk of higher food prices and food insecurity by increasing national stockpiles of rice to 60 thousand metric tonnes over the next year. They agreed to allocate funds for the purchase of rice, to improve SFE's and advise rice milling groups and farmers on the implementation of government policy regarding rice stocks. It was noted throughout the food market study that instructions of the implementation of this Government initiative have not yet filtered down to the related provincial departments.

#### ***Recommendation – Government capacity building:***

WFP has extensive knowledge relating to all aspects of food procurement, management, handling, storage and tracking. It is recommended that WFP offer to the Government, a partnership with the SFE to develop their capacities in an effort to overcome some of their current operational issues. Assisting the SFE to operate more efficiently will help stabilise food market prices, which is their key objective and consequently, improve food access and security in Laos. In addition, in case of emergencies, a higher level of partnership between WFP and SFE could allow food-assistance to be delivered more efficiently if WFP is able to assist with the distribution of Government stored rice and/or International funded food-assistance using SFE storage facilities if required.

### 3.3.3 Informal border trade

The Government has attempted to encourage the restriction of rice exports this year in reaction to higher regional rice prices and to stabilise domestic prices, but this is likely to still be occurring at a significant level. It is not currently cost effective to transport food from surplus to deficit areas within Laos due to the poor road infrastructure and high cost of transportation but cheaper to attempt to trade with neighbouring countries.

In the north, cash crops are frequently traded with Chinese traders. In Luangnamtha, it was noted that rice surplus districts were still exporting rice to China despite not having estimated provincial level rice self-sufficiency and being surrounded by significant rice-deficit provinces. Northern region food deficits are being met by the flow of some surplus rice from Vientiane and with imports from Vietnam and China.

Surpluses along the Southern Lowland Mekong Corridor region are being traded with Thailand and Vietnam. Although, it was noted in Champasak that the province is currently experiencing significant difficulties in finding a market for the provinces surplus rice due to not being able to trade with Thailand this year as they are restricting the import of Lao rice to protect their domestic market and traders from competition and due to concerns over quality standards of Lao rice. The province still has some of last season's stock in storage and is dependent on traders increasing the flow of rice through to Savannakhet and then potentially through to Vietnam or Vientiane to maintain a market.

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<sup>5</sup> CFSVA (2006)

Little is known about the importance of cross-border trade and its impact on food availability and price dynamics in Laos. A possible outflow of food would result in a depletion of domestic stocks, reduction of food surpluses and would increase pressure on local food availability and domestic prices. An informal inflow of food would be beneficial for net consumers through its price stabilizing effects, but detrimental to net producers in surplus areas.

***Recommendation – Local Procurement and Purchase for Progress (P4P):***

It is recommended that WFP continues to procure larger portion of rice for food-assistance in Laos from surplus areas within the country such as Vientiane, Savannakhet and Champasak in the short-term in order to maintain production motivation and until further P4P strategies can be developed. A P4P strategy should be developed to include initiatives to procure rice in Laos in a manner that benefits low-income farmers and encourages production growth.

### **3.4 Agricultural changes and challenges and impact on food availability and prices**

#### **3.4.1 Movement towards commercial / cash crop farming**

It was noted throughout the study that Laos is experiencing significant growth in commercial / cash crop farming. These cash crops seem to be mainly for export as opposed to domestic consumption which impacts on food availability within the country. The Department of Agriculture is supporting this growth as it is believed this will assist with restricting shifting cultivation practices in Upland areas and income generation for the farmers/households involved. In support, they are providing some technical advice where possible. The Departments of Commerce and Trade indicated they rarely get involved in cash crop price arrangements and this was mainly left to private negotiations between farmers and traders. Although growth in cash crop farming was indicated to be significant, no current and reliable information can be sourced on the magnitude of this growth and the cost/benefits for farmers in the process of a transition to commercial farming.

A number of cases have been highlighted where the transition towards cash crops has had negative impacts for farmers in Laos when they experience difficulty growing the new crop, production quality issues arise and/or negotiations with the trader are not in their favour. It was noted that some farmers moving towards cash crops will still attempt to grow some rice for household consumption.

The transition to commercial farming can expose households to increased vulnerability to food insecurity due to a shock resulting from higher food prices if their own food production is reduced significantly, dependence on food markets as a primary source of food increases, and they are receiving insufficient benefits/income from their commercial farming arrangements to allow them to meet their households' food requirements.

***Recommendations***

***– Assessing the impact of movement towards commercial /cash crop farming and reinforcement of WFP food/cash for work and training programmes:***

A more comprehensive and in-depth assessment of the transition towards commercial / cash crop farming in Laos is needed to determine sustainability, the impact on rice availability and cost/benefits for farmers involved.

FAO's current rice assessment project should attempt to incorporate information on movements towards commercial farming and impact of rice availability in Laos.

WFP in partnership with FAO should investigate supporting the movement towards commercial farming where environmentally sustainable by expanding current ability to provide relevant technical advice, existing partnerships within the country to include those specialising in providing such advice, and WFP's food/cash for work or training programmes designed around ensuring a smoother transition to commercial farming where appropriate.

### 3.4.2 Agricultural challenges being experienced this year

Laos faces constant agricultural challenges with limited land available for agriculture, very poor infrastructure (including; drying, storage and milling facilities, roads, ect.) and low land productivity due to traditional farming practice being employed which involve the use of less farming inputs (for example, optimal seeds and fertilizers).

The main agricultural challenges noted throughout the food market study were;

TABLE 2: Main agricultural challenges noted throughout food market study

Type of Challenge	Description:
Production Quantity	<ul style="list-style-type: none"> <li>Floods in August 2008 have negatively impacted production throughout the country. These floods caused significant damage to crops, irrigation systems and other agricultural assets.</li> <li>Other climate conditions, for example; early rain, consistency of rain-fall or droughts have negatively impacting production; noted in Luangprabang, Champasak, and Attapeu</li> <li>Rat infestation destroying rice or cash crops; noted in Luangprabang and Oudomxay</li> </ul>
Production Quality	<ul style="list-style-type: none"> <li>Poor storage facilities leading to reduced quality and high incidents of infestations; noted in Luangprabang and Oudomxay</li> <li>Inability of villagers to meet quality standards of neighbouring countries (ie. ASEAN standards) in relation to rice and cash crops impacting on sale price; noted in Champasak, Oudomxay and Luangnamtha.</li> </ul>
Cost of Production and Food Transportation	<ul style="list-style-type: none"> <li>Higher fuel and fertilizers costs causing access issues and leading to increases in the cost of agricultural production and transportation of food throughout Laos.</li> </ul>
Market Access	<ul style="list-style-type: none"> <li>Inability to convince villagers to grow surplus rice beyond own consumption requirements due to lack of market access or information; noted in Luangnamtha and Attapeu</li> <li>Inability to find markets for surplus rice due to difficulty in exporting rice to neighbouring countries resulting in higher levels of remaining stock from last seasons harvest and leading to expectations of reductions in future farmgate prices and reduced production motivation; noted in Champasak and Savannakhet</li> </ul>
Limited Funding	<ul style="list-style-type: none"> <li>Limited available funding impacting on investments in agricultural assets such as irrigation systems, improved milling and storage facilities and limiting the level of technical advice that can be provided to farmers throughout Laos.</li> </ul>

It should be noted that as a consequence of these agricultural challenges, Savannakhet and Champasak are expecting stable rice production amounts with last year with other provinces visited expecting reductions.

***Conclusion:***

If the main agricultural challenges being experienced this year lead to reduced production of rice within Laos in 2008 this will put further upwards pressure on prices. Especially given continuing population growth, the increasing food demands of neighbouring countries and interest in sourcing from Laos. This will impact on rice availability and access within the country.

***Recommendations - Monitoring factors impacting production and providing support through reinforcement of WFP's food/cash for work programmes:***

WFP and FAO need to ensure sufficient systems are in place to be alerted in a timely manner of factors impacting production and combine competencies to respond appropriately.

In the case of crops and stocks being destroyed by weather or rats, food-assistance may be required urgently and substantial, farming inputs provided (seedlings and fertilizers) and food for work initiatives implemented to assist with replanting and restoring the agricultural area or assets that have been effected.

Reinforcing WFP's current food/cash for work programme to assist with expanding irrigation systems and improving storage facilities in order to improve and protect crop production. Expanding WFP's food/cash for training programme in order to provide agricultural training to farmers to improve production yield and quality, handling and storage. These programme initiatives will allow WFP to assist with improving food access, price stability and food security in Laos.

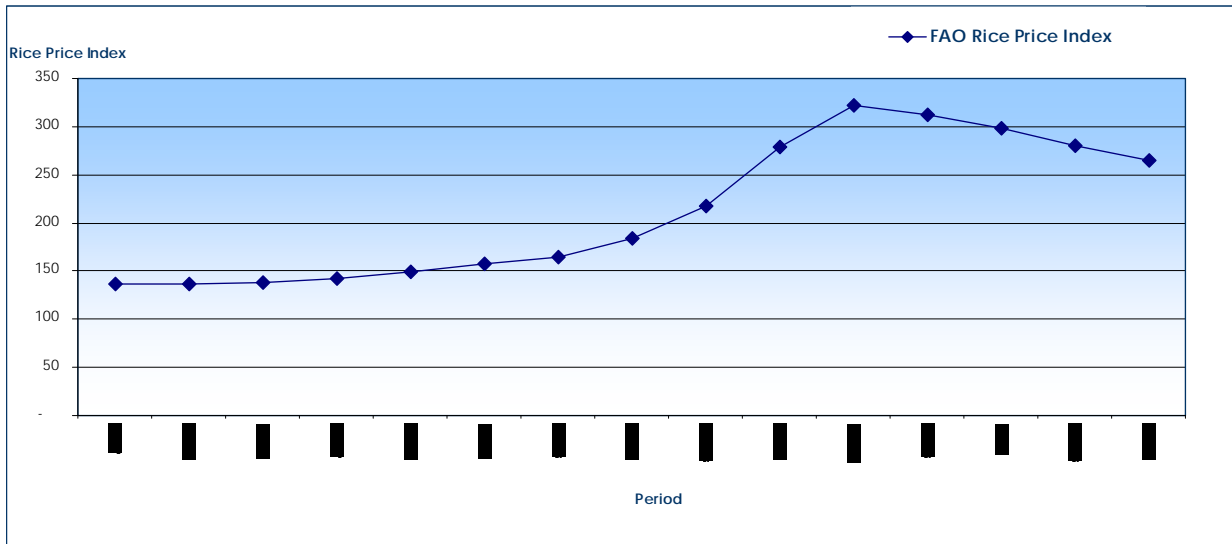


## SECTION 4: RICE PRICES – REVIEW OF TRANSMISSION OF GLOBAL / REGIONAL PRICE SURGES INTO LAOS:

### 4.1 Global market rice price trend and drivers of increase

Global rice prices (September 2008) have risen by 92 percent over the last year and by 69 percent since the beginning of the year.

FIGURE 2: Global market - rice price trend



Source: *FAO Rice Price Monitoring Report*

Global rice prices started rising significantly from late 2007 until May 2008 with a number of factors driving these increases, including;

- rising demand for food, due to the changing diets of people benefiting from rapidly growing economies;
- increased use of agricultural land for food crops relating to the production of biofuels;
- high fuel costs leading to higher input costs for fertilizers and transport and creating a link between energy and food markets;
- supply shocks, mostly adverse weather conditions in some exporting countries;
- land degradation and low productivity growth which have hampered production growth; and
- policy interventions by a number of Governments to restrict exports and panic buying by other Governments in an effort to replenish national reserves which have dwindled in recent years;

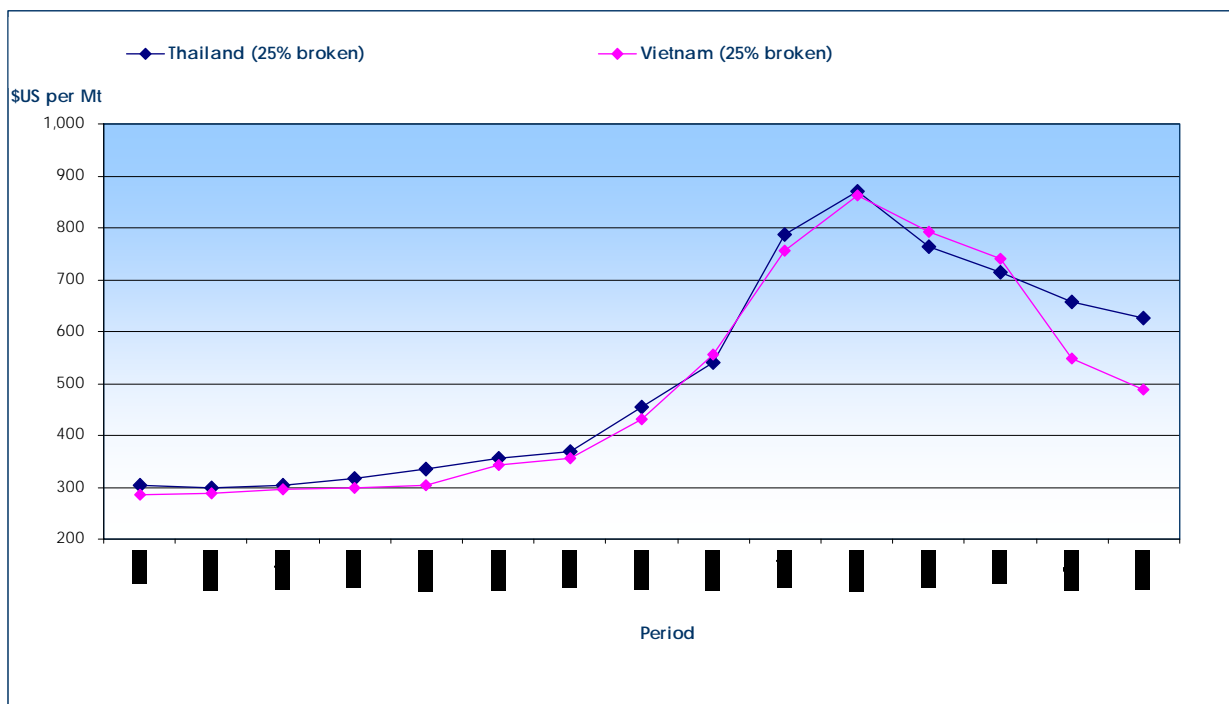
Rice prices have reduced since May 2008 due to reduced demand in response to higher food prices, stronger production estimations for the later harvest in 2008 with large producers responding to higher prices by attempting to increase production and the lifting of export restrictions in major exporting countries such as; Vietnam and India.

Most institutions predict rice prices to peak in 2008 and then decline gradually but to levels that are significantly higher than pre-2007 levels.

## 4.2 Regional market rice price trend and drivers of increase

Rice prices (September 2008) have risen by 107 percent and 65 percent over the last year and by 76 percent and 43 percent since the beginning of the year in Thailand and Vietnam respectively.

FIGURE 3: Regional market - rice price trend



Source: FAO Rice Price Monitoring Report

Note: 25% broken white rice was chosen as a benchmark as it is of a closer quality level to that produced in Laos.

Thailand and Vietnam account for 34 percent and 15 percent of the global rice export market<sup>6</sup> and as such, the factors mentioned above driving increases in global rice prices have heavily impacted these two countries this year.

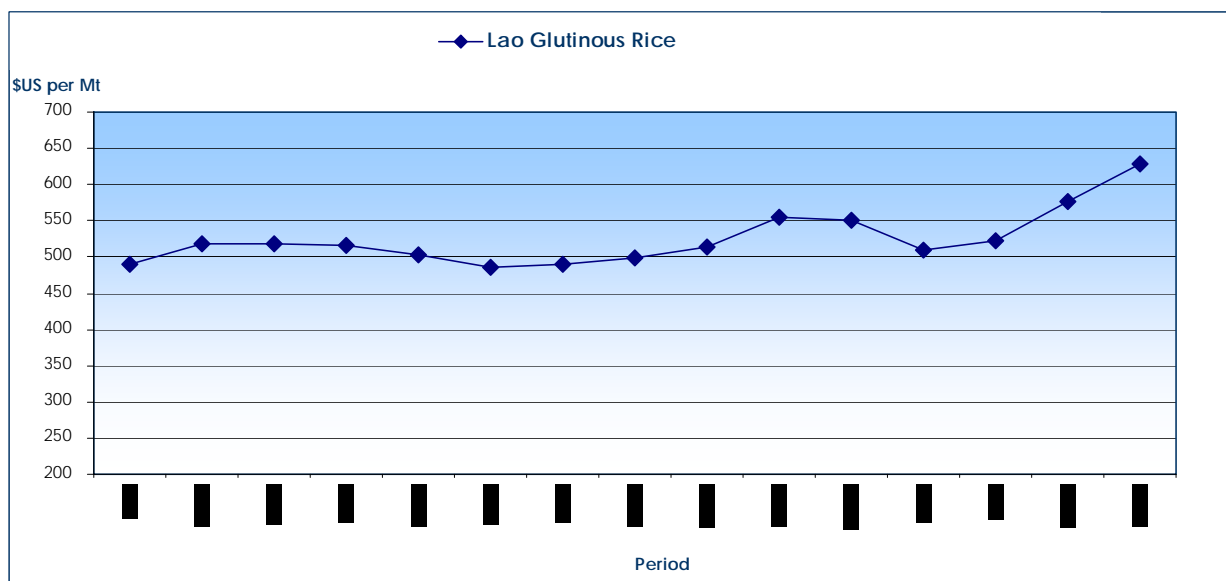
Over August and September 2008 rice prices in Vietnam started to decline at a faster rate as compared to Thailand as Thailand rice prices are being impacted by a government intervention programme.

<sup>6</sup> FAO - Rice Market Monitor, July, 2008.

### 4.3 Lao market rice price trend and drivers of increase;

Rice prices (September 2008) have risen by 21 percent over the last year and by 30 percent since the beginning of the year.

FIGURE 4: Lao market - rice price trend



Source: Prices based on Department of Statistics - Consumer Price Index Information up to May 2008 and WFP Laos internal rice price monitoring system from May to September 2008.

Deflation in the US dollar and Lao Kip exchange rate accounts for 55 percent of the increase in rice prices over the last year and 29 percent of increase since the beginning of the year.

Based on information collected through the food market study, the other dominant drivers of increases in rice prices in Laos are likely to be in relation to increases in the;

- cost of farming inputs such as improved seedlings, fertilizers and fuel
- cost of transportation of food due to rises in the price of fuel
- demand for rice through population growth - 2.2% in 2007

In addition, the main agricultural challenges being experienced this year in Laos, noted above, are putting upwards pressure on rice prices.

#### **Conclusion:**

Based on the review of rice prices, and despite related factors impacting pricing at a global level and in Laos, such as fuel price rises, there is less transmission of rice price increases into the Lao rice market as compared to its regional neighbours.

This is because Laos is not a significant importer or exporter of quality rice and largely depends on traditional rice, involving the use of less farming inputs, grown within the country or low quality rice from neighbouring countries to meet domestic demands.

## **SECTION 5: IMPACT OF HIGHER FOOD PRICES ON HOUSEHOLD FOOD SECURITY IN LAOS**

### **5.1 Vulnerability to higher food prices in Laos**

#### **5.1.1 Overview**

According to the Lao Expenditure and Consumption Survey (LECS3 - 2002/03), 70 percent of the population are self-employed in their own farms, produce food for their own consumption and are probably less affected by the rise of food prices and 30 percent of the population mainly purchase their food in the market and are more affected by changing food prices. Based on the LECS3 and Census data, about 1.7 million people do not produce food in their own farms, and about 1 million of them reside in urban areas.

#### **5.1.2 Areas**

##### **5.1.2.1 Rural areas**

In total, 23 percent of households in rural Laos are vulnerable to a price shock of 60 percent<sup>7</sup>.

The effects of continuing rises in food and energy prices on rural communities, especially those whose traditional agricultural systems in the highlands have already been affected by the implementation of government policies in recent years, could be the most serious of all.

##### **5.1.2.2 Urban areas**

People in urban areas are also significantly at risk of a shock to their households food security resulting from higher food prices as they tend to produce less of their own food, have higher reliance on food markets and despite generally having a higher number of livelihood opportunities than households in rural areas, still have low incomes, spend a significant portion of their households' income on food, and are unlikely to be receiving wage growth to match current expenditure growth (including; food and fuel).

#### **5.1.3 People vulnerable to higher food prices**

##### **5.1.3.1 Net food buyers;**

The groups that are most vulnerable to becoming food insecure as a result of being negatively impacted by higher food prices are net food buyers (those that produce less than they consume) who have limited livelihood opportunities and consequently earn very low incomes, already spend a large share of their resources/income on food and have few sustainable coping strategies at their disposal to maintain their households' food security during periods of higher food prices.

##### **5.1.3.2 Chronically food insecure**

The 2 percent of the population who are already chronically food insecure are normally unable to cope with minor shocks to their food security situation and are adversely impacted by higher food prices if they have market access and dependence.

##### **5.1.3.3 Livelihood groups**

Between 16 and 27 percent of all livelihoods are at risk with the only exception being petty traders with very few exposed. The people most vulnerable to price increases would be unskilled labourers, with 64 percent at risk.<sup>8</sup>

Negatively affected are those farmers who sell at lower prices after harvest in order to repay loans required to finance production and to pay for other household essentials and need to buy back food at higher prices later in the season.

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<sup>7</sup> CFSVA (2006)

<sup>8</sup> CFSVA (2006)

#### **5.1.3.4 Those in the process of a transition**

For instance, those that have been relocated, restricted from using traditional shifting cultivation farming practices, enforced not to grow opium, etc. currently remain significantly vulnerable to food insecurity as their livelihoods have been affected and their ability to produce or purchase food has been impacted. Higher food prices will make purchasing food more difficult for these groups as they already struggle with very low incomes.

#### **5.1.3.5 Others with impaired ability to produce sufficient amounts of their own production or livelihood opportunities**

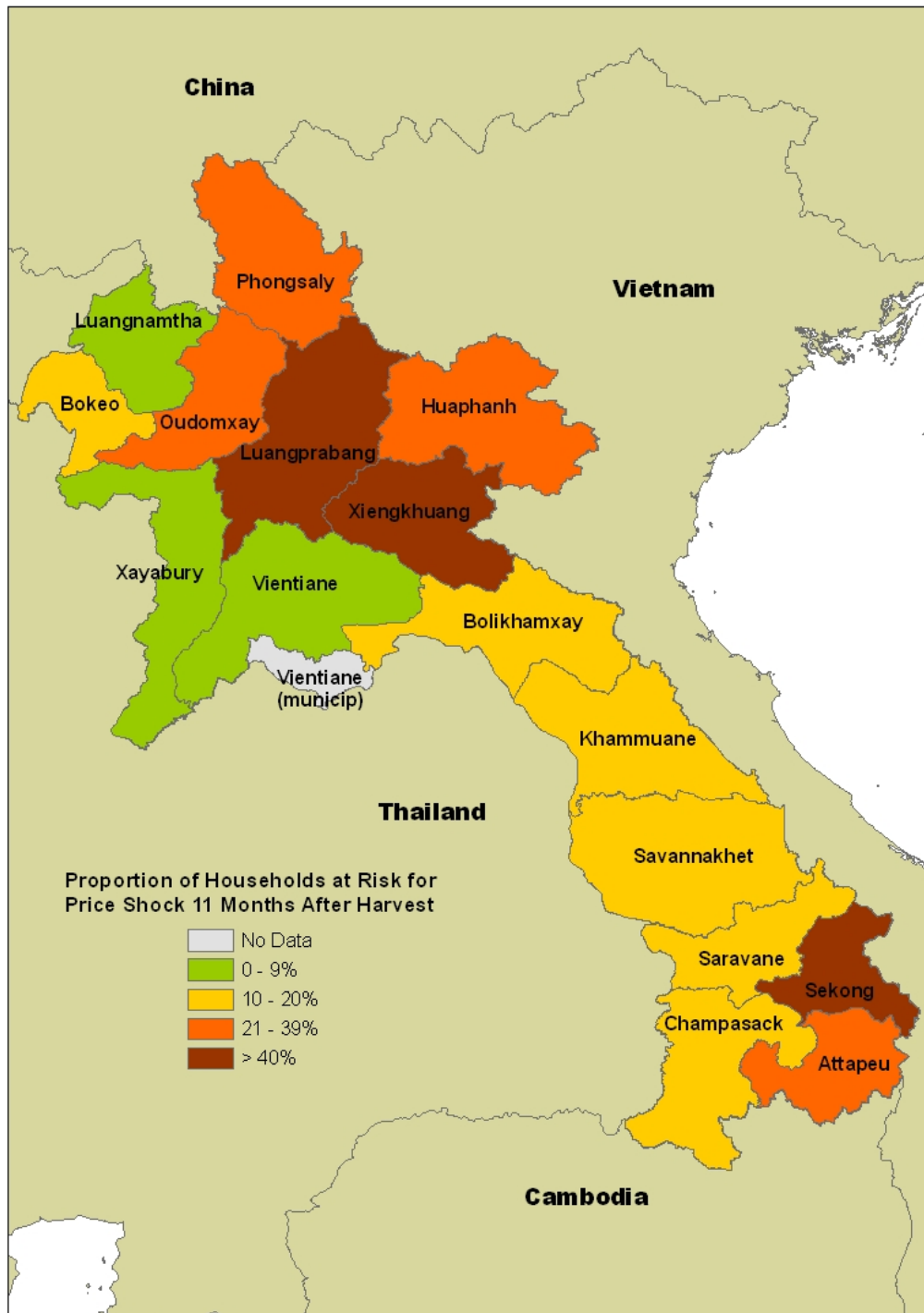
Those with existing vulnerability to food insecurity due to their restricted ability to produce their own food and limited livelihood opportunities to generate sufficient income to meet basic household needs such as their food requirements are at risk of facing food insecurity during periods of higher food prices, for example, single/female headed households, pregnant and lactating women, disabled people, elderly people, those living with HIV/AIDS and orphaned children.

#### **5.1.4 Link to agricultural season**

Vulnerability to price increases is strongly linked to the agricultural season. During the lean season, stocks are depleted and households rely more on markets.

### 5.1.5 Lao PDR: Map of areas most vulnerable to experiencing a shock from higher food price

FIGURE 5: CFSVA - Households at risk of becoming food insecure following price increase (excluding the chronically food insecure)

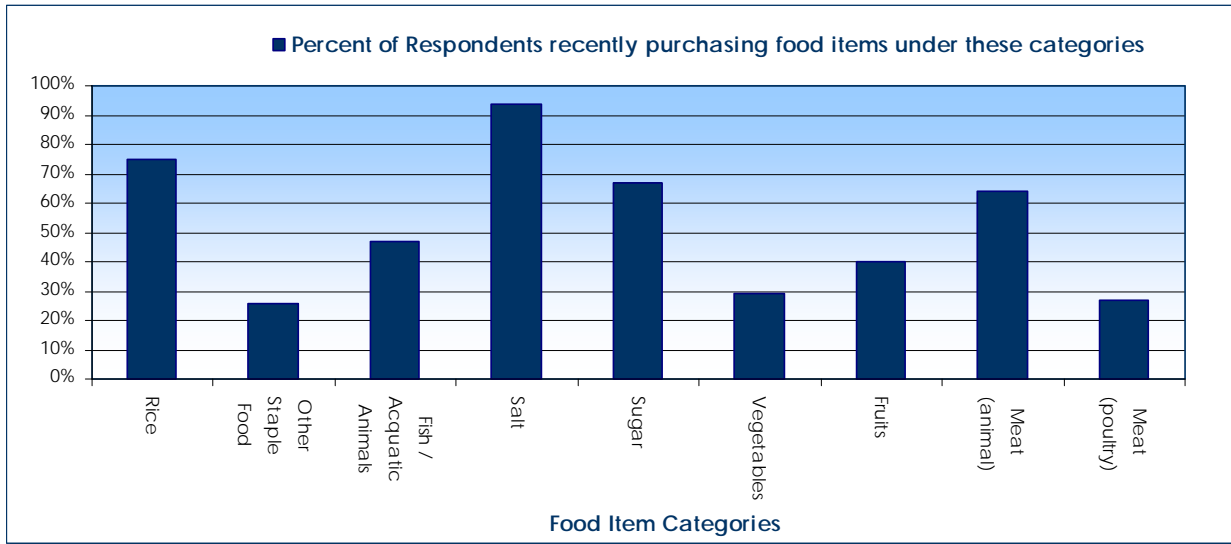


Note; the below indicators were drawn from WFP's Preliminary Household Level Survey on the impact of Higher Food Prices on Household Food Security – see Annex; 7.2.1

## 5.2 Reliance on food markets

From the CFSVA study, many respondents considered food markets as primary or secondary source of food. This is supported by this survey with the below percent of respondents indicating they had recently purchased food items in the below categories;

FIGURE 6: Household Level Survey: Percent of respondents recently purchasing other food items



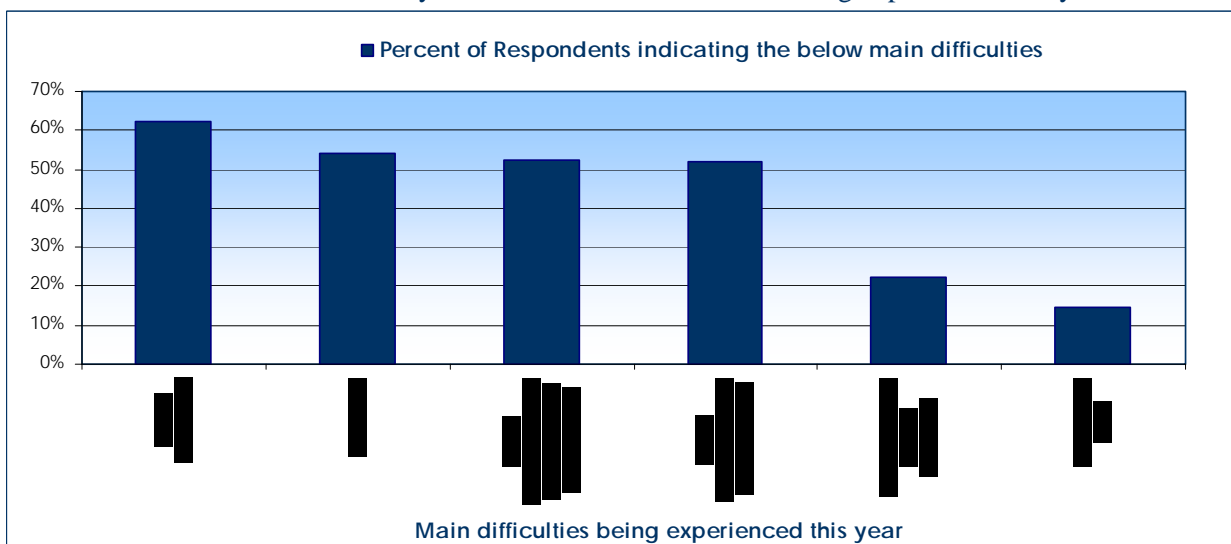
### Conclusion:

Many households in Laos rely on food markets for rice and other food items necessary to meet their households' food requirements.

## 5.3 Higher food prices amongst main difficulties being experienced this year

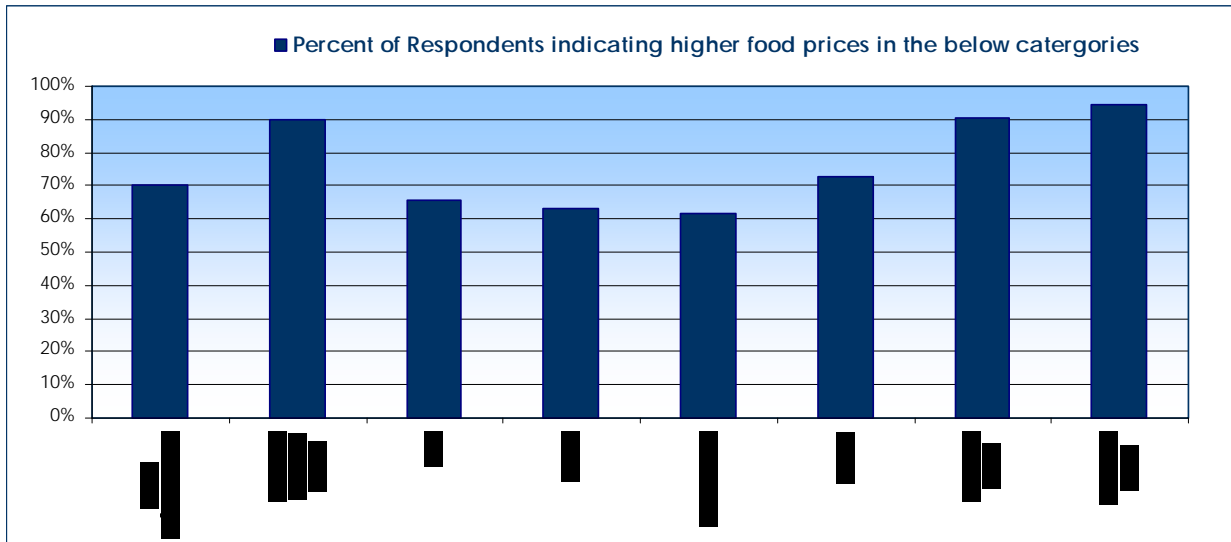
Households indicated being impacted by numerous main difficulties this year, survey average of 2.7. Higher food prices was the most frequent main difficulty indicated by households affecting 62 percent of respondents. The dominant main difficulties indicated in the survey are shown in the below figure.

FIGURE 7: Household Level Survey – Dominant main difficulties being experienced this year in Laos



Large portions of households indicated food price have been rising this year with 70 percent indicating rice prices had risen and the below figure representing households indicating price rises for other food categories;

FIGURE 8: Household Level Survey - Respondents indicating higher prices since the start of the year for other food categories purchased



**Conclusion:**

Many households have been experiencing higher food prices not only for rice but across most food categories purchased.

**Recommendation - Continue to monitor the situation (VAM monthly bulletin on higher food prices):**

WFP Laos is in the process of introducing a monthly bulletin on higher food prices and it is recommended that prices for all dominant food categories consumed within the country be reviewed within this bulletin. This will allow the bulletin to capture periods when rice prices are remaining stable and other food items such as meat and oils are increasing significantly impacting consumption and nutritional patterns within country, for instance. It is suggested that FAO become a partner in developing and preparing this bulletin as they may have significant relevant information to be included.



## 5.4 Impact of higher food prices at a household level

### 5.4.1 Increases in the portion of household income spent on food

Sixty-four percent of households surveyed indicated that the percentage of their households total income spent on food had increased this year. This is concerning as many households in Laos already spend a large portion of their households total income of food and increases can only normally occur by reducing expenditure on other essential household needs such as health and education.

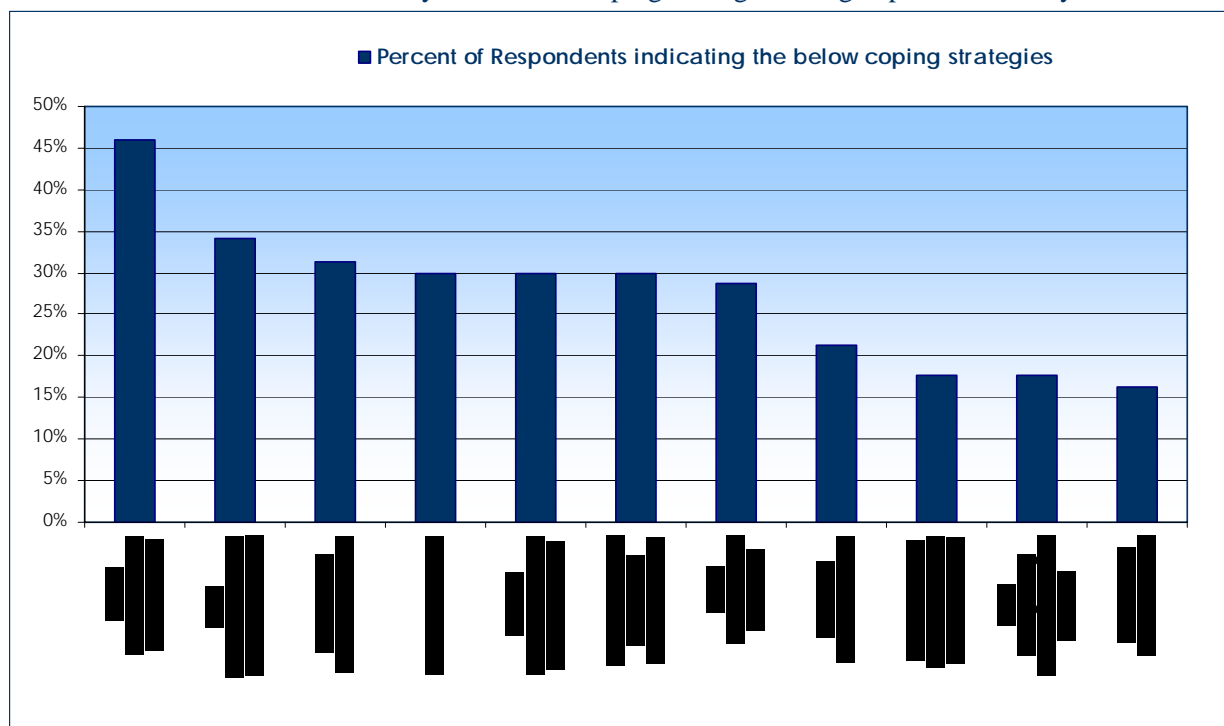
### 5.4.2 Household losses as a result of higher food prices

A large portion of household respondents, 66 percent, indicated rice price had risen and that the increase had resulted in a loss in assets, in-kind receipts of rice or both.

## 5.5 Household strategies to cope with higher food prices and other main difficulties being experienced this year

Households indicated employing a number of coping strategies in order to deal with the main difficulties being experienced this year, survey average of 3.4. The dominant coping strategies indicated in the survey are shown in the below figure.

FIGURE 9: Household Level Survey –Dominant coping strategies being experienced this year in Laos



Collecting more food from the forest was the most frequent coping strategy indicated by households. Forests are of importance to most rural communities in Laos, both as a direct source of food and as an income source in the form of collected NTFPs. However, access to natural resources in Laos is under pressure. The biggest threat to access to natural resources is competition from outside commercial actors, such as logging companies and large-scale plantations. In addition, foreign investment projects into hydro-power dams and mining have also contributed to a reduction of forest land in Laos. With increasing demands being placed on forests as a food and income source, their diminishing availability, there is reason to be concerned with the sustainability of this coping strategies.

***Conclusion:***

There would seem to be a strong preliminary indication that a large portion of households in Laos have struggled to maintain their purchasing power in light on higher food prices and have been required to employ a number of non-sustainable coping strategies to deal with this and other food security shocks being experienced this year.

***Recommendations – Assessments to narrow targeting of people impacted:***

During future periods of higher food prices, areas with high portions of the population characterized as poor, limited own production capacities, access and dependence on food markets as a dominant source of food should be initially targeted for relief.

WFP should work closely with the UNCT analytical team undertaking a further assessment of the social impact of higher food prices to ensure the study allows for target areas of households most impacted by higher food price to be narrowed. In addition, depending on their findings, WFP may need to undertake further assessments to narrow target areas and/or increase awareness of the impact on the urban population.

## **SECTION 6: SUMMARY OF MAIN CONCLUSIONS AND RECOMMENDATIONS**

### **6.1 Main conclusions derived from food market study and preliminary household level survey**

The main conclusions derived from the study and surveys were;

- Food prices have risen in Laos but not to the extent of global and regional markets. Despite being impacted by similar factors the country produces a significant portion of its own food. In addition, Laos produces and consumes lower quality rice utilising less farming inputs which reduces the impact of increases in these production costs. *(Page 19)*
- The agricultural challenges being experience this year have raised concerns of reduced production in 2008. This has the potential to put further upwards pressure on food prices and impact food availability and access in Laos. *(Page 15)*
- Many households in Laos rely on food markets for rice and other food items necessary to meet their households' food requirements and have been experiencing higher food prices not only for rice but across most food categories purchased. *(Page 24)*
- There would seem to be a strong preliminary indication that many households in Laos have struggled to maintain their purchasing power as a result of higher food prices and have been required to employ a number of non-sustainable coping strategies to deal with this and other food security shocks being experienced this year. *(Page 26)*

### **6.2 Government response to higher food prices and promoting agricultural growth**

The Government has already been very active in attempting to deal with the issue of higher food prices and in promoting agricultural growth this year by;

- initiating a taskforce comprising of key ministries and departments to provide information essential for further policy decisions and requesting technical assistance from development organisations
- planning to increase national stockpiles of rice
- restricting export of rice
- increasing low interest loans available to farmers in order to encourage agricultural investments and increased domestic production

Government support noted throughout the food market study was;

- encouraging dry season cultivation by assisting with improving and expanding irrigation systems
- providing technical advice to assist with the adoption of improved agricultural practices
- providing or selling improved high-yield seedlings to farmers to increase production
- organising periodic markets in order to allow people to trade surplus food production

## 6.3 WFP Laos: Response options in relation to higher food prices

### 6.3.1 Overview

Given the current situation in Laos;

- a number of different households and groups are vulnerable to food insecurity resulting from higher food prices,
- food prices have been rising throughout the country and across many food categories and
- many households have struggled to maintain their purchasing power as a result of higher food prices and have been required to employ a number of non-sustainable coping strategies to deal with this and other shocks being experienced this year.

It is suggested that WFP consider the below recommended response options;

### 6.3.2 Recommended WFP activities;

The below recommended activities are aligned with WFP's current strategic plan for 2008-2011 and relate to following included objectives;

- Strategic Objective 1 (SO1): Save lives and protect livelihoods in emergencies
- Strategic Objective 2 (SO2): Prevent acute hunger and invest in disaster preparedness and mitigation measures
- Strategic Objective 3 (SO3): Restore and rebuild lives and livelihoods in post-conflict, post-disaster or transition
- Strategic Objective 5 (SO5): Strengthen the capabilities of countries to reduce hunger, including through hand-over strategies and local purchase

TABLE 3: Recommended WFP activities

<i>Short to Medium Term Activities (over next 6-months)</i>			
<i>Activity</i>	<i>Description</i>	<i>Page Ref.</i>	<i>WFP Unit or Org. Involved</i>
<i>Continue to monitor the situation;</i>	<ul style="list-style-type: none"> <li>- <b>SO2:</b> WFP Laos is in the process of introducing a monthly bulletin on higher food prices and it is recommended that prices for all dominant food categories consumed within the country be reviewed within this briefing. It is suggested that FAO become a partner in developing and preparing this bulletin as they may have significant relevant information they may wish to include.</li> <li>- <b>SO2:</b> WFP and FAO need to ensure sufficient systems are in place to be alerted in a timely manner of factors impacting production and combine competencies to respond appropriately.</li> </ul>	<i>Page 24, 16</i>	<i>WFP VAM &amp; Proc Units and FAO.</i>

<i>Short to Medium Term Activities (over next 6-months)</i>			
<i>Activity</i>	<i>Description</i>	<i>Page Ref.</i>	<i>WFP Unit or Org. Involved</i>
<i>Assist and be involved with related UN projects;</i>	<ul style="list-style-type: none"> <li>- WFP should remain actively involved with the UNCT analytical study into the social impact of higher food prices and FAO's rice assessment and encourage the below;</li> <li>- <b>SO2:</b> The UNCT analytical study should consider information relating to determining; <ul style="list-style-type: none"> <li>- the price increases being experienced this year across all dominant food categories consumed in Laos and</li> <li>- areas with high concentrations of people vulnerable to food insecurity during periods of higher food price</li> </ul> </li> <li>to help narrow target areas of the people most impacted in Laos.</li> <li>- <b>SO3:</b> FAO's rice assessment should attempt to incorporate information on movements towards commercial farming and impact of rice availability in Laos. Collectively WFP and FAO should consider whether it is appropriate to assist households through the transition to commercial farming where environmental sustainable and in the households best interest.</li> </ul>	<i>Page 11, 14</i>	<i>WFP, UNCT &amp; FAO</i>
<i>Continue to increase local procurement from Surplus Areas</i>	<ul style="list-style-type: none"> <li>- <b>SO5:</b> WFP should continue to procure larger portion of rice for food-assistance in Laos from surplus areas within the country such as Vientiane, Savannakhet and Champasak in the short term in order to maintain production motivation and until further "purchase for progress" strategies can be developed.</li> </ul>	<i>Page 14</i>	<i>WFP Proc. Unit</i>
<i>Undertake further assessment to assist with targeting vulnerable people being impacted by higher food price</i>	<ul style="list-style-type: none"> <li>- <b>SO1:</b> Households impacted by higher food prices may need to targets for WFP relief operations.</li> <li>- WFP should work closely with the UNCT undertaking a further assessment on the social impact of higher food prices to encourage the study to allow for target areas of households must impacted by higher food price to be narrowed. Dependent on the findings of this study, WFP may need to undertake further assessments to narrow target areas to allow food-assistance to be provided and/or increase awareness of the social impact of higher food prices on other groups such as the urban population.</li> </ul>	<i>Page 11, 26</i>	<i>UNCT and WFP VAM &amp; Prog. Units</i>

<i>Medium to Long Term Activities (Over next year)</i>			
<i>Activity</i>	<i>Description</i>	<i>Page Ref.</i>	<i>WFP Unit or Org. Involved</i>
<i>Develop strategy papers to assist people vulnerable to food insecurity and higher food prices by promoting agricultural growth;</i>	<p><b>SO3 &amp; SO5:</b></p> <p><i>Supporting agricultural growth to build capabilities and resilience of farmers / household vulnerable to food insecurity and a shock to their situation during periods of higher food prices.</i></p> <p><i>Options;</i></p> <ul style="list-style-type: none"> <li>- Reinforcing WFP’s food/cash for training programme in order to provide agricultural training to farmers to improve production yield and quality, handling and storage</li> <li>- Reinforcing WFP’s current food/cash for work programme to assist with improving irrigation systems and storage facilities to improve and protect crop production</li> <li>- In partnership with FAO, WFP’s food/cash for work or training programmes designed around ensuring a smoother transition to commercial farming were appropriate</li> <li>- Design a country level “<i>Purchase for Progress</i>” initiative which identifies strategies for procuring food required for assistance in Laos in a manner that benefits low-income farmers and encourages production motivation.</li> </ul>	<i>Page 12, 14, 16</i>	<i>WFP CO</i>
<i>Assist the Government to protect against higher food prices and promote agricultural growth;</i>	<p><b>SO5:</b></p> <p><i>WFP has the potential to support the Government to protect the population against higher food prices and promote agricultural growth;</i></p> <ul style="list-style-type: none"> <li>- WFP has extensive knowledge relating to all aspects of food procurement, management, handling, storage and tracking. WFP could offer to the government, a partnership with the SFE to develop their capacities in an effort to overcome some of their current operational issues. Assisting the SFE to operate more efficiently will contribute to helping to stabilise food market prices which is their key objective and hence, improve food access and security within the country.</li> <li>- WFP can support the Department of Agricultural in projects to grow agricultural production in deficit areas through expansion of its current food/cash for work and training programmes. Supporting agricultural growth projects in partnership with the Government will allow WFP to assist in improving the food security situation in Laos by supporting increased production / food availability and reducing the negative impacts of some food security shocks such as higher food prices.</li> </ul>	<i>Page 12, 13</i>	<i>WFP Proc. &amp; FFW Prog. Unt</i>
<b><i>Strategy Implementation - Expand programmes and introduce P4P initiatives</i></b>			

## **7. ANNEXES:**

### **7.1 Definitions, terminology and concepts;**

*Food security* can be defined as the condition when all people, at all times, have access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.

Food security is normally divided into three aspects: food availability, food access and food utilization. Food availability is the amount of food that is physically present in a country or area through forms of domestic production, commercial imports and food aid. Food access is the households' ability to regularly acquire adequate amounts of food through a combination of their own stock and home production, purchases, barter, gifts, borrowing or food aid. Food utilization refers to: a) households' use of the food to which they have access, and b) individuals' ability to absorb nutrients - the conversion efficiency of food by the body.

A *household* is defined as a group of persons who share their resources in order to jointly provide for their basic needs, at a minimum their food consumption, on a daily basis.

*Livelihoods* are resources used and the activities undertaken in order to live. The resources can consist of individual skills and abilities (human capital), land, savings, and equipment (natural, financial and physical capital, respectively). Livelihood strategies are activities and choices that people make, using their asset base, in order to achieve the optimal livelihood outcomes.

*Coping strategies* are decisions made by households to compensate for or meet a shortfall of food. This does not describe a regular situation but a response to a shortfall of food that can be described as a shock.

# **ANNEX 7.2.1**



## **UNITED NATIONS WORLD FOOD PROGRAMME LAO PDR**

### **PRELIMINARY HOUSEHOLD LEVEL SURVEY ON THE IMPACT OF HIGHER FOOD PRICES ON HOUSEHOLD FOOD SECURITY**

#### **SUMMARY OF RESULTS (DESCRIPTIVE)**

**By  
WFP Lao PDR  
Vulnerability Analysis Mapping (VAM) Unit**

**Study undertaken in August 2008**



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## **SECTION 1: PRELIMINARY INDICATIONS FROM SURVEY BY SECTION & COMMENTS:**

### **1.1 Descriptive**

#### **1.1.1 Household representatives and heads of**

Sixty-seven percent of household representatives who were surveyed were male. The average age of household representatives who were surveyed was 42 years old and is reasonable given household heads were predominantly targeted for interviews.

This study suggests that 94 percent of households are lead by males. Despite this, it was very important to survey females given their strong role in the Lao culture in coping with household food security issues.

#### **1.1.2 Average village and household size**

The average village population of household surveyed was 444 people with a significant range of between of 95 to 1,489 people per village. Oudomxay (678) and Luangnamtha (609) had a much higher average village population than other provinces which may represent further evidence of some Government success in the encouragement of village resettlement with the objectives of reducing shifting cultivation, eradicating opium cultivation, and providing social services.

The average size of households was 6 people with females representing 49 percent of households surveyed. These two indicators were similar across provinces.

#### **1.1.3 Receiving WFP and additional assistance from other international development organisations**

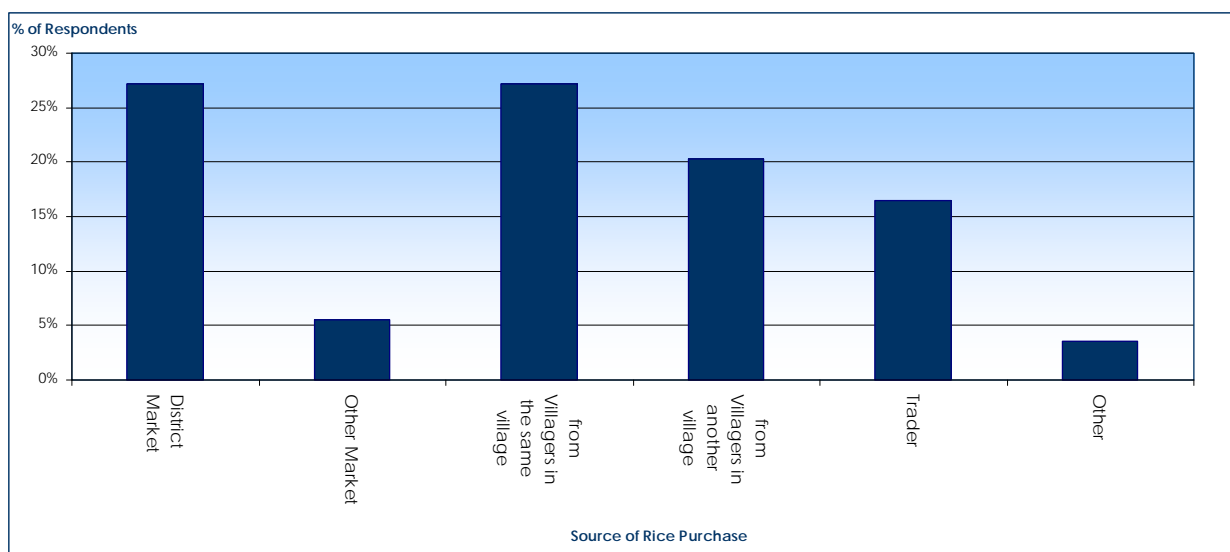
Of the villages surveyed, 85 percent were receiving WFP support through current programme. In addition, 49 percent were receiving additional support from a range of international development organisations such as; Ausaid, CARE, World Bank, Red Cross, Asian Development Bank, and local community-based development organisations such as; IFAD, Poverty Reduction Fund, ACF and GA. Projects ranged from improving water supply and sanitary conditions, health and educational development including construction of schools and other projects designed around building the human and productive asset base of villages. Productive asset base projects included; establishment of community rice and livestock banks, roads, fishponds, and water wells.

Nine percent of households surveyed were receiving no assistance at the time of the survey.

## 1.2 Rice purchases and source of supply

Of households surveyed, 75 percent indicated that they had purchased rice recently.

FIGURE 1: Household Level Survey: Main sources of supply for recent household rice purchases:



The northern provinces of Luangnamtha, Oudomxay and Xiengkhuang all showed a much higher reliance on district markets with near or over 50 percent of households surveyed indicating them as their most recent source of rice supply. This reliance is likely due to the overall rice deficiency status of these provinces. Such market reliance significantly increases household exposure to the risk of suffering a shock to their food security status due to higher food prices.

## 1.2 Rice preferences / quality

### 1.2.1 Sticky / non-sticky rice

Surveyed household indicated a preference towards sticky rice as supported by 69 percent of respondents surveyed indicating it for their last rice purchase. The provinces of Phongsaly, Xienghuang and Sekong indicated much stronger preferences to non-sticky rice which reflects the ethnic diversity of these provinces and their close proximity to neighbouring countries who have higher non-sticky rice preferences and cultural / food supply influences over these provinces.

### 1.2.2 Milled / unmilled rice

Households surveyed indicated purchasing milled rice (81 percent of household respondents) with no notable exceptions between provinces. This may be due to lack of household labour and equipment to mill the rice themselves.

### 1.2.3 Rice quality

Overall, most households (85 percent of household respondents) indicated they felt the quality of rice purchased was good or medium. Although, 13 percent indicated they thought the quality of rice was poor.

## **1.4 Rice prices, impact and outlook**

### **1.4.1 Rice price movements since last year (2007) and start of year (2008)**

Of the households surveyed, 70 percent indicated rice prices had increased since the same time last year and 64 percent since the beginning of the year. The provinces of Xiengkhuang (100 percent of household responses), Oudomxay (96 percent), Luangnamtha (70 percent), Sekong (90 percent) and Attapeu (86 percent) had a higher portion of households indicating rice price increases since the start of year.

### **1.4.2 Rice price and district markets**

The average price of rice purchased was higher for those that purchased from district markets as opposed to those who were able to purchase from within the village or near-by villagers.

District markets are generally more expensive than village markets as food supplies are mainly gathered from millers and traders who have sourced their commodities from numerous small hold farmers. This exposes these markets to higher overall transportation costs and consequentially, the risk of rising food prices being driven by rising fuel prices. In addition, during the lean season (July-October) when locally based millers and traders may have insufficient stocks to meet local demand, it is likely that some of the food deficit is met through food imports from neighbouring provinces in neighbouring countries (Thailand, Vietnam or China). This puts district markets at further risk of food price rises when neighbouring countries experience sharp food price rises, such as in 2008.

Village food markets are generally cheaper than district markets as food supply are gathered from villagers from within the village, from larger near-by villagers and from visiting local traders which requires less transportation efforts. Due to limited access to farming inputs such as more optimal yielding seeds, fertilizers, and farming machinery (miller, tractors), particularly in remote rural Laos, the cost of food production is impacted to a lesser degree by cost rises for these inputs. It is believed these two considerations keep rice prices in rural village markets throughout Laos lower than district markets.

### **1.4.3 Losses caused by increasing rice prices**

When considering that 66 percent of households surveyed indicated rice price had risen since the beginning of the year and that the increase had resulted in a loss in assets, in-kind receipts of rice or both, there would seem to be a strong preliminary indication that households have struggled to maintain their purchasing power due to higher food prices and this has affected household food security.

Responses suggesting rising rice prices had caused losses to their household were much higher in the southern provinces of Khammouane (96 percent of household responses), Saravane (100 percent), Sekong (100 percent) and Attapeu (100 percent) and the northern province of Xiengkhuang (96 percent).

### **1.4.4 Next harvest and price outlook**

The next harvest is mainly expected by surveyed households in October (22 percent of household responses), November (56 percent) and December (9 percent). It is worth noting that a large portion (53 percent of household responses) still indicated they expected rice prices to continue to increase after harvest with only 10 percent indicating they expected prices to fall.

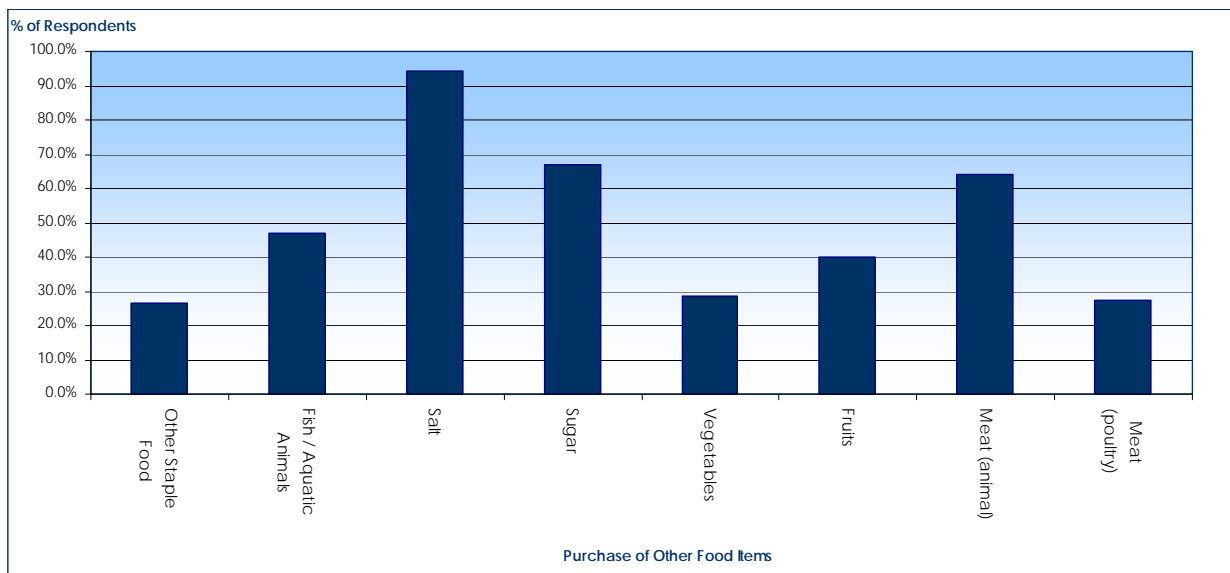
Provinces which indicated higher district market reliance for recent purchases, such as Xiengkhuang (56 percent of household responses) and Oudomxay (52 percent) also had higher portions of households expecting price increases after the next harvest, with 93 percent and 87 percent of household responses respectively.

As discussed below under “main difficulties experienced by households this year”; 51 percent of households surveyed indicated “bad weather causing actual or expected poor harvests or lost crops” as being a main difficulty. This may explain why the majority of households are not anticipating rice price to decline after the next rice harvest in line with normal seasonal patterns as there are concerns of limited production / reduced rice availability due to continuing bad weather conditions resulting in significant crop losses in the lead up to the next harvest.

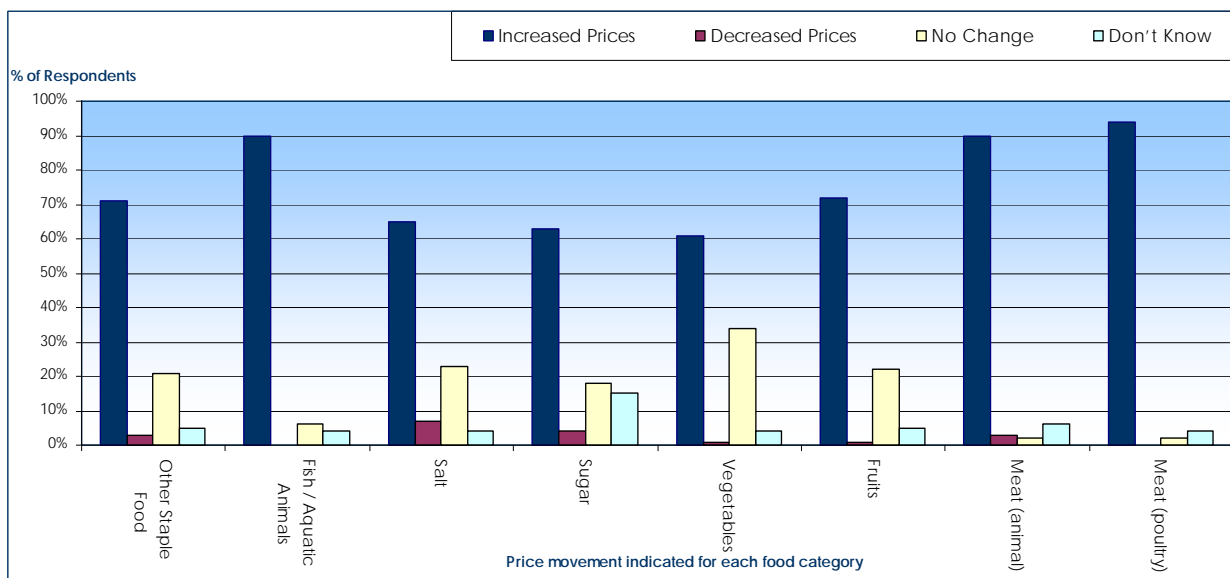
### 1.5 Other food purchases

Note that the data collected for the CFSVA indicated fairly high consumption of non-rice foods amongst the Lao population. Thus it cannot be stated that rice sufficiency implies sufficient access to food.

*FIGURE 2: Household Level Survey: Percent of respondents which had recently purchased food items in the below categories;*



*FIGURE 3: Household Level Survey: Out of households who had purchased these food items- Percent of respondents indicating certain price movements for these food items;*



As demonstrated, significant portions of households surveyed have purchased other food items to meet their requirements and are experiencing rising prices for these items. Without adequate livelihood opportunities to increase household income, households experiencing higher food prices would be faced with reduced buying power and required to employ coping strategies to maintain their food consumption.

## Household livelihoods and incomes

### 1.5.1 Household members who earn income and number of livelihood activities

TABLE 1: General indications in relation to household income:

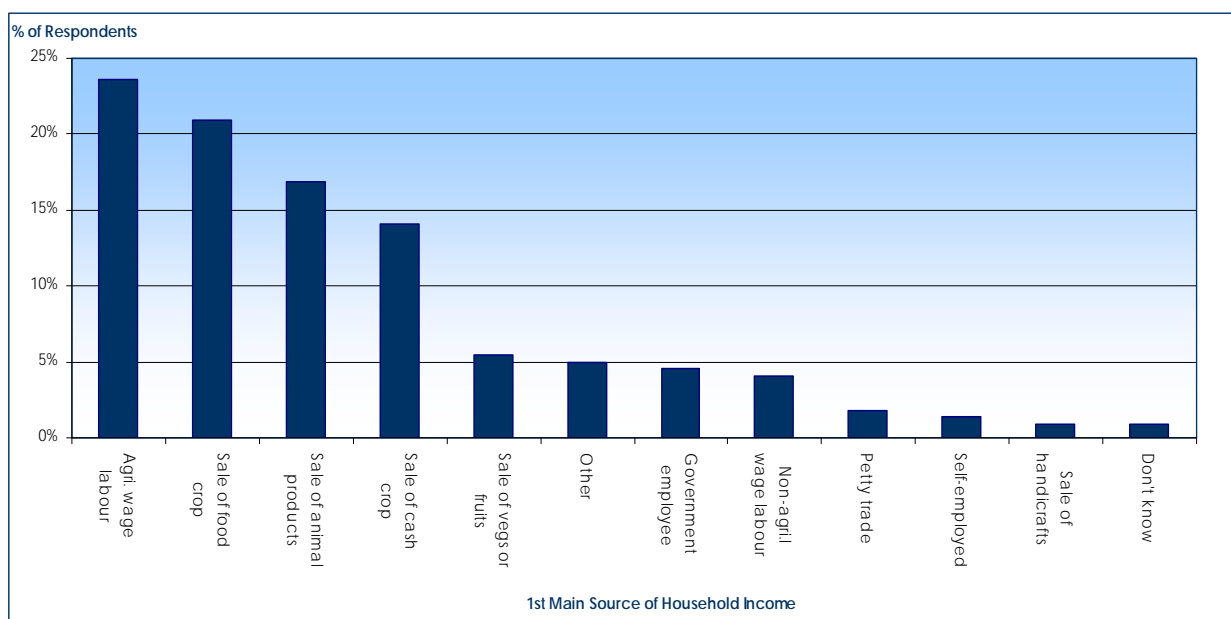
Household Livelihood and Income Indicators:	Survey Averages:
Number of household members who earn an income:	2.39
Number of sources of income per household:	2.21

A number of households interviewed reported to earn their living from one or two activities, which is surprisingly low and may not reflect the diversity of livelihood activities that characterises rural households in Laos. Asking for the main activities probably lead to discarding some as secondary whereas they in fact an important part of the households' livelihood strategy.

This is consistent with CFSVA findings that indicated 47 percent of respondents earning their living from two activities, 32 percent from one, 17 percent from three and only 4 percent from four.

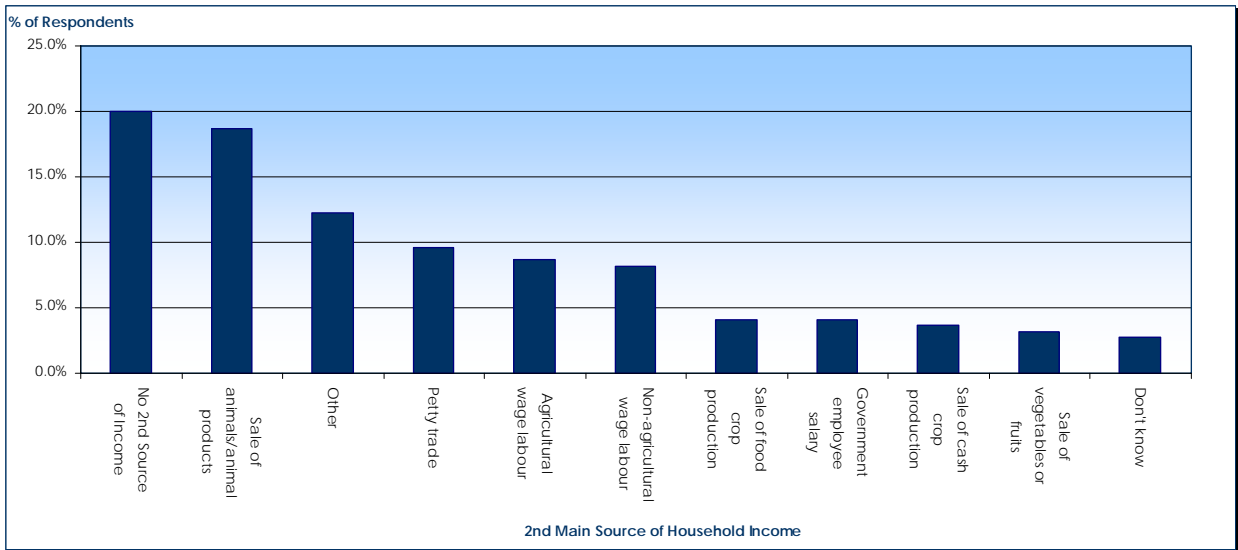
### 1.5.2 Main sources of household income

FIGURE 4: Household Level Survey: 1<sup>st</sup> main sources of income:



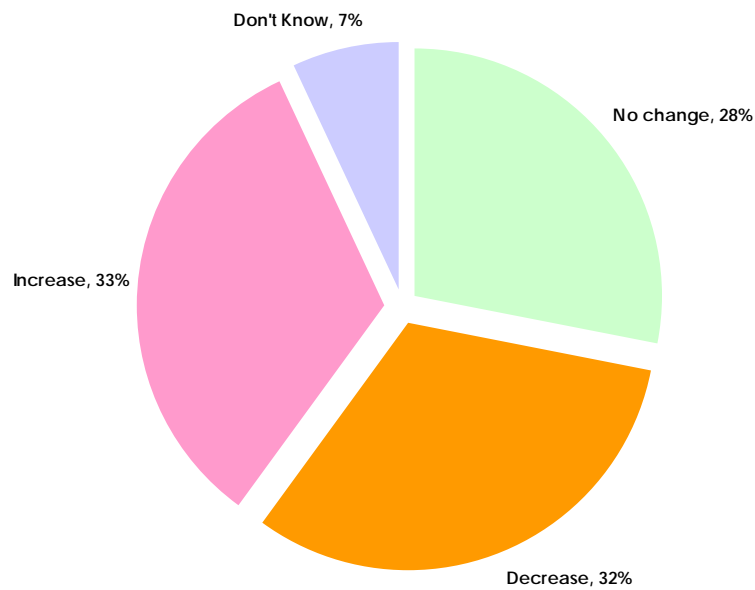
Agricultural remains the dominant source of income in Laos with 64 percent of household indicating such for their main source and the sale of animals / animal products accounting for 17 percent of household responses. A small number of household were engaged in other activities.

FIGURE 5: Household Level Survey: 2<sup>nd</sup> main sources of income:

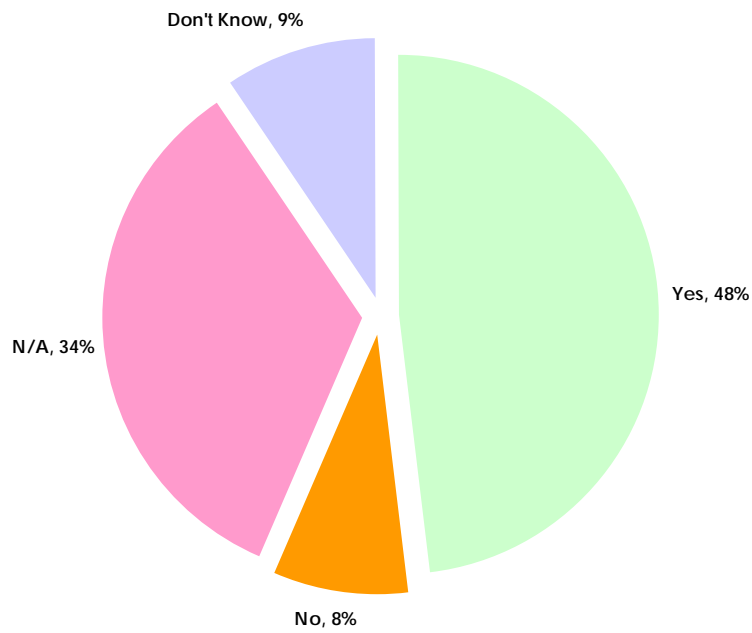


### 1.5.3 Changes in household income and impact of rising food prices

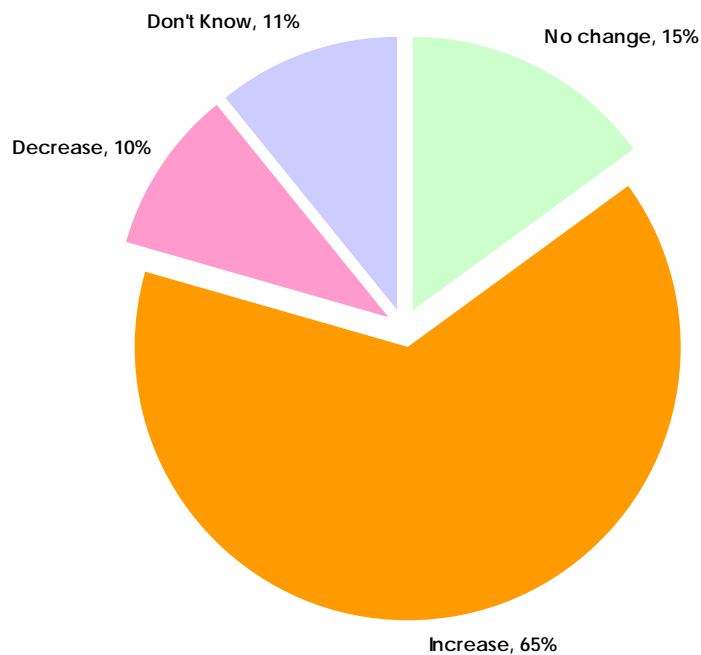
FIGURE 6: Household Level Survey: Household income changes since the start of the year – percentage of respondents:



*FIGURE 7: Household Level Survey: Were increases in household income due to higher food prices from the sale of food? – percentage of respondents:*



*FIGURE 8: Household Level Survey: Has the percentage of total household income spent on food increased? – percentage of respondents:*



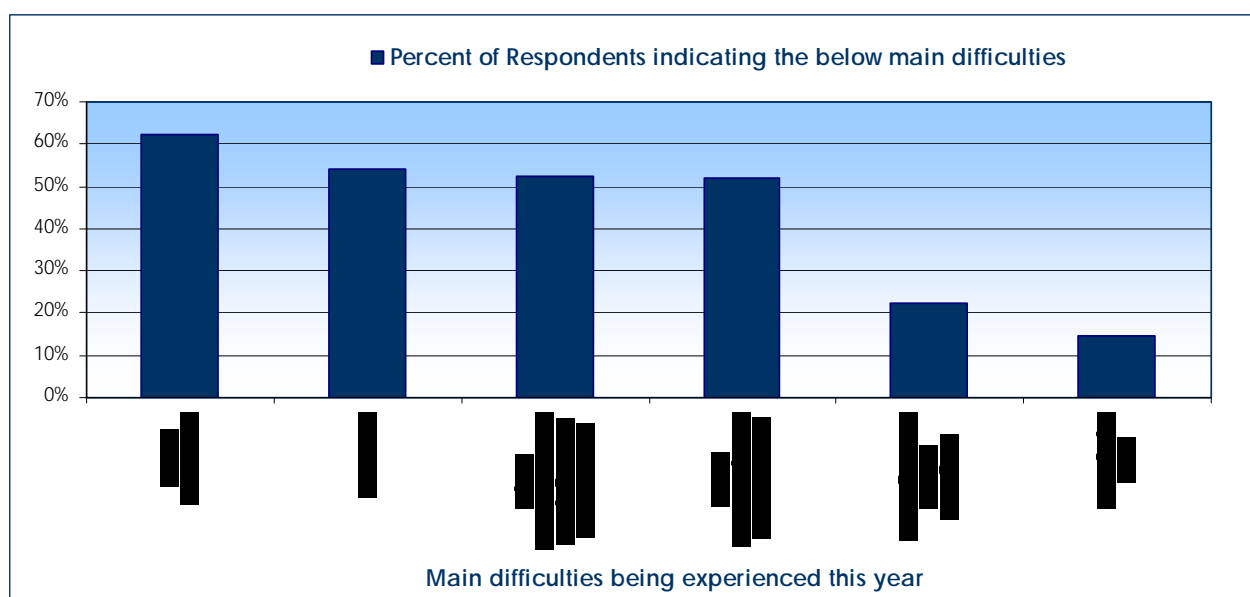
It is concerning to note that 65 percent of households surveyed indicated that the percentage of their households income spent of food had increased. When considering that with the inclusion of food from own production, the share of resources that was spent on food increased from 45 to 65 percent for rural households in Laos in previous studies, and given this percentage increased further to 75 percent for those households with poor food consumption (CFVSA), it is doubtful that any increases in the percentage of household income spent on food within food insecure areas could be afforded without reducing expenditure on other essential household needs, such as health and education.



## 1.6 Main difficulties being experienced this year

The survey indicated that the majority of households had experienced an average of 2.73 main difficulties this year which have impacted their food security situation. The number of main difficulties experienced was particularly high for Sekong (7.2), Saravane (6.8), Khammouane (5.9), Xiengkhuang (5.1) and Attapeu (3.9) provinces and may have been particularly low in Phongsaly (1.4) and Savannakhet (1.5) as households representative focused on indicating their one main difficulty in many instances. It is important to note that while a household may be able to cope with one difficulty effecting their food security position, with multiple shocks, such as bad weather impacting crop production and higher food prices, or sickness and debt repayment, the effects could be too much for many rural household to manage.

FIGURE 9: Household Level Survey: Main difficulties being experienced this year - percentage of respondents:



The clearly dominant main difficulties with near over 50 percent of households experiencing them are; high food prices, bad weather causing actual or expected poor harvest or lost crops, sickness and related loss of labour and health expenditure and high fuel and transportation costs. The impact of these shocks on the food security status of a household is largely dependant on their livelihood activities and the coping strategies at their disposal to manage these shocks.

### 1.6.1 Higher food prices

As mentioned above, the majority of households surveyed indicated that food prices are rising and this has resulted in increases in the percentage of total household income spent of food has increased. High food prices is one of the dominant factors affecting rural households access to food and is encouraging them to employ unsustainable coping strategies in an attempt to maintain food consumption. The provinces with a high portion of households indicating high food prices as a main difficulty were mainly rice-deficit provinces in the north; Luangnamtha (80% of household respondents), Xiengkhuang (80%) and Oudomxay (67%) and south; Khammouane (89%), Sekong, Saravane and Attapeu (100 % of household responses).

### **1.6.2 Bad weather**

Bad weather and other issues impacting crop production (such as rat and other pest infestation) were highlighted by households and through feedback from heads of WFP sub-offices as a dominant concern for many this season. Agricultural production is clearly the most important livelihood activity undertaken by Lao rural households. The events leading up to a season's harvest can have a drastic impact on the livelihoods and food security status of rural households. With climate factors significantly impacting production in a number of food insecure areas throughout Laos, those households who are unable to produce sufficient amounts of rice to allow for their own consumption, repayment of debts relating to production and potential sale to provide income for other household essentials would be required to rely on the households coping strategies to maintain their food security.

### **1.6.3 Sickness**

The main reasons sickness can be a significant main difficulty for rural households in Laos is because it reduces their available labour force, ability to produce food and/or earn income, creates a need for potential expenditure on medicines and can directly result in the worsening of a household's food security status. In addition, rural households generally have very limited access to adequate medical facilities and/or have low incomes that do not afford expenditure on medicine without cuts to other household needs. Without access to adequate facilities and/or household income, ill household members are often required to go without proper treatment. In some cases villagers resort to collecting traditional herbs from the forest for medicine.

### **1.6.4 High fuel and transportation costs**

Since the beginning of 2008 to August 2008, fuel prices have increased by 23% in Laos. Rising fuel prices causes increases to the cost of production for households using fuel as a farming production input and to the cost of transportation. These factors both lead to increases in the cost of food and puts upwards pressure on market prices. For these reasons, it is understandable that provinces with high portions of households indicating high fuel costs as a main difficulty; Luangnamtha, Xiengkhuang, Khammouane, Sarvane, Sekong and Attapeu also had high portions indicating high food prices as another main difficulty.

Rising fuel costs also reduces a household's ability to use transport for physical movement which can impact on their livelihood opportunities.

### **1.6.5 Other main difficulties**

Other main difficulties which had relatively high portions of households indicating them as such were; irregular and unsafe drinking water (22% of household responses), debt repayment (15%) and loss of employment / reduced salaries (7%).

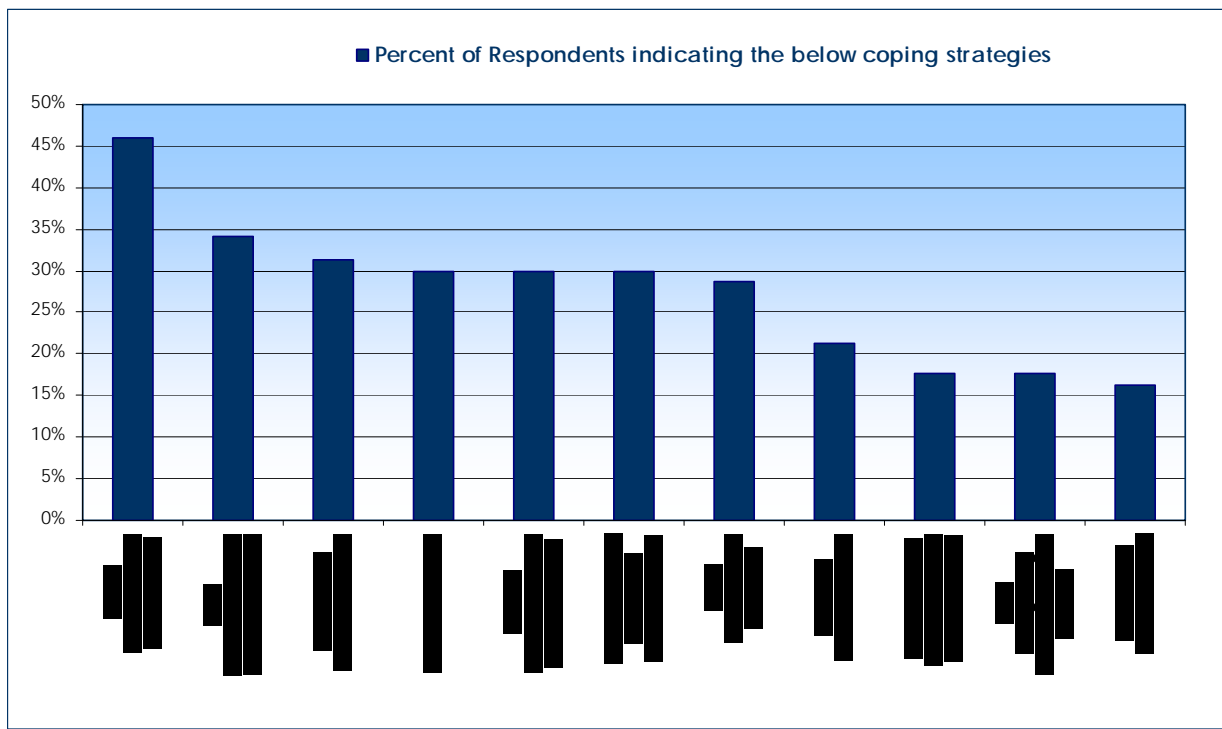
It should be noted that provinces which had high portions of households indicating unsafe drinking water as a main difficulty (such as; Xiengkhuang, Saravane, Sekong and Attapeu) also had high portions of households indicating sickness as another main difficulty.

The difficulties of debt repayment and loss of employment / reduced salaries impacts on a household's ability to purchase food and other essential items required to fulfill basic household needs.

## 1.8 Coping strategies being employed to overcome these difficulties:

On average, respondents indicated employing 3.22 coping strategies to deal with the main difficulties being experienced this year.

FIGURE 10: Household Level Survey: Coping strategies being employed to overcome main difficulties being experienced this year - percentage of respondents:



### 1.8.1 Collecting more food from the forest – 46 percent of households

Forests are of importance to most rural communities in the Laos, both as a direct source of food and as an income source in the form of collected NTFPs. However, access to natural resources in Laos is under pressure. The biggest threat to access to natural resources is competition from outside commercial actors, such as logging companies and large-scale plantations. In addition, foreign investment projects into hydro-power dams and mining have also contributed to a reduction of forest land in Laos. With increasing demands being placed on forests as a food and income source, their diminishing availability, there is reason to be concerned with the sustainability of this coping strategies.

Provinces indicating higher portions of household relying on forests for food were Luangnamtha (70 percent of respondents) and Xiengkhuang (60 percent) in the north and Sekong (90 percent), Khammouane (64%), Saravane (60 percent) and Attepeu (60 percent) in the south.

### **1.8.2 Buying on credit, borrowing or begging for food**

Combined together, similar coping strategies such as borrowing food, or relying on help from friends and relatives (31 percent of household responses), purchasing food on credit (21 percent) and begging (9 percent) represent strategies that indicate that households do not currently have the food stock or income to meet their food requirements and need to turn to these short term measures. Note these coping strategies are considered not to be sustainable as they are not derived from a household's productive livelihood activities and represent later resort fall back options.

### **1.8.3 Eating less or lower quality food**

There were high portion of households indicating eating less food at meals or reducing the number of meal eaten (30 percent of households responses), eating lower quality or less preferred food (34 percent) and adults eating less to allow for children (30 percent). This is concerning given households interviewed were in food insecure areas characterised with poor food consumption and these strategies would seem indicate they continue to struggle to maintain adequate food consumption throughout the year

The employment of these coping strategies were more common in Xiengkhuang, Khammouane, Saravane, Sekong and Attapeu.

### **1.8.4 Selling more animal than usual - 29 percent of households;**

In Laos, as in many developing countries, the family's buffaloes and cows are used as a saving mechanism. When a disaster strikes or there is a medical emergency, families rely of selling livestock. They act as a safety net and are often the most valuable asset in the household. Buffaloes are very valuable and being forced to sell them to cope with a dramatic stock can be a serious setback for a household. Cows and buffaloes also play a key role in livelihood as draught animals in the paddy fields.

Selling more animals than usual is likely to mean that households are depleting their asset base in order to survive current difficulties and are reducing their long term resilience to future food security shocks.

### **1.8.5 Increasing hours worked**

There were high portions of households indicating increasing the number of hours that males household members work (30 percent of household responses), increasing the number of hours that females and children household member work (18 percent) and household members migrating to find work and/or food (18 percent). These strategies become more concerning when considering they are being coupled with eating less which is not sustainable for health reasons and can result in the decreased ability of rural children to attend schooling.

### **1.8.6 Spending less on health care – 16 percent of households;**

Considering sickness was a main difficulty experienced by 54 percent of households surveyed, it is alarming that 16 percent of households were required to reduce expenditure of health care.

## Data sources;

### 7.2.5 Secondary literature review

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