Rapid Appraisal of Cross-Border Agricultural Business along NSEC: Focus on China-Laos Border

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Executive Summary

During the past decades, agriculture in the Greater Mekong Sub-region (GMS) has experienced noticeable diversification and many cash crops including cassava, sugar cane, maize and soybean have been extensively grown in addition to rice, the predominant agricultural product in the region. This agricultural development was facilitated mainly by infrastructure improvement and economic cooperation and integration in the GMS countries, especially under the context of thriving development of GMS economic corridors that link the sub-region to major markets, cradle centers for enterprise development, and bring together the diverse constituencies needed to catalyze progress towards an prosperous future of the sub-region.

With the majority of the poor population in the region engaged in the agricultural sector, promoting the development of agriculture has then emerged as one of the key strategies for poverty alleviation and economic development. However, because most of the farmers in the region have limited capital and practice subsistence rice farming, and lack access to necessary inputs to improve their productivity and income, farmers are often excluded from the benefits offered by a dynamic economic corridor.

Under these contexts, the Mekong Institute (MI), sponsored by the New Zealand Aid Programme, is therefore conducting studies on cross-border agribusiness (CBAB) along different GMS economic corridors that aim to examine the existing facilities, management policies and practices of CBAB, in particular cross-border contract farming (CBCF). One of the sub-studies is a rapid appraisal of the current situations of CBAB along the North-South Economic Corridor (NSEC) with a focus on China-Laos border.

The key findings of this field visit identified two main types of agricultural investments in northern Laos. One is the government-initiated agricultural cooperation program, in particular the Alternative Development Scheme aka Opium Substation Development Scheme supported by Chinese government. The other is individual small-scale contract farming investments by Chinese businessmen. Current and potential issues related to these agricultural investments were also examined, including border passings and custom clearance procedures. It was found that different types of investments have different procedures to allow their harvested products to pass the border into China.

With Laos still being underdeveloped, its government has limited financial support to address issues like lacking of irrigation systems, drought and flood control measures, roads and electricity supply. Agricultural management and technicians are in great needs. Good seeds, fertilizer, and pesticide and other agricultural supplements are also needed. The issues raised in the report require a comprehensive and consistent support from concerned government agencies, participating companies and communities, not only from within, but also from outside at regional and international level. When it comes to cross-border issues in particularly, it calls for more meticulous consideration on how to promote economic development and social and environmental progress.

Table of Contents

Chapter I: Introduction

During the past decades, agriculture in the Greater Mekong Sub-region (GMS) has experienced noticeable diversification and many cash crops including cassava, sugar cane, maize and soybean have been extensively grown in addition to rice, the predominant agricultural product in the region. This agricultural development was facilitated mainly by infrastructure improvement and economic cooperation and integration in the GMS countries, especially under the context of thriving development of GMS economic corridors that link the sub-region to major markets, cradle centers for enterprise development, and bring together the diverse constituencies needed to catalyze progress towards an prosperous future of the sub-region.

Figure 1: Key North–South Economic Corridor Provinces/Areas and Growth and/or Border Nodes

Source: ADB.

The North–South Economic Corridor (NSEC) is one of such corridors. NSEC was first identified by the GMS ministers at the 8th GMS Ministerial Meeting as one of the three priority projects under the economic corridor approach. It was subsequently included as one of the flagship programs under the Ten-Year GMS Strategic Framework endorsed by the leaders of the GMS countries during the first GMS Summit held in Phnom Penh, Cambodia in 2002.NSEC consists of three major routes along the north–south axis of the GMS (see GMS map highlighting these routes) that connect major population and economic centers in the northern and central parts of the sub-region, namely, (i) the Kunming–Chiang Rai–Bangkok via Lao People's Democratic Republic (Lao PDR) or Myanmar route (also referred to as the "Western Sub-corridor"), (ii) the Kunming–Hanoi–Haiphong route (also referred to as the "Central Sub-corridor"), and (iii) the Nanning–Hanoi via the Youyi Pass or Fangcheng–Dongxing–Mongcai route (also referred to as the "Eastern Sub-corridor").

Several project aimed at improving transport links in NSEC have been completed by efforts under the Cross-Border Transport Agreement (CBTA) and the Strategic Framework for Action on Trade Facilitation and Investment (SFA-TFI) to facilitate the movement of goods, people, and vehicles along the corridor. This enhanced connectivity has therefore created new channels and opportunities for cross-border trade and capital investment, particularly in agriculture. Trans-border sharing of agricultural resources and markets also opens up opportunities for cooperation in production, processing and value-added activities. Given the majority of the poor population in the region are engaged in the agricultural sector, promoting the development of agriculture has then emerged as one of the key strategies for poverty alleviation and economic development. However, since most of the farmers in the region have limited capital and practice subsistence rice farming, and lack access to necessary inputs to improve their productivity and income, farmers are often excluded from the benefits offered by a dynamic economic corridor. In this respect, contract farming (CF) as a commercial agricultural activity has gained much favor as a form of private sector involvement that can address some of the socio-economic disadvantages, especially in the provision of inputs, credit, improved technology, information and access to markets.

In the past few years, contract farming has been consistently promoted under multilateral agreements like ACMECS and AISP and other bilateral agreements. Enterprises from Thailand are investing conspicuously in Lao PDR and Cambodia and contract farming has been pursued in border areas in economic corridors like NSEC and SEC. CF arrangements, both large- or small-scale, between Thai companies and contract farmers from Cambodia and Lao PDR have been studied for a while. Nonetheless, the results from these studies are mixed due to various regulatory, logistic and financial barriers. Well-prepared cross-border agribusiness policies are called upon to be in place and enforced to ensure that both parties of the business benefit from the joint ventures and that the development is meeting the needs and at the same time, keeping a social, economic and environmental balance. On the other hand, few studies have been done with regard to cross-border agribusiness arrangements including CF between China and Lao PDR. In this case, this rapid appraisal of cross-border agricultural business along NSEC: Focus on China-Laos border tries to provide some initial findings on this front.

Chapter II: Study framework

Background of the study

With a booming agricultural development in the GMS region, the Mekong Institute (MI), sponsored by the New Zealand Aid Programme, is therefore conducting studies on cross-border agribusiness (CBAB) along different GMS economic corridors that aim to examine the existing facilities, management policies and practices of CBAB, in particular cross-border contract farming (CBCF). The results will help MI, as a human resource development center in the sub-region, better understand the current situation of CBAB and CBCF, and become more effective in planning, designing and implementing capacity development packages for concerned organizations and stakeholders in the sub-region. The results will also serve as baseline data for MI and its partners to conduct further studies on this issue to make CBAB beneficial in improving living standards of small farm holders in GMS and stimulating sustainable economic growth in the region. One of the sub-studies is a rapid appraisal of the current situations of CBAB along the North-South Economic Corridor (NSEC) with a focus on China-Laos border.

Key study questions

1. What are the main cross-border agribusiness and contract farming patterns along NSEC through case of China-Laos border?

2. How do CF enterprises, government agencies and contract farmers perceive this farming model?

3. What are the challenges and opportunities to boost agribusiness along NSEC?

Objectives of the study

1. To assess current facilities of NSEC and resources in relation to cross-border agribusiness between China and Lao PDR;

2. To examine current situation on quantity and management of cross-border CF arrangement;

3. To study current policies and measures taken by the government and investors in regard to cross-border agribusiness and agricultural trade;

4. To obtain perceptions of investors, contract farmers, government agencies and other stakeholders on cross-border CF, and identify related contributing and obstructing factors; and

5. To offer recommendations on how to improve cross-border agribusiness and CF in order to benefit small-scale farmers in the region.

Scope of the study

The study will focus on cross-border produces under CF arrangements only and the study location for NSEC will mainly cover China-Laos border areas between China's MenglaCounty in Xishuangbanna Prefecture, Yunnan Province and Lao PDR's Boten and Sing Districts, LuangNamtha Province, as shown in the map below.

Methodology

The methodology used in this research is mainly qualitative and descriptive. The research compiles relevant data from different sources and key informants including but not limited to (1) a review of documents related to CF, agricultural development and cross-border trade in GMS; (2) an Internet based search of recent media coverage of cross-border trade issues between China and Lao PDR; (3) a review of current government policies and regulations on CF and cross-border agricultural trade and investment; and (4) a review of documents, books, reports, studies, and conference proceedings made available through the Internet, including documents from the World Bank, ADB, United Nations, FAO, and other international organizations.

A field study at the border between China's Mohan Town and Lao PDR's Boten and Sing District was conducted. In the course of field study, primary data and sources were collected through the following methods:

1. In-depth interview of key informants including CF enterprises, traders, contract and non-contract farmers, concerned government agencies like agricultural department, extension service, and border custom office; and

2. Field observation to examine CF and typical agricultural production, basic infrastructure along NSEC, marketing facilities, agricultural and natural resources, etc.

Chapter III: Initial findings

With improved connectivity, GMS member countries increasingly sourced agri-food imports among themselves while simultaneously increasing exports outside of the subregion, demonstrating rapid regional integration of markets for agricultural products. Given the relatively compact geographic area of the GMS and the member countries' comparative advantage in agriculture, regional cooperation in this sector continues to be a high priority.

The GMS member countries have demonstrated their comparative advantage through expanded trade gaining a sizeable share of global markets for key food and agricultural products, such as rice, cassava, prawns, processed fish, poultry products, and rubber. The foundation of the subregion's agricultural comparative advantage is the quality of natural resources, fertile agro-ecosystems, and rich biodiversity. The challenge for GMS member countries is to pursue economic development without creating additional burdens on natural ecosystems thus, preserving biodiversity, and the quality of rural and urban life. The conservation of those resources is dependent on the capacity and commitment of GMS governments to collaborate regionally to improve the management of shared resources while pursuing economic growth.

Current policies related to agribusiness and CF in GMS

ACMECS and AFTA

The Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), launched by the Thai Government in 2003, has emerged as an important Thai Government policy instrument for promoting bilateral trade and investment between Thailand and its neighboring countries in GMS. This policy allows tariff-free importation of all approved agricultural products produced under contract farming in ACMECS member countries, including Cambodia, Lao PDR, Myanmar, and Vietnam. Over time, ACMECS has been useful in initiating the process of systematizing cross-border contract farming and establishing procedures for cross-border trading of commodities from producers participating in contract farming projects. With the full execution of ASEAN Free Trade Area (AFTA) by Thailand in January 2010, it is likely that cross-border contract farming will expand to take even greater advantage of the agro-ecological potential and comparative advantage of countries like Lao PDR and Cambodia for Thailand to produce a diversity of high value food and agricultural products including niche market and organic commodities, non-timber forest products, and natural crop and livestock products. The growing business in agriculture will stimulate economic corridors in a more dynamic way and make better use of the roads connecting these corridors. It may be possible to use the imminent AFTA trading system to further develop cross-border trading procedures to the next level; including requiring traders and agro-processors to have written contracts with producers or farmer groups or associations.

China-ASEAN Trade in Goods Agreement

The China-ASEAN Trade in Goods (TIG) Agreement, signed in July 2005, is likely to have a greater impact on Chinese cross-border contract farming enterprises in the northern uplands of Lao PDR. Under this agreement and others, China has declared special and preferential tariff treatment on more than 240 categories of goods exported from Lao PDR to China, with zero-tariff on approximately 600 agricultural raw materials. Though the TIG Agreement and the special and preferential tariff treatment for Lao products is not specifically aimed at promoting contract farming and agricultural trade, however, the ability to export from Laos a broad range of agricultural raw materials to China with zero import tariffs serves as an incentive for Chinese traders, investors, and agro- processors to source raw materials through contract farming arrangements.

China-Laos Agricultural Cooperation MOUs

Agricultural cooperation between China and Lao PDR started as early as 1995. The “MOU on Agricultural Cooperation” signed in November 2000 marked the official beginning of the cooperation between the two governments in agricultural sector. Several other agreements were also signed in 2001, 2006 and 2010, which are likely to stimulate agricultural trade and investment in Lao PDR in the years ahead. Agricultural sector has become a key cooperation component, and the cooperation efforts are conspicuous in the forms of official aid and investment, agriculture demonstration zones development and ad hoc investment projects.[1] These projects include trainings on hybrid rice growing, pesticides control, and in particular, cash crop plantations under the Alternative Development Scheme, which will be further elaborated in the following parts.

Agricultural policy of the Lao Government

The objectives set by the Lao Government in its 6th National Economic-Social Development Plan (2006-2010) already include the “continued shift in the structure of the agriculture and rural economy towards promoting of commercial agriculture.” The Plan also states “private initiatives including those by foreign investors and traders from neighboring countries to promote contract farming, especially in horticulture and tee crops are being encouraged.” Prime Minister of Lao PDR, Mr. BouasoneBouphavanh also confirmed the government support to contract farming as the preferred alternative to concessions and plantations, and emphasized that all investment projects including contract farming projects should have the potential to benefit local people.[2]

Cross-border agricultural trade status along NSEC

Agricultural trade volume at Laos-Thailand Border: Chiang Kong-Houayxay

Over the past 10 years, the trade passing through the Thailand-Laos border at Thailand's Chiang Khong port experienced a noticeable increase, reaching up to 264.5 million USD in 2011 compared to 18.8 million USD in 2001, and 49.1 million USD in 2007 when the Kunming-Bangkok Route was open. The main agricultural products being traded at the border are vegetables, fruits and flowers from China and Laos. (A detailed list of main traded products is given as attachment 1.)

Chiang Khong Customs House

Loading oranges from China at Chiang Khong Port

Agricultural trade at China-Laos border: Mengla – LuangNamtha

Over the years, the goods passing through the China-Lao border at Yunnan's Mengla County via the Kunming-Bangkok Route has increased tremendously. In 2011, the cross-border trade in Mengla County enjoyed a total trading value of 831 million USD compared to 128 million USD in 2007 when the Kunming-Bangkok Route was just completed and open to traffic. In addition to the only international land port at Mohan, there are also four small traditional land ports (Mengman, Manzhuang, Mengrun and Xinmin) and a Guanlei International River Port, serving as alternative passages for China-Lao trade especially in agricultural products. Generallt, Mohan Pland Port leads the trade in Mengla. In 2011 Mohan Port held a trading value of 664 million USD, accounting 80% of the total trading value. Mohan Port has become the third busiest border port in Yunnan after Ruili with Myanmar and Hekou with Viet Nam. The China-Lao trade has dominated Mengla Custom region for years. However, trade with Thailand passing Laos via Kunming-Bangkok Route or Mekong River has experienced noticeable increase. In 2010, the trade with Laos valued for 472 million USD while with Thailand for 246 million USD, an increase of 38.8% and 61.6% compared to 2009.[3]Vegetables, fruits and flowers trading play a dynamic role in Mengla's cross-border economic activities. In 2010, the trading value for these three products reached to 121 million USD, 80.14 million USD and 13.91 million USD, respectively, which accounted for almost 1/3 of Mengla's total trading value of 753 million USD in 2010 (See attachment 2 for more details).

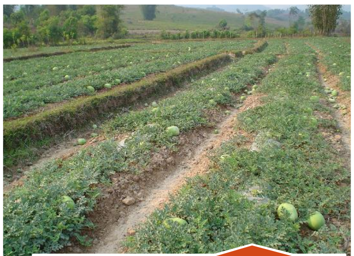
With the establishment of the China-ASEAN Free Trade Area, cross-border trade is mostly likely to expand. In the meantime, a serious of infrastructure projects, cross-border facilitation agreements, and agricultural cooperation MOUs and programs have also been achieved by the efforts of concerned governments and international development agencies such as ADB and FAO. Nonetheless, challenges still exist. Cross-border contract farming, in particular between China and Laos remains limitedly studied.

Cross-border agricultural investments between Laos and China

A large number of cross-border agricultural investments are taking place in northern provinces of Laos that border with China. However, these agricultural investments can be generally categorized into two groups by types of investments -- one is the government-initiated agricultural cooperation program and the other is individual investment of small-scale contract farming by Chinese businessmen.

Rubber plantations

Bananas plantations



Watermelon plantations

1 Government-initiated Alternative Development Scheme

1.1 Background

The Chinese government-initiated agricultural cooperation program is mainly referred to as the Alternative Development Scheme or more directly, the Opium Substitution Development Program. The alternative development cooperation started as early as 1991 in northern Myanmar and Laos where opium cultivation still dominated large parts of the region. The cooperation was carried out in various forms such as economic cooperation, financial support and agricultural technology training. However, these activities were rather dispersed and inconsecutive, and mainly by individual companies in large-scale rubber plantations and other crops like sugarcane, tea and corn. In 2005, the Yunnan Province Party Committee issued a policy document "Dissolving the Main Task of People's War Against Drugs for 2005," and put the Yunnan Provincial Department of Commerce responsible for organizing and coordinating development programs "in the peripheries".[4]The following year the State Council approved a poppy substitution development program for Myanmar and Laos, and created a special Opium Replacement Fund.[5] Since then the Chinese government has been actively promoting the scheme and mobilizing Chinese companies to take part.

The focus of the scheme to reduce opium cultivation is on overall economic development by integrating the local economy of the border regions of Myanmar and Laos into the regional market, and through bilateral relations with authorities and businessmen across the border. According to the Chinese government, the substitution projects have achieved several successes in the program areas such as creating a new source of income for local farmers; strengthening infrastructure conditions; improving knowledge and agricultural production technologies; putting into practice new theories on the fight against drugs; and enhancing good relationships with neighboring countries. The program gained much support from the host countries as a means to reduce poverty and advance socioeconomic development, and it also echoed with their policies to end shifting cultivation and opium cultivation. It is reported that the average annual income of participating areas increased to the present 1000 yuan from 200 yuan in the past.

1.2 Policies towards the Alternative Crop Substitution Scheme

Chinese companies participating in the cross-border development schemes receive several state and provincial level financial incentives. These include easing bureaucratic impediments for investment, loosening labor regulations, providing subsidies and import tax and VAT waivers, and most importantly, granting permission to import crops produced under the scheme, as imports to China are subject to import quotas which can be difficult to obtain.

The Chinese government has set several conditions for companies that are willing to participate in this program. The most fundamental one is that these investments should contribute to socioeconomic development of the local regions. If the company performs well, the government will subsidize a certain amount of money per mu (0-30 yuan/mu, 15 mu equal 1 hectare). The government encourages diversification of crops, but in practice, mono-plantations still predominate the scheme, usually rubber, which accounts for more than half of total areas under the scheme. Most importantly, rubber is a key strategic commodity for China's industry, together with coal, iron and petroleum. Domestically, rubber can only be grown in Yunnan and Hainan provinces, where further expansion is limited by scarcity of suitable land. Rubber plantations in Laos and Burma, where land and labor are cheap and local land tenure nearly non-existent are of great strategic importance in satisfying China's growing domestic demand.[6]This explains why rubber is widely promoted compared to other cash crops such as sugarcane, rice and maize. Up to 2011, around 100 companies from Yunnan have invested 1,150,000 mu of land in northern Laos under alternative development scheme,[7] and with Mengla County accounting for 76% of the total invested lands (see attachment 3 for more details). However, it should be noted that there are discrepancies in national land data between and within ministries and departments, and between government data and the reality on the ground due to inconsistent reporting of the companies and lack of field verifications.

Chinese companies complain that the subsidies are difficult to obtain, as some of the subsidies are associated with loans from commercial banks. If banks do not approve the loans, the subsidies therefore cannot be obtained. "The big money for me is from exports to China. We get tariff and VAT exemption," claims one Chinese businessman. But all that notwithstanding, "From our perspective, it is over-regulated."

Some studies report that on the China-Myanmar border some Chinese traders abuse the schemes by pretending to plant crops, but in fact are only buying up local produce from farmers in Myanmar, bringing it into China free of customs duty, and making enormous profits.[8] The Chinese government temporarily suspended the opium substitution program in early 2010 to evaluate its successes and failures. And now, China and the provincial government do not approve new companies to participate in the schemes nor expand plantation areas. The government is more willing to support the current participating companies that are of good reputation and trustful, and tries to diversify products such as short-term crops and livestock. Approving new investment would cause issues such as relocation and environmental disturbance, which is obvious for rubber and sugarcane plantations that may result in loss of biodiversity in natural forestry ecosystems. This decision shall allow current development schemes to generate long-term and stable benefits.

1.3 Background of rubber plantations in northern Laos

In the mid-1990s two concurrent processes, one supported by the Lao and Chinese governments and the other by Lao villagers' own initiatives, spearheaded rubber development in northern Laos. The first project in Ban Had Ngao village in LuangNamtha Province, backed by the local government, began in 1994. Other villages in the province soon engaged in rubber cultivation through informal contracts with Chinese entrepreneurs, often from the same ethnic group.

From about 2000 to 2005, the LuangNamtha Provincial Government encouraged rubber development through business and bilateral government linkages with neighboring Chinese county governments especially Mengla County. In addition, the Lao government passed a new law promoting foreign investment. Many contingent factors converged during this time, such as a spike in rubber prices, bad weather destroying rubber crops in southern China and government curtailment of rubber expansion in Xishangbanna. But, it was the implementation of China's opium crop substitution policy that provided the main impetus and capital to subsidize the Chinese agricultural development boom in northern Laos. Nearly all large-scale official Chinese rubber investments in northern Laos are part of China's opium replacement policy.[9]

Formalization through bilateral agricultural development agreements has led to a recent surge in large-scale rubber establishment in northern Laos. The availability of official Chinese investment through provincial government channels has also influenced the business model, regarding both smallholder contract farming and large-scale concessions.

The confusing mixture of informal and formal rubber contracts, both smallholder and concessions, has led to a jump in planned and already planted rubber, which appear to far outpace the earmarked total by national government authorities.

In LuangNamtha province, where the rubber boom had encouraged heavy investment, 16,000 hectares of rubber were planted in November 2007, only 4,000 hectares less than 20,000 hectare cap set in the province for 2010. In just Muang Sing district alone, 6,500 hectares were planted by the end of 2007, with over 75 percent of the villages growing rubber. Muang Long district had planted 1,700 hectares by 2007. LuangNamtha province now has about 29,000 hectares of rubber plantations, established by domestic and Chinese businesses. About 10,000 hectares are now ready to harvest, while the rest of the trees will mature between 2015 and 2020.[10] In Oudomxai province, by mid-2008

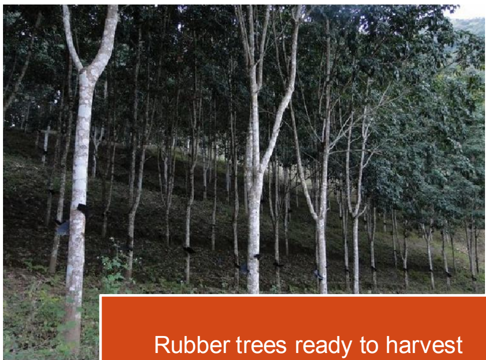
4,600 hectares of a planned total 34,000 were growing. Actual planted area is higher than official totals because many villagers are making deals with informal investors for contract farming arrangements without reporting to their local government agencies to avoid government oversight and taxes.[11]

1.4 Rubber development models in northern Laos

A variety of arrangements are currently being implemented following national and local government mandates, villager preferences and Chinese business practices. Provincial governments usually promote a ‘2+3’ contract-farming model, by which villagers provide land and labor (the ‘2’) and investors contribute capital, technique and market access (the ‘3’). The profit sharing arrangement is 70 percent for the villagers, and 30 percent for the companies, which pay various taxes to the government. This ‘cooperative’ arrangement between farmers and investors is intended to lessen coercion. But confusion remains regarding how villagers ‘provide’ land and labor.[12]

While provincial governments promote this model as an exemplary form of development, what often develops is a concession-type arrangement. In reality, more of a ‘1+4’ scheme is implemented, in which villagers only provide the land, in exchange for only about 30 percent of any future profits (reversing the shares of the ‘2+3’ model). Villagers may opt to provide wage labor for the plantations, but sometimes labor comes from outside the village.

The ‘1+4’ concessionary model arrangement has a more top-down governance approach than the ‘2+3’, which in theory offers greater decision-making power to villagers. Under the ‘1+4’ model, large Chinese companies approach the provincial and national authorities that subsequently exert pressure on lower government levels to procure enough land to fulfill the contract in that district.



Rubber trees ready to harvest

Cultivated rubber plantations

The different development models are difficult to identify in practice. The main distinction is the type of investment: smallholder investment through familial ties and informal contracts versus large-scale, mostly foreign, companies with top-down investment contracts. Villagers tend to favor small-scale unofficial arrangements because of the greater trust among parties, more secure financial return, better understanding of land use rights and familial ethnic social linkages.[13]

But in some cases villagers desire the more concessionary '1+4' model because companies retain more control over their rubber production, and the concomitant business pressures. Villagers get paid every season as wage laborers, and don't have to contend with the demands and stresses that the '2+3' model often requires. If the more concessionary approach is attractive because villagers earn some compensation for their years of labor until rubber is tapped, this option is not free of problems.

Tension exists between proponents of smallholder and concession models, and between provincial/district and national government agencies on how to proceed with rubber development. For example, the provincial governments in three northern provinces, LuangNamtha, Bokeo and Oudomxai, all agreed on promoting smallholder plantation development instead of land concessions for rubber. However, the national government supported large-scale rubber concessions operated by influential Chinese companies, such as Yunnan Rubber, a Lao subsidiary of Yunnan State Farms.[14]

Although the formal bilateral concessionary model arrangements are becoming increasingly prevalent in northern Laos, the contribution of unofficial contracts establishing smallholder plantations through small investors is not insignificant. These sorts of informal, often verbal, contracts continue to play an important role in transferring technical expertise to upland villages comprising similar ethnic identities.[15]This more decentralized, voluntary, smallholder process facilitated by cross- border intra-ethnic group identity is completely absent in northern Myanmar.

2 Small-scale contract farming investment by Chinese businessmen

Individual agricultural investment can be more flexible and dispersed in northern Laos compared to the government-initiated programs. Registered trade companies, farmers cooperatives and some individual businessmen are involved in such investments. The main crops planted by Chinese companies or businessmen are banana, watermelon and fresh vegetables like chili and green bean. These investments usually are carried out in informal contract or through familial ties on a small-scale basis. Formal contracts with local governments or contract farmers are sometimes missing. However, even for the signed contracts, enforcement still remains a question.

2.1 Contract farming within Mengla County, China

As a commercial agricultural production arrangement, contract farming has been practiced by many farmers cooperatives[1] registered in Mengla County over the past three to four years. It is reported that 90% of the winter plantation has been cultivated under contract farming arrangement. Mohan Xingnong Vegetable Cooperative (Xingnong for short

[1] These cooperatives' main purpose is not to make profit but provide their members with necessary services on market dealings. However, when dealing with other economic organizations or non-members of the organization, the cooperative will often seek to maximize the profits. For the profits, a small portion will be kept as common savings for the long-term development of the cooperative, but the majority will be returned in proportion to the members according to the amount of transactions between members and the cooperative.

hereafter) is one of such farmers cooperatives specialized in vegetable contract farming in Mohan Town, Mengla County. The cooperative has been very successful in conducting contract farming within the county and its operation can be representative of small-scale contract farming models in the region.


Green beans fields near Mohan Village


Winter veggetable fields with banana trees on hillside

2.1.1 Introduction to Xingnong Cooperative

Established in December 2008, Xingnong has now grown into one of the key players in promoting Mohan's modern agricultural development. It now has more than 136 households as regular members, and established long-term and stable contract relationships with other 800 more households in Mohan Town. Since 2010, Xingnong has cultivated 400 ha of winter crops like green been and chili by contracting local farmers with its annual income from winter agricultural production over 12 million yuan.[16] In addition to fresh produce production, Xingnong is also involved with cross-border agricultural trade and cross-border contract farming in Laos, which they just started two years ago.


Xingnong's cooling storage

Xingnong's office

2.1.2 Xinnong Cooperative's CF activities

There are no strict criteria to join the cooperative as long as the farmer has spare land, especially during the winter. The cooperative follows a quasi "3+2" model that farmers provide land and labor while the cooperative provides capital (seeds, pesticides, fertilizer and mulch), technology (trainings) and marketing (harvesting and purchasing). And the cooperative does not require the farmers to repay the capital, as a business strategy of the cooperative. It is likely that returns will be enough to cover the input while still making a considerable profits. The operation uses a pattern called “cooperative – demonstration site – farmers” where the cooperative offers a series of services before, during and after the harvest including training, seedling, mentoring, purchasing and selling. Market information and technical training are provided to cooperative members and contract farmers by the cooperative and concerned government agencies. Government funding is also available for improving basic facilities, quality and quantity control, product standard setting and product branding.

The main benefit to join the cooperative as a member is the price guarantee. When the cooperative collect products and it pays according to the predetermined price, even if the market price is low. Non-cooperative members can also invest and grow winter agricultural products, and they can sell at a higher price. However, they will also have to face higher risks because of market fluctuation. In this case, becoming a cooperative member is much securer and attractive to local farmers. And cooperatives’ reputation is good, that’s why many people join.

There is rare contract breach given the following reasons. 1) There are several cooperatives who are predominating in its own geographical areas. The farmers belonging to certain area and receiving service from one cooperative will not sell their products to outsider cooperatives even if that cooperative provides a higher purchasing price to their own contract farmers. 2) The cooperatives and participating farmers know each other well and the local cooperatives are usually of good reputation. The cooperative will pay according to the predetermined price even if the market price is lower than the predetermined price, and they become trustful and even received support from the governments. For example, with funding from the government to enhance basic facility construction, material subsidies and trainings, Xingnong was able to increase its purchase capacity of agricultural products under contract arrangements. A storage house with other logistic and packaging facilities were built and put into use in 2010, which further equipped the cooperative with a capacity of processing up to 5000 tons of vegetables per year, and more agricultural products have been sold outside the province and to neighboring Laos and Thailand. In 2010, 3870 tons of agricultural products were purchased from farmers in Mohan.[17]

2.1.3 Success factors of Xingnong in Mengla

The manager of the cooperative, Mr. ZHANG Weiping, also the Party Secretary of Shangyong Village, is a pioneer that leads local communities for economic development and poverty reduction, and he is seen as the son of Mohan Economic Development Zone. He is well-known in the region and even nicknamed as King of Vegetable in Mohan. Several factors contribute to the success of Xingnong Cooperative.

1. The results are indeed benefiting and participating farmers are better off and enjoy increased income and positive changes in their daily lives.

2. Personal competence and reputation. Working as village party secretary and community leader has endowed Mr. ZHANG with good network relationships with his and

other community members and resources. In particular, he has good reputation which makes contract farmers trust him and willing to join his cooperative and work with him.

3. Support from governments at both county and state level is increasing since Xingnong has developed a successful poverty reduction approach in Mengla. The support includes favorable policies (case-based border passing convenience, learning visit opportunities to Laos and Thailand, coordinating support from local Chinese government when dealing with Lao counterparts and communities), and funding of 3 million to expand the operation of the cooperative by building a larger cool storage facility.

However, it is also worth noticing the expansion of personal interests due to rising power among the communities when the issue becomes too personal. Nonetheless, it all falls on the personal cultivation and morality of the leader, whether he is whole-heartedly dedicated to the common prosperity of the community, and is not just about himself and pursuing his own gain.

2.2 Cross-border contract farming schemes in Laos

There are two contract farming schemes carried out by Chinese investors in Laos, one is the quasi 2+3 model while the other is quasi 1+4 model. Which model to choose usually depends on the harvesting cycle as well as the nature of the contract crops in terms of whether they are short- or long-term products, and the difficulty of production management. Another difference also lies behind whether the price predetermined is subject to change.

2.2.1 Scheme 1: Quasi 2+3 Model

Take Xingnong Cooperative as an example. The contract products were chili and green beans. A final purchase price is set based on the projected market price before plantation. The price for last year was 1.2 yuan per kilogram for Lao farmers, a bit lower than in Mengla, which was 1.5 yuan per kilogram. The cooperative provided contract Lao farmers with seeds, fertilizers and trainings with a technician stationed at Lao site to monitor the growing for at least 6 months. At first, Xingnong went to district agricultural office. And with their help, Xingnong signed contract with participating farmers containing predetermined price, invested materials, and responsibilities. When the crop is harvested, the farmers were paid in cash and the products were transported back to China. For Lao farmers, they only provided land and labor and they did not need to repay the credits provided by the cooperative.

Xingnong started cross-border contract farming since late 2010, mainly growing vegetables in LuangNamtha and Oudomxay Provinces in Laos. However, according to Mr. ZHANG Weiping, the overall quality of the harvested products was not good enough, and the products transported back needed to be re-selected again for qualified one to meet the standards. The elimination rate was estimated at around 10-20%, which is likely due to low skills of local farmers, weak soil management and quality control during the production. Now, however, Xingnong started thinking of different ways about how to conduct contract farming in Laos. Since Laos connects with two large markets, China and Thailand, therefore for the following contract season, which contract products to grow will be based on the market needs and price from China and Thailand, and the harvested products from Lao contract farmers can go either to Chinese or Thai markets, depending on which market's price is higher.

The harvested products will be stored in the cooperative's cooling storage for sorting, packaging and redistribution. Final products were destined to other parts of China, i.g. Zhengzhou City, capital of Henan Province in central China, which is also the biggest vegetable retailing center in the country. It usually takes 2-3 days for the products to reach the retailing center in Zhengzhou.

Photos of sorting vegetables

Packaged chili

According to Mr. ZHANG Weiping, four major factors contribute to the decision of conducting contract farming in Laos including geographical convenience, rich land resources, cheaper labor force and suitable climate for growing vegetables and fruits. Cheaper production cost in Laos by CF serves as the main attributive factor. A ¼ reduction in costs is observed for fresh produce production in Laos under CF arrangements, while contracted Lao farmers gain an average income of 313 USD. In 2011, the cooperative only contracted 2000-mu land in Laos during dry season to grow chili and green beans and the contract will be renewed yearly based on the willingness of the farmers. However, challenges exist such as weak agricultural conditions especially in regard to mature irrigation systems, coordination with concerned Lao governments, language barriers and cultural differences in terms of working styles and skill trainings.

2.2.2 Scheme 2: Quasi 1+4 Model

This scheme mainly applies to Chinese investors engaged in banana, watermelon, and pumpkin plantations with Lao farmers in informal contracts. Chinese investors usually rent lands and hire a small number of Lao farmersto help grow the products. This scheme does not set a final purchase price, and the price will depend on the market price when the products are harvested. When the products are ready to harvest, Chinese trucks with package boxes will go to plantation sites and package the products on site and transport them back to China.

Watermelon fields in Laos

Banana fields in Laos

Banana plantations are prevailing under this scheme in northern provinces of Laos such as LuangNamtha, Bokeo and Oudomxay. It has been five years since farmers started planting banana trees, and they have been harvesting the fruit for the past four years.[18]Local farmers usually rent their land to Chinese investors who send teams of technical advisors and laborers during the growing season. The rental for land varies between 3,000 baht (780,000 kip) to 5,000 baht (1.3 million kip) depending on its location. However, the rental in Laos is still cheaper compared to China, which can amount to 1000-2000 yuan (4800 – 9600 baht) depending on the convenience of transportation. The companies usually enter into contracts to rent the land from farmers for four years, when it is believed the quality of the bananas will no longer be suitable for export.

Farmers of the land and other nearby villagers may opt to provide labor during the planting in December and January at 15,000 kip per day, and during the harvest season during March and April at 500,000-700,000 kip per truckload. Farmers are also paid one baht for every kilogram of bananas they grow, and those engaged in the scheme are now earning about 100,000 baht (26 million kip) per season per family.[19] When the bananas are transported back to China, sales for the bananas in good quality and condition can make a net profit of 6 yuan(around 30 baht) per kilogram.

Only in Sing and Long districts in LuangNamtha Province, more than 1200 hectares of bananas have been planted (see table 4 for more details).

Table 4: Banana Plantation in Sing and Long Districts, LuangNamtha Province

Banana plantation	Sing District	Long District
No. of project	36 (31 China, 5 Laos)	11 (10 China, 1 Laos)
Areas	877.73 ha	373 ha
No. of households	656 in 65 villages	n/a
Investment amount	3,526,257.3 USD	n/a

There have been some issues with banana, watermelon and other plantations in Laos, especially in regard to products quota and quality. For bananas, if the harvested products do not meet the requirement set by the Chinese collectors, it would be difficult for the farmers to sell in local markets given the local markets do not like Chinese type bananas. While for watermelon plantation, so far, most locals do not dare to invest and manage the watermelon cultivation themselves without Chinese assistance because of quota requirements and the delicate nature of successful watermelon cultivation. If the rains are not adequate and timely, large numbers of plants can be unproductive. Chinese collectors may refuse to pay anything for the substandard yields and unqualified products concerning the size of the products. However, watermelon, not like bananas, has a local market to consume, and undersized watermelons can be sold locally or to other provinces.

Another issue would be that since many plantations are carried out in irrigated areas and rice fields, and LuangNamtha provincial authorities have directed the agriculture and forestry sector to advise farmers not to use their irrigated rice fields for banana cultivation because of the impact it will have on rice production and food security in the plantation areas.

Farmers waiting for trucks

Harvested bananas

Loaded trucks waiting to cross the border

Loading packaged watermelons

Packaged watermelons

Cross-border procedures and custom clearance

For the products under two different types of agricultural interests, the government-initiated alternative program and individual small-scale contract farming, there are also different ways for them to get custom clearance and pass the border.

Products under Alternative Development Scheme

For products under opium development scheme, companies need to first obtain government approval for import-export quota. Before the end of July each year, companies' applications for the quota are submitted to the concerned department (Alternative Development Office housed at commerce department at county, prefecture and provincial level) and the quota will then be approved by the end of August if there is no objection from public announcement or other problems related to forged information. The estimated quota will be based on the verified grown areas, and annual yield per mu standard from agricultural department or other certificated organizations, and certificates from Lao local governments at district level and above. When the harvested products are ready to be picked up and transported back to China, companies will first report ahead of time to concerned agencies like customhouse and inspection and quarantine bureau. After get the approval, the products can pass the border in designated port or passage under inspection of the concerned agencies.

Products of small-scale contract farming investment

However for individual investment, especially small-scale vegetable and watermelon plantations, the products will be traded under the Border Residents Trade Fair Scheme, which allows each border resident to carry goods worth up to 8000 yuan per day for cross-border trade with tariff and VAT exemption. Take the practice of Xingnong Cooperative for example. They use small trucks to transport harvested products with each load worth 8000 yuan to pass the border. And, if needed, they will hire more residents who hold the quota to transport the goods by several times if there are more goods to be brought back in one day. Nonetheless, this scheme is only applicable to small quantities of goods. If there are large quantities of goods such as bananas, problems may rise. During the research, the researcher heard from the government agencies that 40 more trucks with packaged bananas were blocked at Mengman Passage between Laos and China stating the products held no formal documents. However, the solution was then simple let them pass in consideration of the following reasons: 1, the decreasing price of bananas this year; 2 banana growers and farmers already suffer considerable loss and 3, the freshness of bananas as agricultural products that cannot be stored. However, it is advised this is only a temporary solution and in the future, strict regulations will be imposed in regard to these issues.

Small truck (white) used by Xingnong for bringing back vegetables from Laos with each load worth 8000 yuan

Large trucks for bringing bananas and watermelons

Other products, especially those from Thailand passing through Laos are subject to preferential or regular tariff set by agreements between China and Thailand (see table 5 below about the tariff). To qualify for China's preferential tariff towards imported agricultural products, it requires of certificates of origin. However, in the past, this was not strictly enforced due to various reasons in terms of custom facilitation and staff capacity and mechanism incompetence (businessmen's personal connections for example). With the establishment of China-ASEAN Free Trade Area (CAFTA), it seems that China is taking actions on restricting agricultural imports. And without certificates of origin, it is getting more and more difficult for neighboring countries' agricultural products, especially those grown under CF arrangements in Laos to pass China's borders. The aforementioned banana truck event is such a case. Many products under CF are grown and collected by individual Chinese investors who do not consult with Chinese governments or Lao governments thoroughly in regard to policies and custom clearance. These investments are mostly stimulated and driven by inordinate profits from growing anti-season products like bananas and watermelon thanks to giant Chinese markets where the northern provinces suffers winter while the south offers the land and climate to grow needed products. These unsolicited investments could have brought about huge loss to the investors if they fail to let their products pass Chinese border without full packages of documentation, among which certificate of origin and certificate of green food and/or chemical free food are those most critical. The Lao issue agency for the certificate of origin, in particular China-ASEAN Free Trade Area Preferential Tariff Certificate of Origin (Form E), was recently changed from the Ministry of Commerce to the Lao National Chamber of Commerce and Industry (LNCCI) starting from July, 2012. And now according to LNCCI, new issuing procedures are being under discussed and standardized, and will be published soon.

Table 5: Chinese Tariff under different schemes

Schemes	Tariff (Conventional or Preferential)	Regular (The most-favored-nation rate of duty)
Opium Development Scheme	0%	
Border Residents Trade Fair Scheme	0%	

Lao government has the policy of tariff exemption for exporting agricultural products to China. Companies only need to pay the profit tax on the Lao side. Some other administration fees will be charged such as custom processing, truck and passengers’ fee when the products pass the border.

It is reported that local custom office of Mohan has developed coordinative mechanism with other concerned government agencies like border immigration office and quarantine check office to ensure smooth border passing for agricultural goods. They also open special passages for perishable agricultural products such as fruits, vegetables and flowers to pass border in a timely manner. However, goods are still subject to being rechecked by Lao custom agencies even if China and Thailand have signed the bilateral agreement on fruit trading via Kunming-Bangkok Route.

China – Thailand Trade Through Laos

Though China has signed the GMS Cross Border Transport Agreement (CBTA), however, little progress has been made in their implementation, with negotiation of MOUs for CBTA implementation still to be completed or initiated in some cases. Under this circumstance, for example, Thai trucks are not allowed to run in China and most of the goods are exchanged at designated area at the border. The goods are either unloaded to the storage and reloaded to Chinese trucks, or packed in cooling containers while Chinese trucks take the whole containers directly, which the latter form seems to play a bigger role in the trades. Another example is the project of “in exchange for oil from Thailand with Yunnan's vegetables” for example; which oil containers from Thailand and Yunnan’s vegetables (packed in cooling containers) are exchanged at Mohan where Thai trucks bring back Yunnan’s vegetable containers and Yunnan’s trucks’ get oil containers. This form also applies to the project of “in exchange for tropical fruits from Thailand with Yunnan’s fresh flowers and temperate fruits”, which was endorsed by the governments of Yunnan and Thailand. However, due to political instability and less favorable policies compared to other ports, potentials for these projects to grow still remain.

Infrastructure and facilities development

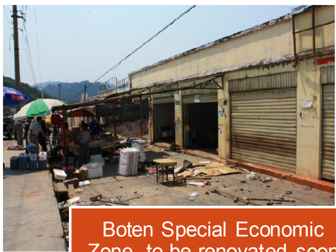
Borders between China and Laos

Currently there are 1 international land port (Mohan-Boten), 4 traditional passages (Mengman/Chahe-Panghai, Manzhuang, Mengrun, and Xinmin) and 1 river port (Guanlei Dock) that serve as key entry-exit channels for agricultural trades between China and GMS countries, particularly Laos, Thailand and Myanmar (see table 5below for more details on current status of each border in terms of infrastructure and facilities development, and see attachment 3 for the map on China-Laos borders).

Road from Luang Namtha to Boten Border

Boten Customs House

Boten Immigration Office



Boten Special Economic Zone, to be renovated soon

New areas of Boten Special Economic Zone

Mohan Border of China

The table below gives details about infrastructure and facilities development of each border and passages.

Table 5: Infrastructure and facilities development at China-Laos borders

Port / Passage	Current status	Work to be done
Mohan - Boten	- Most advanced - Government agencies including customhouse, inspection and quarantine bureau, immigration - Road is well paved and facilities are in full service	Learn from Ruili Port (China-Myanmar) Model: allow products to get further processed in the designated area within China, near the border while the checkpoint and custom agencies move toward inland for some distance. So when products are processed with more added value, then use the new products which may enjoy favorable tariff policies to report to the customhouse, compared to raw materials. The model can also increase local employment opportunities as well.
Mengman - Panghai	- Connects to LuangNamtha's Sing District - Mainly for alternative development products and bananas - Facilities are built and upgraded recently for government offices, inspection and quarantine - Finished the Master Plan for Mengman Passage - Finished land requisition	- Will be promoted to national level land port - Will build Mengman Passage Industrial Park, which will cover 3.06 square kilometers. The park is divided into 3 subzones: 1. Processing and storing zone (1 km2) for agricultural products produced under alternative scheme; 2. Administration and inspection and immigration check zone (1 km2) for gov't staff, goods, passengers and vehicles, and 3. Living and trading zone (1.06 km2) for service sectors and facilities.
Mengrun	- Connects to LuangNamtha's Sing District - Mainly for alternative development products and bananas - Have basic facilities for immigration - Custom clearance and inspection and quarantine check will be conducted by appointment	Will continue upgrading the passage and correlative services and facilities in terms of roads, inspection, storage, logistics, etc.
Manzhuang	- Connects to Phongsali Province of Laos - Facilities are built and upgraded for government	Will continue upgrading the passage and correlative services and facilities in terms of roads, inspection, storage, logistics, etc.

	offices, inspection and quarantine - Open passenger service bus route between Mengla to Phongsali through Manzhuang Passage - Upgraded the road between Manzhuang Village and Nan Kexin in Laos	
Xinmin	- Connects to Oudomxay Province of Laos - Only open for the people with border residents border pass - Outsiders are not allowed to pass, which resulted in small trade and transportation activities - Paved road - Have basic facilities for immigration - Custom clearance and inspection and quarantine check will be conducted by appointment	Will continue upgrading the passage and correlative services and facilities in terms of roads, inspection, storage, logistics, etc.
Guanlei Dock	- Connects to Laos on land and situated to the east of Myanmar across the Mekong River - Facilities are put in service for custom, inspection and government offices - Finished Master Plan for Guanlei Dock - Mainly for trade between Thailand and China	According to the Master Plan, the dock will be divided into 3 parts: A Zone for logistics, trade, education, hospital, hotels, entertainments; B Zone for ship maintenance, container pier, and storage; C Zone will be tourism spot area along the river


Road to Panghai Border


Panghai Border Customs House


Road into China at Panghai Border of Laos


Road to Xinmin Passage of China

Kunming-Bangkok Route

The most subsections of Kunming-Bangkok Route in Yunnan between Kunming and Mohan Land Port have been either newly built or upgraded to meet the standard. Most part of the section in Thailand has also been completed. The sections in Laos between Boten to Houayxay have been upgraded except for the Houayxay-Chiang Khong 4th Mekong International Bridge, which is still under construction. The target date of completion is 2013. However, the road in Laos is rather winding because of its mountainous surroundings, and many car accidents happened on this road.

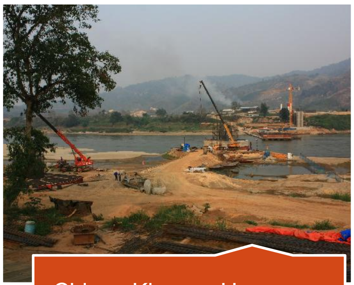
Winding road between Luang Namtha to Houayxay

Car accidents on the road

There are several issues that have direct impact on the trade along NSEC via Kunming-Bangkok Route. In addition to the aforementioned cases like uncompleted bridge between Chiang Khong and Houayxay and double check of goods from Lao authorities, as well as container exchange at the border, two other factors also requires attentions. One is the cooling storages and other good loading and logistic facilities for checking and redistribution are still lacking at the border areas between China and Laos, which there is one big cooling storage is being built in Boten. The other is about security issue on Mekong River. Suspension of international shipping services on the Mekong River because of the deadly attacks on Chinese cargo ships in October 2011 has caused serious negative impacts on cross-border trading by shipping, which was reported to have decreased remarkably by 50%.[20]From Chiang Saen side, the suspension also has an effect to trade value approximately 300-400 million baht per day. An extra export cost of 200 CNY/ton via land transportation bypassing Laos has kept many export-import companies at bay, especially those who are used to ship trading. A great deal of agricultural products destined to Thailand were transferred to other markets or just simply stored at the harbor for the reopening of the shipping service.   Nonetheless, these issues need to be negotiated and addressed at national level.

Ferry at Chiang Khong

Trucks waiting for the ferry



Chiang Khong - Houayxay Bridge construction site

Chapter V: Conclusion and Recommendations

Given Laos is still underdeveloped, its government has limited financial support to address issues like lacking of irrigation systems, drought and flood control measures, roads and electricity supply. Agricultural management and technicians are in great needs. Good seeds, fertilizer, and pesticide and other agricultural supplements are also needed. The issues raised above require a comprehensive and consistent support from concerned government agencies, participating companies and communities, not only from within, but also from outside at both regional and international level. When it comes to cross-border issues in particular, it calls for more meticulous consideration on how to promote economic development and social and environmental progress.

A series of suggestions are provided below:

For investors who have been engaged and about to invest in cross-border agricultural business:

1. Chinese investors should fully investigate the real situation in Laos and gestate a clear aim and goal for investment projects; need to know more related policies and regulations to avoid investment in blindness as well as opportunism, e.g. unable to implement project after having the land approved.

2. Be more active in investment projects that are supported and encouraged by Lao government such as plantation and processing of rice, corn, cassava, banana, and other livestock raising; and be cautious and wary of involving in projects that hold concerns of Lao government and that would jeopardize local environment and ecology (like large-scale rubber and sugarcane plantations).

3. Make best use of China's advantage in capital, management and techniques, attract local gov't and communities to participate and cooperate, be initiative to teach agricultural experiences and train local technicians, and advance local economic development. Effective training, trustfulness and local governments' and communities' cooperation are key to the success of the investment.

For the difficulties and issues in cross-border procedures:

4. Companies should consult related government agencies such as customhouse, inspection and quarantine and immigration offices to make sure harvested products can pass the border in a smooth way, and obtain related documents to allow favorable tariff policies to benefit cross-border agricultural trade.

5. Both related governments should work on standardizing and reducing cross-border procedures concerning custom clearance and inspection, and put CBTA into implementation; governments shall intervene the contract farming market to give guidance and reduce casual investments; the involvement of government who can provide supervision and consultation is critical to avoid investment in blindness; enforcement of contract and guarantee need to be put in place to increase mistrustfulness among traders, investors and contract farmers. This can be initiated and provided by local chambers of commerce.

For the physical infrastructure and soft investment in Laos:

6. Cultural and social difference shall be taken into account when deciding to invest in a foreign country. Language barriers should also be mitigated by training more technicians who can speak Chinese and Lao.

7. Infrastructure and facilities development support are also in great need in terms of cooling storage, transportation, logistic services, etc.


Cooling storage construction site at Boten


Chiang Saen Port


Chinese ships at Chiang Saen Port

List of attachments

Attachment 1	Agricultural trade at Chiang Khong border 2001-2011
Attachment 2	Agricultural trade at Mengla County 2009-2011
Attachment 3	Map of China-Laos borders
Attachment 4	Land areas under Alternative Development Scheme in northern Laos
Attachment 5	Schedule of the field visit
Attachment 6	Persons met during the visit
Attachment 7	ASEAN-China Free Trade Area Preferential Tariff Certificate of Origin Form E sample
Attachment 8	ASEAN Customs Declaration Document sample
Attachment 9	Receipt of Customs Automation Fee in Laos
Attachment 10	Fee charges for vehicle crossing the border in Laos by Lao Customs House
Attachment 11	Fee charges by Inspection and Quarantine Bureau in Laos
Attachment 12	Sample of contract with Lao farmers (in Lao), provided by Sing District Planning and Investment Office
Attachment 13	Sample of contract with Lao farmers (in Chinese), provided by Xingnong Cooperative
Attachment 14	Literature review on contract farming
Attachment 15	List of reference

Attachment 1: Agricultural trade at Chiang Khong border 2001-2011

Source: Chiang Khong Custom House Website

Year	Vegetables		Fruits		Flowers		Rubber		Maize		Others: seeds, seaweed, etc.		Livestock/Meat		Total Agri-trade	Total Trade
	Volume/kg	Value/$	Volume/kg	Value/$	Volume/kg	Value/$	Volume/kg	Value/$	Volume/kg	Value/$	Volume/kg	Value/$	Volume/kg	Value/$	Value/$	Value/$
Import																
2001											213,805	34,810	10298head	56,023	90 833	6,620,455
2002			388,000	155 045											155 045	4,237,054
2003			424,400	178 785							13,715	43,493	829head	114,929	337 207	4,394,249
2004											2,973,619	539,597	1911head	199,333	733 930	6,926,740
2005											490,684	238,051	1585head	171,692	409 744	10,604,913
2006															0	15,460,925
2007									15,592 200	1,354,146					1,354 146	23,752,203
2008			92678box	721 697	8773box	625,472			22,555 020	2,297,424					3,644 594	28,991,006
2009	9,672,350	4,681,227	4,306,831	3,004 678	67037box	3,351,264			6,205 728	892,331	711,822	326,515			12,756 516	29,009,749
2010	37,920,729	15,723,994	14,071,956	7,724 599	97179box	7,637,456					714,720	718,052			31,804 101	54,102,594
2011	64,200,504	26,076,747	23,463,350	13,569 432	127739box	9,724,107			3,033 500	462,367					49,832 652	73,171,335
Export																
2001															0	12,280,326
2002															0	10,853,314
2003															0	12,671,597
2004							1,240 000	1,528,431							1,523 481	13,675,438
2005							1,100 000	1,359,242							1,359 242	23,127,305
2006															0	29,617,341
2007															0	25,393,156
2008							180 000	540,000							540 000	39,908,325
2009			9,381,001	3,164 557			748 000	1,037,235							4,201 792	56,795,302
2010			33,448,283	9,801 852	3,098,633	2,421,354	576 045	1,558,536					1,734 376	1,984,079	15,765 821	100,213,583
2011			82,129,536	23,015 986	4,941,899	3,530,561							7,314 046	13,815,660	45,362 207	191,327,186

Attachment 2: Agricultural trade at Mengla County 2009-2011

Year	2009		2010		2011	
Products	Volume (ton)	Value (Mil. USD)	Volume (ton)	Value (Mil. USD)	Volume (ton)	Value (Mil. USD)
Vegetables	61,064	61.3	76,879	121	151,400 (First 3 qtrs.)	231 (First 3 qtrs.)
Fruits	62,937	55.15	56,958	80.14		
Flowers	3,628	8.00	6,392	13.91		
Above Total:	127,629	124.45	140,229	215.05	151,400 (Jan.-Oct.)	231 (Jan.-Oct.)
Mohan Total Trade:	380,864	363	617,000	563	697,000	664
Mengla Total Trade:	548,000	520.7	754,000	753	887,400	831

In 2010:

For Mohan: trade with Laos: 435 million USD, with Thailand: 128 million USD

For Mengla: trade with Laos: 472 million USD, with Thailand: 246 million USD, with Myanmar: 8.37 million USD

Difference between Mohan and Mengla, especial with Thailand, lies behind the Guanglei Dock and Mengrun Passage.

Mohan Customs: Mohan Land Port, Menghai, Manzhuang, and Xinmin Passages

Mengla County Customs: Mohan Customs, Guanlei Dock and Mengrun Passage

Source: General Administration of Customs of PRC website, Department of Commerce of Yunnan Province website, Bureau of Commerce of Xishuangbanna Prefecture, Yunnan Province, interview with Mohan Economic Zone Foreign Affairs and Tourism Bureau, March 21, 2012

Attachment 3: Map of China-Laos borders

Attachment 4: Land areas under Alternative Development Scheme in northern Laos

	No. of companies	Land areas (mu)
Yunnan	Around 100	1,150,000

Source: Mengla County Bureau of Commerce, 2012

Attachment 5: Schedule of the field visit

Cross-border agricultural trade mission to Lao PDR, China and Thailand
Time: 14-23 May 2012

Day	Date	Time	Program Description
1	Wed, 14 March	10:30-11:30 15:00-16:00	ERIT/Ministry of Commerce Lao Airlines QV601, Vientiane to LuangNamtha (1 hr) *Stay overnight in LuangNamtha*
2	Thu, 15 March	9:30-11:00 13:30-15:00 15:30-17:00	Department of Planning and Investment Department of Agriculture and Forestry Department of Industry and Commerce *Stay overnight in LuangNamtha*
3	Fri, 16 March	8:30-9:30 10:00-11:00 12:00-17:00	Leave LuangNamtha to Boten Boten Custom House Investigate CF sites in Boten and interview Lao farmers *Stay overnight in LuangNamtha*
4	Sat, 17 March	8:30-9:30 10:00-17:00	Leave LuangNamtha to other border passages in Laos Investigate CF activities in the area and interview Lao farmers *Stay overnight in Luan g Namtha*
5	Sun, 18 March	8:30-10:00 10:30-11:30 13:00-18:00	Leave LuangNamtha to Mohan Town Mohan local village Leave Mohan to Jinghong *Stay overnight in Jinghong*
6	Mon, 19 March	9:30-11:00 13:00-15:00	Xishuangbanna Foreign Affairs Office Xishuangbanna Economy and Commerce Bureau *Stay overnight in Jinghong*
7	Tue, 20 March	7:20-11:00 11:10-12:30 15:20-16:20 16:30-18:00	Leave Jinghong to Mengla Mengla County Foreign Affairs Office Mengla County Agricultural Bureau Mengla County Bureau of Economy and Commerce *Stay overnight in Mengla County*
8	Wed, 21 March	9:00-10:00 10:00-13:00 15:30-17:00	Mengla County to Mohan SEZ Mohan Foreign Affairs and Tourism Bureau Mohan Xingnong Vegetable Cooperative *Stay overnight in LuangNamtha*
9	Thu, 22 March	8:00-12:00 13:00-14:00 14:30-16:30	Leave LuangNamtha to Huayxay to Chiang Khong Minivan – 4 Hrs Meet Mr. Stuart Ling Observe cross-border facilities at Thai-Lao border *Stay over in Chiang Khong*
10	Fri, 23 March	9:00-10:00 10:20-12:00 13:30-15:00 15:30-17:00	Chiang Khong Custom House Leave from Chiang Khong to Chiang Saen Local bus –1.5 Hrs Chiang Saen Port Leave Chiang Saen to Chiang Rai *Stay over in Chiang Rai*
11	Sun, 25 March	20:00 – 6:00	Leave Chiang Mai to KhonKaen

Attachment 6: Persons met during the visit

Name	Position	Organization	Contact Details
Vientiane/LuangNamtha, Lao PDR 14/03/2012			
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LuangNamtha, Lao PDR 15 - 17/03/2012			
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Mr. YANG Wei	Businessman	Yang Wei Plantation and Trade	Sing District LuangNamtha, Lao PDR

Name	Position	Organization	Contact Details
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LuangNamtha, Lao PDR &Mohan, China 18/03/2012			
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Jinghong, China 19/03/2012			
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Ms. BAI Ling	Foreign Trade Division Staff	Xishuangbanna Bureau of Commerce	No. 17 Menghun Rd. Jinghong City, Yunnan Tel.: 0691 2124844 Email: bnbl70@126.com
Mengla County, China 20/03/2012			
Mr. MA Chengchun	Director	Foreign Affairs Office of Mengla County	No. 137 MenglaZhengjie Mengla County, Yunnan Cell: 13578151795 Tel.: 0691 8122239 Email: 18852464@qq.com
Mr. YAN Zhuang	Deputy Director	Mengla County Bureau of Agriculture	Mengla South Rd. Mengla County, Yunnan Tel.: 0691 8128900
Mr. WANG Shengxing	Deputy Director	Mengla County Bureau of Commerce	Mengla North Rd. Mengla County, Yunnan Tel.: 0691-8129749

Name	Position	Organization	Contact Details
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Mohan Town, China 21/03/2012			
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Mr. ZHANG Hua	Staff	Mohan Economic Zone Foreign Affairs and Tourism Bureau	Mohan Town, Mengla County, Yunnan Cell: 13988122155
Mr ZHANG Weiping	General Manager	Mohan Xinnong-Vegetable Cooperative	Mohan Town, MenglaCounty, Yunnan Cell: 13708612077
Huayxay, Lao PDR 22/03/2012			
Mr Stuart Ling	Independent consultant		Tel.: 856 20 55336934 Email: stuart.ling@y7mail.com
Chiang Khong and Chiang Saen, Thailand 23/03/2012			
Mr. PoonkhaninKuanaboon	Customs Specialist	Chiang Khong Customs House	66 Moo 2, Wieng, Chiang Khong, Chiang Rai Tel.: 053 791435 Ext.4402 Fax: 053 791435 Cell: 085 521 5523 Email: Chiangkhongcustoms @yahoo.com ck_customs@hotmail.com
Mr. SompontVontsawatsakul	Customs Specialist	Chiang Saen Customs House	Chiang Saen Customs House, Wieng, Chiang Saen District, Chiang Rai Tel.: 053 777 097 Fax: 053 777 098

Attachment 7: ASEAN-China Free Trade Area Preferential Tariff
Certificate of Origin (Combined Declaration and Certificate) Form E (sample)

Original

1.Goods consigned from (Exporter's business name, address, country)
GUANGZHOU GUIYU TRADE DEVELOPMENT CO.,LTD
NO. 971, HUANGPU DADAO DONG, HUANGPU DISTRICT, GUANGZH-OU, CHINA

Reference No. E084401810440086

ASEAN-CHINA FREE TRADE AREA
PREFERENTIAL TARIFF
CERTIFICATE OF ORIGIN
(Combined Declaration and Certificate)

FORM E

Issued in THE PEOPLE'S REPUBLIC OF CHINA
(Country)

See Notes overleaf

2.Goods consigned to (Consignee's name, address, country)
ALUPANORAMA METALS SDN BHD
LOT 3806, NO. 140-A, LORONG 10 D, KG BARU SUBANG, 40150
SHAH ALAM, SELANGOR, MALAYSIA

3.Means of transport and route (as far as known)

Departure date NOV. 07, 2008

Vessel's name / Aircraft etc. QING GANG 238 081107

Port of discharge PORT KLANG

FROM HUANGPU, CHINA TO PORT KLANG, MALAYSIA

4.For official use

☐ Preferential Treatment Given Under ASEAN-CHINA Free Trade Area Preferential Tariff

☐ Preferential Treatment Not Given (Please state reason/s)

Signature of Authorised Signatory of the Importing Country

5.Item number	6.Marks and numbers on packages	7.Number and type of packages, description of goods (including quantity where appropriate and HS number of the importing Country)	8.Origin criterion (see Notes overleaf)	9.Gross weight or other quantity and value (FOB)	10.Number and date of invoices
1	N/M	FOUR (4) PACKAGES OF ALUMINIUM COIL H.S CODE 760611 *** *** *** *** ***	"X"	22501KGS USD: 67968.45	08MA20-AM48 NOV. 05, 2008

11.Declaration by the exporter

The undersigned hereby declares that the above details and Statement are correct; that all the goods were produced in

CHINA
(Country)

and that they comply with the origin requirements specified for these goods in the ASEAN-CHINA Free Trade Area Preferential Tariff for the goods exported to

MALAYSIA
(Importing Country)

GUANGZHOU, NOV. 06, 2008

Place and date, signature of authorised signatory

12.Certification

It is hereby certified, on the basis of control carried out, that the Declaration by the exporter is correct.

GUANGZHOU, NOV. 06, 2008

Place and date, signature and stamp of certifying authority

CN 8017435

Attachment 8: ASEAN Customs Declaration Document

ASEAN CUSTOMS DECLARATION DOCUMENT

- 1. Type of declaration
- A. CUSTOMS OFFICE OF LODGEMENT
- 2. Exporter / Consignor
- 3. Forms
- 4. Customs reference number: .... Date: ....
- 5. Total items
- 6. Total packages
- 7. Declarant reference number
- 8. Importer / Consignee
- 9. Transport document number (B/L, AWB), UCR
- 9.A. Cargo manifest reference
- 10. Date of importation / exportation
- 12. Gross weight (Kg)
- 14. Identification of declarant / Representative
- 15. Country of exportation
- 15.A. C.E code
- 17.A. C.D code
- 16. Country of origin / Code
- 17. Country of destination
- 18. Identification and nationality of means of transport
- 19. Ctr
- 20. Terms of delivery
- 21. Identification and nationality of means of transport crossing the border
- 22. Payment currency / Total invoiced amount
- 23. Exchange rate
- 24. Nature of trans.
- 25. Mode of transport
- 27. Place of unloading/loading
- 28. Financial and banking data
- 29. Customs office of entry / exit
- 30. Location of goods
- 31. Container identifier, marks and number of packages, number and type pf packages and description of goods
- 32. Item No.
- 33. Commodity Tariff Code (AHTN)
- 34. C.O code
- 35. G.W (Kg)
- 36. Preference
- 37. Procedure code
- 38. N.W (Kg)
- 39. Quota / License
- 40. Previous customs document / Summary declaration
- 41. Suplementary quantity
- 42. Item price
- 43. Val.code
- 44. Other information covering the liability of goods to specific requirements
- 45. Adjustment
- 45.A. Customs val. after adjust (LAK)
- 46. Statistical value

47. Collection of duties and taxes

Type of duty-tax	Calculation base	Rate	Amount	MP
Duty				
Cons. tax				
VAT				
Profit tax				
Total:				

- 48. Deferred payment of duty / tax / fee
- 49. Identification of customs warehouse

B. ACCOUNTING DETAILS

Receipt number: ....

Date: ....

47.A. Total amount of Customs duties and taxes

Type of duty / tax	Duties and taxes collected
Duty	
Consumption tax	
VAT	
Profit tax	
Total amount:	

VALUATION DETAILS

22A. Total invoiced amount (LAK):	
Freight paid or payable(LAK):	
Insurance costs (LAK):	
Other charges (LAK):	

54. Authentification: We hereby certify that the information contained in all pages of this declaration submitted are the best of our knowledge and belief true and correct.

Place: .... Date: ....

Status of declarant: ....

Name of declarant / representative: .... Signature: ....

Name and signature of customs inspector(s):

Date: ....

Name: .... Signature: ....

Name and Signature of Chief of Customs office of entry / exit point:

Date: ....

Name: .... Signature: ....

2. ຜູ້ສົ່ງອອກ / Exporter / Consignor

1. ລະບອບໃບແຈ້ງພາສີ
Type of declaration

3. ເລກໝາຍຈຳນວນຊຸດ / Forms

ເລກທີໃບແຈ້ງພາສີ / Customs reference number:................................

31. ເຄື່ອງໝາຍ ແລະ ເລກໝາຍຫີບຫໍ່ສິນຄ້າ: ຕູ້ສິນຄ້າເລກທີ: ຈຳນວນຫີບຫໍ່ສິນຄ້າ: ລາຍການສິນຄ້າ:	Container identifier, marks and number of packages, number and type of packages and description of goods	32. ລຳດັບສິນຄ້າຕາມເບີ Item No.	33. ເລກລະຫັດສິນຄ້າ Commodity Tariff Code (AHTN)		
			34. ລະຫັດປະເທດຕົ້ນກຳເນີດ / C.O code	35. ນ້ຳໜັກລວມ / G.W (Kg)	36. ການໃຫ້ສິດທິພິເສດ / Preference
			37. ລະບອບສະສາງ / Procedure code	38. ນ້ຳໜັກຈິງ / N.W (Kg)	39. ໃບອະນຸຍາດ / Quota / License
			40. ໃບແຈ້ງຄັ້ງກ່ອນເລກທີ / Previous customs document / Summary declaration		
			41. ປະລິມານຕໍ່ຫົວໜ່ວຍ / Suplementary quantity	42. ລາຄາສິນຄ້າ / Item price	43. ລະຫັດມູນຄ່າແຈ້ງ / Val.code
44. ເອກະສານປະກອບ	Other information covering the liability of goods to specific requirements		45. ມູນຄ່າດັດປັບ / Adjustment	45.ກ. ມູນຄ່າພາສີຫຼັງດັດປັບ / Customs Val. after adjust (LAK)	
				46. ມູນຄ່າທີ່ວໜ່ວຍສະຖິຕິ / Statistical value	

31. ເຄື່ອງໝາຍ ແລະ ເລກໝາຍຫີບຫໍ່ສິນຄ້າ: ຕູ້ສິນຄ້າເລກທີ: ຈຳນວນຫີບຫໍ່ສິນຄ້າ: ລາຍການສິນຄ້າ:	Container identifier, marks and number of packages, number and type of packages and description of goods	32. ລຳດັບສິນຄ້າຕາມເບີ Item No.	33. ເລກລະຫັດສິນຄ້າ Commodity Tariff Code (AHTN)		
			34. ລະຫັດປະເທດຕົ້ນກຳເນີດ / C.O code	35. ນ້ຳໜັກລວມ / G.W (Kg)	36. ການໃຫ້ສິດທິພິເສດ / Preference
			37. ລະບອບສະສາງ / Procedure code	38. ນ້ຳໜັກຈິງ / N.W (Kg)	39. ໃບອະນຸຍາດ/Quota/License
			40. ໃບແຈ້ງຄັ້ງກ່ອນເລກທີ / Previous customs document / Summary declaration		
			41. ປະລິມານຕໍ່ຫົວໜ່ວຍ / Suplementary quantity	42. ລາຄາສິນຄ້າ / Item price	43. ລະຫັດມູນຄ່າແຈ້ງ / Val.code
44. ເອກະສານປະກອບ	Other information covering the liability of goods to specific requirements		45. ມູນຄ່າດັດປັບ / Adjustment	45.ກ. ມູນຄ່າພາສີຫຼັງດັດປັບ / Customs Val. after adjust (LAK)	
				46. ມູນຄ່າທີ່ວໜ່ວຍສະຖິຕິ / Statistical value	

31. ເຄື່ອງໝາຍ ແລະ ເລກໝາຍຫີບຫໍ່ສິນຄ້າ: ຕູ້ສິນຄ້າເລກທີ: ຈຳນວນຫີບຫໍ່ສິນຄ້າ: ລາຍການສິນຄ້າ:	Container identifier, marks and number of packages, number and type of packages and description of goods	32. ລຳດັບສິນຄ້າຕາມເບີ Item No.	33. ເລກລະຫັດສິນຄ້າ Commodity Tariff Code (AHTN)		
			34. ລະຫັດປະເທດຕົ້ນກຳເນີດ / C.O code	35. ນ້ຳໜັກລວມ / G.W (Kg)	36. ການໃຫ້ສິດທິພິເສດ / Preference
			37. ລະບອບສະສາງ / Procedure Code	38. ນ້ຳໜັກຈິງ / N.W (Kg)	39. ໃບອະນຸຍາດ / Quota / License
			40. ໃບແຈ້ງຄັ້ງກ່ອນເລກທີ / Previous Customs document / Summary declaration		
			41. ປະລິມານຕໍ່ຫົວໜ່ວຍ / Suplementary quantity	42. ລາຄາສິນຄ້າ / Item price	43. ລະຫັດມູນຄ່າແຈ້ງ/Val.code
44. ເອກະສານປະກອບ	Other information covering the liability of goods to specific requirements		45. ມູນຄ່າດັດປັບ / Adjustment	45.ກ. ມູນຄ່າພາສີຫຼັງດັດປັບ / Customs Val. after adjust (LAK)	
				46. ມູນຄ່າທີ່ວໜ່ວຍສະຖິຕິ / Statistical value	

47. ຄ່າພາສີອາກອນ ແລະພັນທະອື່ນໆ

Collection of duties and taxes

ປະເພດພາສີ-ອາກອນ / Type of duty-tax	ພື້ນຖານຄິດໄລ່ / Calculation base	ອັດຕາ / Rate	ຄ່າພາສີ-ອາກອນ / Amount	ວິທີສະສາງ / MP	ປະເພດພາສີ-ອາກອນ / Type of duty-tax	ພື້ນຖານຄິດໄລ່ / Calculation base	ອັດຕາ / Rate	ຄ່າພາສີ-ອາກອນ / Amount	ວິທີສະສາງ / MP
ພາສີ / Duty					ພາສີ / Duty				
ອກຊ / Cons. tax					ອກຊ / Cons. tax				
ອມພ / VAT					ອມພ / VAT				
ອກລ / Profit tax					ອກລ / Profit tax				
ລວມຍອດ / Total:					ລວມຍອດ / Total:				

ປະເພດພາສີ-ອາກອນ / Type of duty-tax	ພື້ນຖານຄິດໄລ່ / Calculation base	ອັດຕາ / Rate	ຄ່າພາສີ-ອາກອນ / Amount	ວິທີສະສາງ / MP	ປະເພດພາສີ-ອາກອນ / Type of duty-tax	ຄ່າພາສີ-ອາກອນ / Amount	ວິທີສະສາງ / MP
ພາສີ / Duty					ພາສີ / Duty		
ອກຊ / Cons. tax					ອກຊ / Cons. tax		
ອມພ / VAT					ອມພ / VAT		
ອກລ / Profit tax					ອກລ / Profit tax		
ລວມຍອດ / Total:					ລວມຍອດ / Total:		

← ສະຫຼຸບ/Summary

ສະເພາະເຈົ້າໜ້າທີ່ພາສີ
For Official Use Only

ໃບບັນທຶກກວດປ່ອຍສິນຄ້າ

ອີງຕາມໃບແຈ້ງພາສີເປັນລາຍລະອຽດ, ສະບັບເລກທີ:......................., ລົງວັນທີ: ....,
ໃນເວລາ:......................ຂອງວັນທີ:... ....ພວກເຮົາເຈົ້າໜ້າທີ່ພາສີ ດັ່ງມີລາຍຊື່ລຸ່ມນີ້:

1..., 3...
2..., 4...

ຮູບການກວດກາ: ☐ ບໍ່ກວດກາ ☐ ກວດກາເອກະສານ ☐ ໃຊ້ສະແກນເນີ ☐ ກວດສິນຄ້າຕົວຈິງ
ໄດ້ກວດກາສິນຄ້າຂອງບໍລິສັດ.., ໂດຍຊ້ອງໜ້າທ່ານ..................................
ຢູ່ທີ່:.................................... ບັນທຸກໃສ່ລົດຈຳນວນ.............ຄັນ, ໝາຍເລກທະບຽນ.............................
ຜ່ານການກວດກາສິນຕົວຈິງເຫັນວ່າ:

		ໝາຍເຫດ
☐	ເອກະສານປະກອບໃບແຈ້ງ	
☐	ຈຳນວນຫີບຫໍ່	
☐	ເຄື່ອງໝາຍການຄ້າ	
☐	ຊະນິດສິນຄ້າ	
☐	ເລກລະຫັດສິນຄ້າ	
☐	ປະເທດຕົ້ນກຳເນີດ	
☐	ອື່ນໆ	
☐	ໃບແຈ້ງພາສີເປັນລາຍລະອຽດ	

– ການກວດກາສິນຄ້າໄດ້ສິ້ນສຸດລົງໃນເວລາ.........................., ຂອງວັນທີ.............................., ພ້ອມດຽວກັນ ນັ້ນກໍ່ໄດ້ປິກຜ້າບັດ ☐ ບໍ່ໄດ້ປິກຜ້າບັດ ☐ ປິກຜ້າບັດໜີບກົ່ວ ☐ ຢັ້ງຢືນວ່າຜົນການກວດກາສິນຄ້າຖືກຕ້ອງຕາມການແຈ້ງໃນເບື້ອງຕົ້ນ.

ດ່ານພາສີ...................
(ພະນັກງານກວດກາສິນຄ້າ)
ຊື່ ແລະ ລາຍເຊັນ

ໝາຍເຫດ:

☑ ຮັບໄດ້
☒ ຮັບບໍ່ໄດ້ (ກວດກາຄືນ)

ຄຳເຕືອນ: ເມື່ອຂົນສິນຄ້າຂຶ້ນລົດເປັນທີ່ຮຽບຮ້ອຍແລ້ວ ຕ້ອງຢູ່ໃນການຄວບຄຸມຂອງເຈົ້າໜ້າທີ່ພາສີ ເພື່ອລໍຖ້າການຊຳລະສະສາງ ແລະ ໄດ້ຮັບອະນຸຍາດຈາກຄະນະດ່ານເສຍກ່ອນຈຶ່ງປ່ອຍສິນຄ້າອອກຈາກສາງໄດ້.

ສະເພາະພະນັກງານ / For Officers Only

ຫ້ອງທີ 1
ຂົນສົ່ງຜ່ານແດນ
ດ່ານພາສີ / ປະເທດ
Box 1
Transit point / Country

ດ່ານພາສີບ່ອນສິນຄ້າເຂົ້າ
Entry point

ປະທັບກາ
Stamp

ໜີບກົ່ວ / Seal

☐ ໜີບກົ່ວລົດຂົນສົ່ງ / Sealed truck
☐ ສະພາບເດີມ / Good condition
☐ ໜີບກົ່ວຕູ້ບັນຈຸ / Sealed container
☐ ໜີບກົ່ວໃໝ່ / Re-sealed

ວັນທີ / Date:.................................. ລາຍເຊັນ / Signature..................................

ດ່ານພາສີບ່ອນສິນຄ້າອອກ
Exit point

ປະທັບກາ
Stamp

ວັນທີ / Date:.................................. ລາຍເຊັນ / Signature..................................

ຫ້ອງທີ 2
ຂົນສົ່ງຜ່ານແດນ
ດ່ານພາສີ / ປະເທດ
Box 2
Tranist point / Country

ດ່ານພາສີບ່ອນສິນຄ້າເຂົ້າ
Entry point

ປະທັບກາ
Stamp

ໜີບກົ່ວເພີ່ມ / Additonal seal

ເລກທີໜີບກົ່ວ / Sealed code

☐ ບໍ່ / No
☐ ໄດ້ / Yes

ວັນທີ / Date:.................................. ລາຍເຊັນ / Signature..................................

ດ່ານພາສີບ່ອນສິນຄ້າອອກ
Exit point

ປະທັບກາ
Stamp

ວັນທີ / Date:.................................. ລາຍເຊັນ / Signature..................................

ຫ້ອງທີ 3
ດ່ານພາສີ / ປະເທດ
ບ່ອນສິນຄ້າມາຮອດ
Box 3
Destination point / Country

☐ ໄດ້ສົ່ງຫາຫ້ອງພາສີສຸດທ້າຍບ່ອນສິນຄ້າມາຮອດ / Destination point
☐ ການຂົນສົ່ງຜ່ານແດນໄດ້ສິ້ນສຸດລົງ / End of transit

ວັນທີ / Date:.................................. ລາຍເຊັນ / Signature..................................

ດ່ານພາສີສຸດທ້າຍບ່ອນສິນຄ້າມາຮອດ
Customs control at destination point

ປະທັບກາ
Stamp

ວັນທີ / Date:.................................. ລາຍເຊັນ / Signature..................................

ພວກຂ້າພະເຈົ້າ ເຊິ່ງມີຊື່ ແລະ ລາຍເຊັນຂ້າງລຸ່ມນີ້ ຂໍຢັ້ງຢືນວ່າການແຈ້ງສິນຄ້າເຄື່ອງຂອງຢູ່ຂ້າງເທິງນີ້ ແມ່ນຖືກຕ້ອງແທ້ ແລະ ພວກຂ້າພະເຈົ້າຮັບປະກັນວ່າ ຈະສົ່ງສິນຄ້າດັ່ງກ່າວໃຫ້ໄປເຖິງປະເທດປາຍທາງ. ຖ້າບໍ່ດັ່ງນັ້ນ ພວກຂ້າພະເຈົ້າຂໍຮັບປະກັນວ່າ ຈະຍິນຍອມໃຫ້ປະຕິບັດມາດຕະການ ຕາມທີ່ໄດ້ກຳນົດໄວ້ຢູ່ໃນກົດໝາຍພາສີແຫ່ງ ສປປ ລາວ.

We, by the names and signatures listed below, certify that the above declaration of goods is true and correct and we ensure that the goods will be transported to final destination. Otherwise, we shall be liable for Lao Customs Law.

ຜູ້ຄ້ຳປະກັນ / Gurantor

ຜູ້ຂົນສົ່ງ / Transport operator

Attachment 9: Receipt of Customs Automation Fee in Laos

Attachment 10: Fee charges for vehicle crossing the border in Laos by Lao Customs House

VI. ຄ່າທຳນຽມລົດຜ່ານແດນປະເພດຕ່າງໆເກັບດັ່ງນີ້:

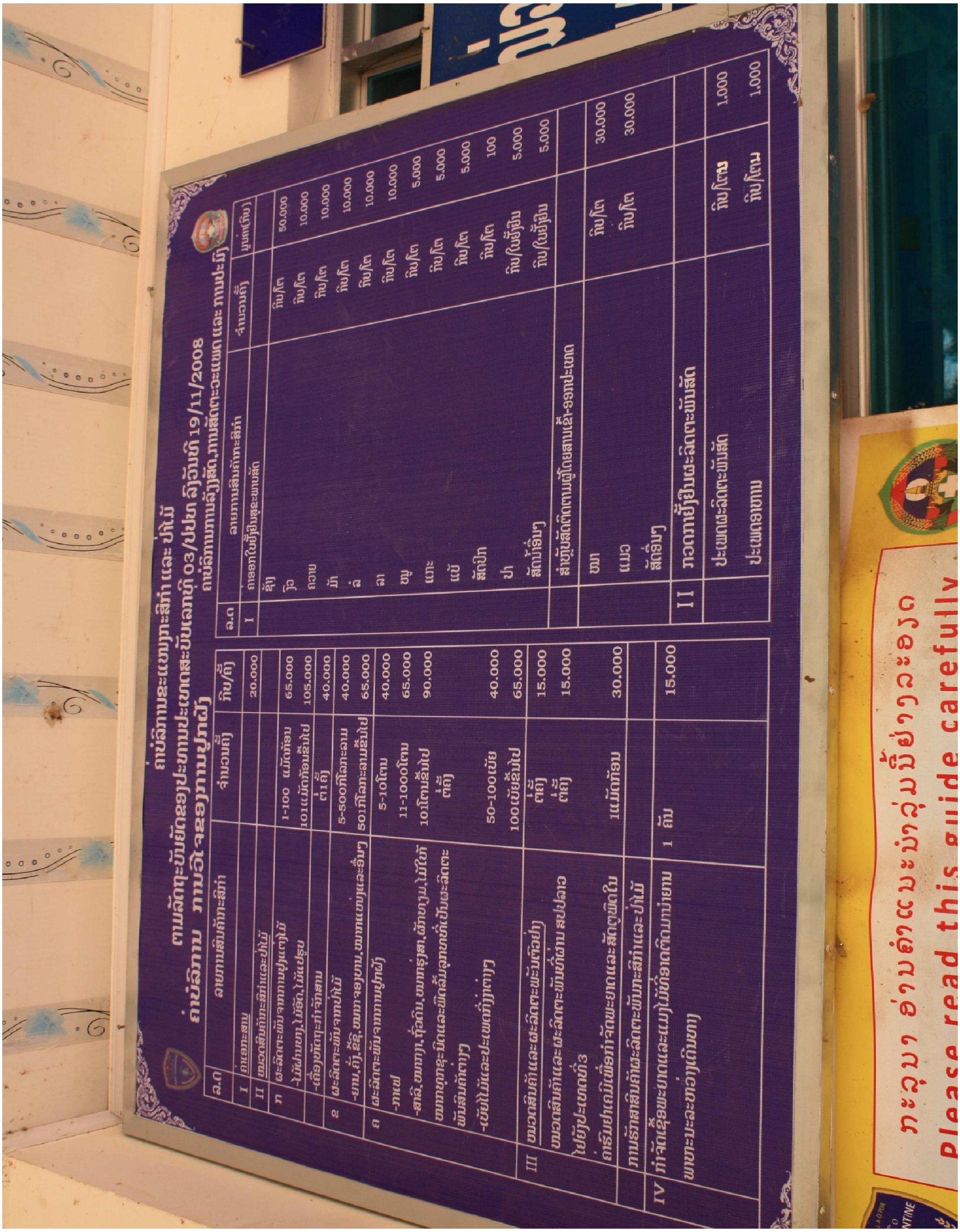
ລ/ດ	ປະເພດພາຫະນະ	ກີບ/ຄັ້ງ
01	ລົດເກງ, ຈິບ, ກະບະ	25.000
02	ລົດໂດຍສານຂະໜາດນ້ອຍ 7 ບ່ອນນັ່ງ ລົງມາ	50.000
03	ລົດໂດຍສານຂະໜາດກາງ 8-25 ບ່ອນນັ່ງ	80.000
04	ລົດໂດຍສານຂະໜາດໃຫຍ່ ຫລາຍກວ່າ 26 ບ່ອນນັ່ງ	150.000
05	ລົດບັນທຸກ 6 ລໍ້	50.000
06	ລົດບັນທຸກ 10-12 ລໍ້	80.000
07	ລົດບັນທຸກ 18 ລໍ້/ລົດລາກ	165.000

Fee charge for vehicle crossing the border in Laos:

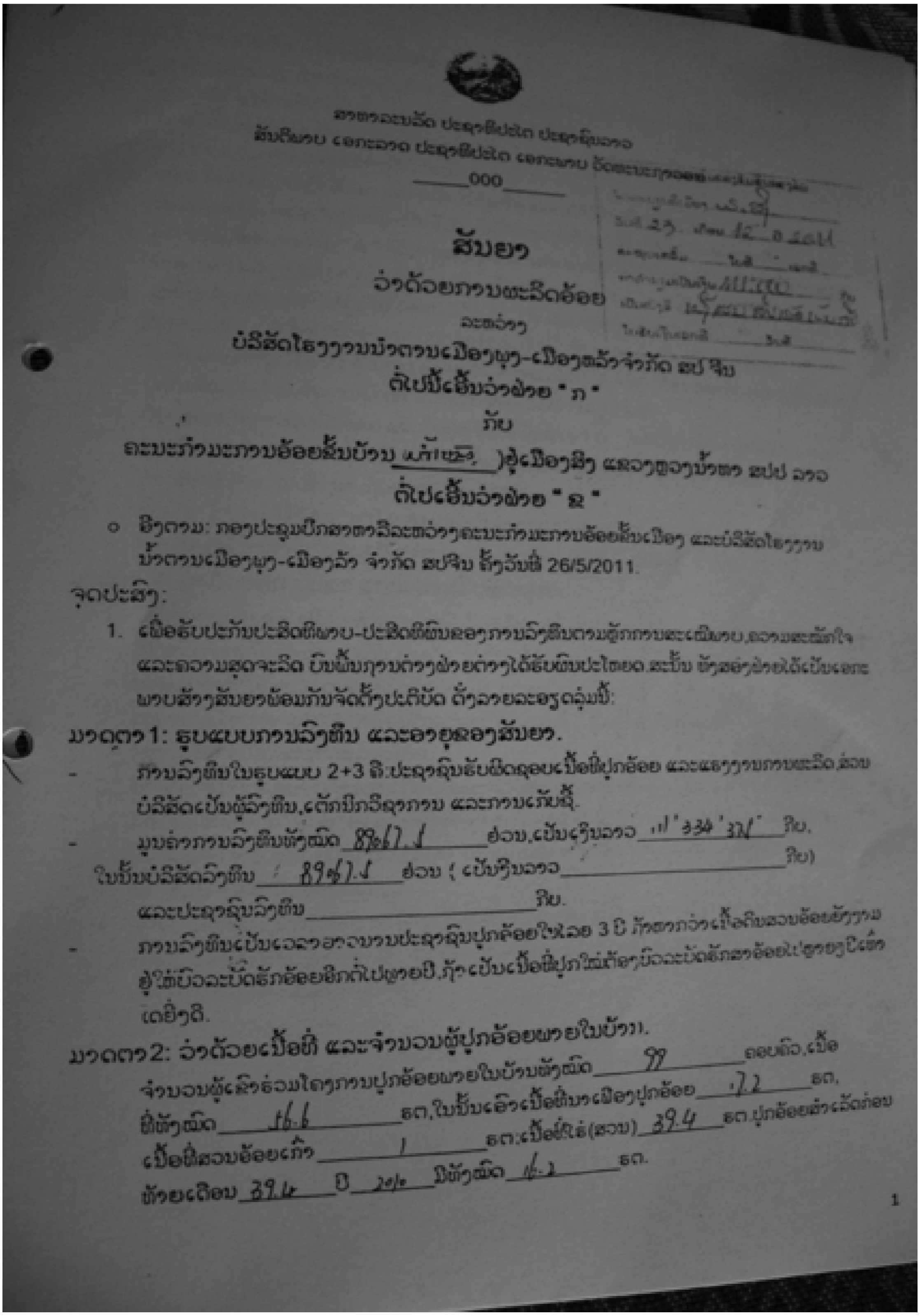
No.	Type of Vehicle	Fare Charge/ time (kip)
1.	Car, Jeep, Pick-up	25,000
2.	Minivan – 7 seats	50,000
3.	Van/Bus from 8 -25 seats	80,000
4.	Bus more than 26 seats	150,000
5.	Truck – 6 wheels	50,000
6.	Truck – 10 -12 wheels	80,000
7.	Truck – 18 wheels	165,000

Source: Mr. Khamphay Channyyavong, Head of Custom House, Boten International Border, Luang Namtha Province, Mobile: +856 (0) 20 9921 1888

Attachment 11: Fee charges by Inspection and Quarantine Bureau in Laos



Attachment 12: Sample of contract with Lao farmers (in Lao), provided by Sing District Planning and Investment Office



ສາທາລະນະລັດ ປະຊາທິປະໄຕ ປະຊາຊົນລາວ
ສັນຕິພາບ ເອກະລາດ ປະຊາທິປະໄຕ ເອກະພາບ ວັດທະນະຖາວອນ
_____000_____

ສັນຍາ
ວ່າດ້ວຍການຜະລິດອ້ອຍ
ລະຫວ່າງ
ບໍລິສັດໂຮງງານນ້ຳຕານເມືອງພຸງ-ເມືອງຫລ້າ ຈຳກັດ ສປ ຈີນ
ຕໍ່ໄປນີ້ເອີ້ນວ່າຝ່າຍ " ກ "
ກັບ
ຄະນະກຳມະການອ້ອຍຂັ້ນບ້ານ [illegible])ຂຶ້ນເມືອງສິງ ແຂວງຫຼວງນ້ຳທາ ສປປ ລາວ
ຕໍ່ໄປເອີ້ນວ່າຝ່າຍ " ຂ "

- ອີງຕາມ: ກອງປະຊຸມປຶກສາຫາລືລະຫວ່າງຄະນະກຳມະການອ້ອຍຂັ້ນເມືອງ ແລະບໍລິສັດໂຮງງານນ້ຳຕານເມືອງພຸງ-ເມືອງຫລ້າ ຈຳກັດ ສປຈີນ ລົງວັນທີ 26/5/2011.

ຈຸດປະສົງ:

1. ເພື່ອຮັບປະກັນປະສິດທິພາບ-ປະສິດທິຜົນຂອງການລົງທຶນຕາມຫຼັກການສະເໝີພາບ,ຄວາມສະໝັກໃຈ ແລະຄວາມສຸດຈະລິດ ບົນພື້ນຖານຕ່າງຝ່າຍຕ່າງໄດ້ຮັບຜົນປະໂຫຍດ ສະນັ້ນ ທັງສອງຝ່າຍໄດ້ເປັນເອກະພາບເຊັນສັນຍາພ້ອມກັນຈັດຕັ້ງປະຕິບັດ ດັ່ງລາຍລະອຽດລຸ່ມນີ້:

ມາດຕາ 1: ຮູບແບບການລົງທຶນ ແລະອາຍຸຂອງສັນຍາ.

- ການລົງທຶນໃນຮູບແບບ 2+3 ຄື:ປະຊາຊົນຮັບຜິດຊອບເນື້ອທີ່ປູກອ້ອຍ ແລະແຮງງານການຜະລິດ ສ່ວນບໍລິສັດເປັນຜູ້ລົງທຶນ,ເຕັກນິກວິຊາການ ແລະການເກັບຊື້.
- ມູນຄ່າການລົງທຶນທັງໝົດ 8967.5 ຢ່ວນ,ເປັນເງິນລາວ 11'334'331 ກີບ.

ໃນນັ້ນບໍລິສັດລົງທຶນ 8967.5 ຢ່ວນ (ເປັນເງິນລາວ ________ ກີບ)
ແລະປະຊາຊົນລົງທຶນ ________ ກີບ.

- ການລົງທຶນເປັນເວລາອາຍຸການປະຊາຊົນປູກອ້ອຍໃຫ້ລອຍ 3 ປີ [illegible]

ມາດຕາ 2: ວ່າດ້ວຍເນື້ອທີ່ ແລະຈຳນວນຜູ້ປູກອ້ອຍພາຍໃນບ້ານ.

ຈຳນວນຜູ້ເຂົ້າຮ່ວມໂຄງການປູກອ້ອຍພາຍໃນບ້ານທັງໝົດ 99 ຄອບຄົວ,ເນື້ອທີ່ທັງໝົດ 16.6 ຮຕ. [illegible] 39.4 ຮຕ. [illegible] 1 ຮຕ. [illegible] 16.2 ຮຕ.

1

ມາດຕາ3: ວ່າດ້ວຍສິດ ແລະພັນທະຂອງຝ່າຍ " ກ "

1. ລະດົມ ແລະຊຸກຍູ້ປະຊາຊົນພາຍໃນບ້ານໃຫ້ການຮ່ວມມືໃນການປູກອ້ອຍ ແລະຂະຫຍາຍເນື້ອທີ່ປູກເພີ່ມ ເພື່ອໃຫ້ເນື້ອທີ່ປູກອ້ອຍເພີ່ມຂຶ້ນ ແລະສ້າງລາຍຮັບຫລາຍຂຶ້ນ.
2. ການປູກອ້ອຍຕ້ອງນຳໃຊ້ແນວພັນທີ່ມີຂອງຝ່າຍ " ຂ " ສະໜອງໃຫ້ເທົ່ານັ້ນ ເພື່ອຮັບປະກັນຄຸນນະພາບ ແລະປະລິມານຕາມປະເພດອ້ອຍທີ່ໄດ້ກຳນົດໄວ້.
3. ເປັນເຈົ້າການບົວລະບັດຮັກສາ ,ເສຍຫຍ້າ ,ໃສ່ຝຸ່ນປຸ໋ຍ ແລະປາບສັດຕູພືດສູ່ຕາມແຜນອ້ອຍໃຫ້ເປັນໄປ ຕາມການແນະນຳຂອງວິຊາການ ເພື່ອຮັບປະກັນໃຫ້ການປູກອ້ອຍໄດ້ຮັບຜົນຜະລິດສູງ.
4. ສົມທົບກັບວິຊາການຝ່າຍ " ຂ " ຈັດຕາຕະລາງການຕັດອ້ອຍ ແລ້ວຈັດການຂາຍອ້ອຍທີ່ໄດ້ໃຫ້ແກ່ຝ່າຍ " ຂ " ແຕ່ພຽງຜູ້ດຽວ ຕາມກຳນົດເວລາ ໃຫ້ໄດ້ຕາມຄຸນນະພາບ ແລະປະລິມານທີ່ໄດ້ກຳນົດໄວ້.
5. ການປູກອ້ອຍຮຸ່ນນາຕ້ອງໃຫ້ປູກໃນໄລຍະ.....[illegible]..........ປີ ແລະການປູກອ້ອຍຮຸ່ນເບື້ອງທີ່ຕ້ອງໃຫ້ປູກໃນ ໄລຍະ.....[illegible]........ປີ ກໍ່ຄືບໍ່ໝົດອາຍຸການປູກອ້ອຍຕາມກຳນົດທີ່ກ່າວແມ່ນຫ້າມບໍ່ໃຫ້ປູກພືດອື່ນແທນຢ່າງເດັດຂາດ, ຢູ່ໃນອານຸສັນຍາອັນນີ້ມີການແຜນການປູກອ້ອຍ ປູກຕື່ມໃໝ່ໄດ້ ເພື່ອເປັນການຮັກສາ ແລະຂະຫຍາຍເນື້ອທີ່ການປູກອ້ອຍ.
6. ຕ້ອງຈ່າຍເງິນຄ່າແນວພັນອ້ອຍ ແລະຝຸ່ນປຸ໋ຍ ຄືນໃຫ້ກັບຝ່າຍ " ຂ " ທີ່ໄດ້ລົງທຶນລ່ວງໜ້າໃຫ້ຕາມເວລາ ຕາມທີ່ໄດ້ກຳນົດໄວ້ ກໍລະນີຄົວໃດບໍ່ໃຊ້ແທນຄືນແມ່ນມອບໃຫ້ຝ່າຍ " ກ " ນຳເອົາທີ່ດິນ ກ່າວຄືນໃຫ້ຝ່າຍ "ຂ" ທັງຕົ້ນທຶນ ແລະທັງເວລາ.
7. ຝ່າຍ"ຂ" ສົ່ງອ້ອຍໃຫ້ຝ່າຍ "ກ"(ໂຮງງານ)ສຳລັບການຂົນສົ່ງ ,ມາດຕາ, ຕັດ ຕາ ແລະ ແລະອື່ນໆ ການທີ່ກ່ຽວຂ້ອງສຳລະຄ່າສິ້ນເປືອງຕ່າງໆແມ່ນຝ່າຍ"ຂ" ເປັນຜູ້ຮັບຜິດຊອບທັງໝົດ.

ມາດຕາ 4: ວ່າດ້ວຍສິດ,ພັນທະ ແລະຄວາມຮັບຜິດຊອບ.

1. ໃຫ້ຈ່າຍທຶນລ່ວງໜ້າ ເພື່ອສະໜອງແນວພັນອ້ອຍຝຸ່ນເຄມີ,ຢາປາບສັດຕູພືດ ແລະອຸປະກອນໃຫ້ກັບຝ່າຍ "ກ",ຫລັງຈາກຕັດອ້ອຍຂາຍແລ້ວ,ຝ່າຍ"ຂ"ຈຶ່ງຕັດເອົາເງິນທີ່ຈ່າຍລ່ວງໜ້າຄືນຕາມຈຳ ນວນມູນຄ່າທີ່ໄດ້ຄິດໄລ່ລວມຂອງປັດໃຈນຳເຂົ້າ (ຈ່າຍ)ລ່ວງໜ້າທັງໝົດຂຶ້ນ.
2. ປະກາດນະໂຍບາຍ ແລະລາຄາອ້ອຍໃນແຕ່ລະປີໃຫ້ຝ່າຍ "ກ" ຮັບຮູ້ໂດຍອີງໃສ່ຄວາມເປັນຈິງຂອງ
   - ຕະຫລາດຢູ່ ສປຈີນແລະຕະຫລາດໂລກ.
3. ຝ່າຍ"ຂ" ຮັບຜິດຊອບຈັດຕັ້ງການເກັບຊື້ຜົນຜະລິດອ້ອຍ ແລະການຂົນສົ່ງອ້ອຍ,ແຕ່ໃນກໍລະນີຝ່າຍ "ກ" ມອບສິດໃຫ້ຝ່າຍ"ຂ" ຂົນສົ່ງອ້ອຍ,ຄ່າຂົນສົ່ງຢູ່ພາຍໃນ 40 ຢວນ/1 ໂຕນ ແມ່ນຝ່າຍ"ຂ" ເປັນຜູ້ຮັບຜິດຊອບຈ່າຍ,ແຕ່ຖ້າເກີນ 50 ຢວນ/1 ໂຕນແມ່ນຝ່າຍ "ກ"ຮັບຜິດຊອບຈ່າຍ,ເຊິ່ງຝ່າຍ"ຂ" ຈະຫັກເອົາຫລັງການຕັດອ້ອຍຂາຍແລ້ວ.
4. ຈ່າຍເງິນໃຫ້ຄະນະກຳມະການ ຫລືຜູ້ຮັບຜິດຊອບການປູກອ້ອຍຢູ່ຂັ້ນບ້ານ ໃນອັດຕາ 3 ຢວນ/ໂຕນ ເພື່ອເປັນຄ່າບໍລິການ,ຄ່າໂທລະສັບ ແລະສິ້ນເປືອງອື່ນໆ ເຊິ່ງເງິນດັ່ງກ່າວແມ່ນຫັກອອກຈາກປະລິມານ ການຂາຍອ້ອຍທັງໝົດພາຍໃນບ້ານ.

5. [illegible] 95-100% [illegible] "ກ" [illegible] 3 [illegible] 6 [illegible] 95% [illegible] 3 [illegible]
6. [illegible] 1 ເດືອນ 12 ຄ.ສ [illegible] 30 ເດືອນ 4 [illegible]
7. [illegible] 1 [illegible] 2 [illegible] 3 [illegible]
8. [illegible] 2 [illegible] 15 [illegible] 1 [illegible]

ມາດຕາ 5 : ວ່າດ້ວຍການແກ້ໄຂຂໍ້ຂັດແຍ່ງ

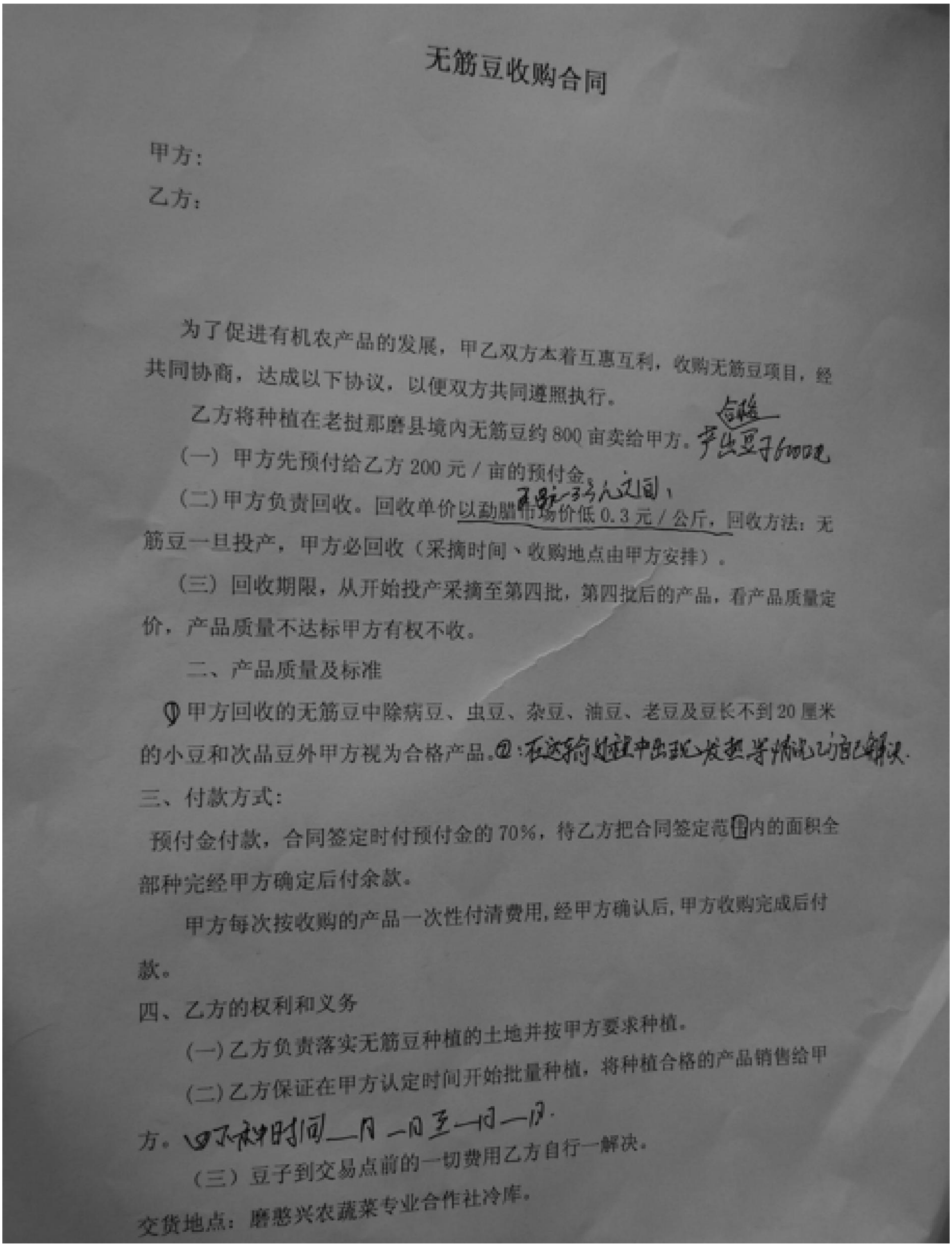
1. [illegible]
2. [illegible]

ມາດຕາ 6 : ວ່າດ້ວຍມາດຕະການຕໍ່ຜູ້ລະເມີດ

1. [illegible] "ກ" [illegible]
   - [illegible] "ຂ" [illegible]
2. [illegible] "ຂ" [illegible] "ຂ" [illegible]
3. [illegible]
4. [illegible]

ມາດຕາ 7 : ວ່າດ້ວຍພົນສັກສິດ

Attachment 13: Sample of contract with Lao farmers (in Chinese), provided by Xingnong Cooperative



无筋豆收购合同

甲方：

乙方：

为了促进有机农产品的发展，甲乙双方本着互惠互利，收购无筋豆项目，经共同协商，达成以下协议，以便双方共同遵照执行。

乙方将种植在老挝那磨县境内无筋豆约 800 亩卖给甲方。合格 亩产豆子6000斤

（一）甲方先预付给乙方 200 元 / 亩的预付金。

（二）甲方负责回收。回收单价以勐腊市场价低 0.3 元 / 公斤，不能高于3元之间，回收方法：无筋豆一旦投产，甲方必回收（采摘时间、收购地点由甲方安排）。

（三）回收期限，从开始投产采摘至第四批，第四批后的产品，看产品质量定价，产品质量不达标甲方有权不收。

二、产品质量及标准

① 甲方回收的无筋豆中除病豆、虫豆、杂豆、油豆、老豆及豆长不到 20 厘米的小豆和次品豆外甲方视为合格产品。②：在运输过程中出现发热等情况由自己解决.

三、付款方式：

预付金付款，合同签定时付预付金的 70%，待乙方把合同签定范围内的面积全部种完经甲方确定后付余款。

甲方每次按收购的产品一次性付清费用，经甲方确认后，甲方收购完成后付款。

四、乙方的权利和义务

（一）乙方负责落实无筋豆种植的土地并按甲方要求种植。

（二）乙方保证在甲方认定时间开始批量种植，将种植合格的产品销售给甲方。④下种时间__月__日至__月__日.

（三）豆子到交易点前的一切费用乙方自行解决。

交货地点：磨憨兴农蔬菜专业合作社冷库。

Attachment 14: Literature review on contract farming

Definition of contract farming

There are a variety of definitions of contract farming in existing literature. According to FAO (2001), CF is defined as an agreement between farmers and processing and/or marketing firms for the production and supply of agricultural products under forward agreements at a pre-determined price. The US Department of Agricultural, on the other hand, defines CF as the growing and marketing of farm products under such circumstances that selective terms of the market - quantity, grade, size, inspection, timing, or pricing - are specified to both the grower and the processor or shipper before production is undertaken (Bijman, 2008). While an Indian scholar, Sukhpal Singh in his paper Contract Farming for Agricultural Development; Review of Theory and Practice with Special Reference to India (2005) sees CF as a system for the production and supply of agricultural and horticultural produce by farmers/primary producers, who provide a standardized quality of an agricultural commodity, at a specified time, price and in specified quantity to a recognized purchaser under an advance contract. However, despite diverse definitions, CF usually involves specifications of the price, quantity and quality of produce, production conditions, delivery and grading requirements (Runsten& Key, 1996).

Various views on CF

Globally, there appears to be evidence that CF has successfully promoted high value food products in developing countries and that this has led to the emergence of 'New Agricultural Countries' (NACs) (Patrick 2004). Reardon and Berdegué (2002), in The Rapid Rise of Supermarkets in Latin America: Challenges and Opportunities for Development, found that farmers enjoy the benefits of CF because frequent sales to supermarkets give them more regular income. Consumers tend to see CF as a more politically acceptable form of agriculture than large concessions or estates, while investors see it as a way of overcoming land acquisition constraints. The investors also favor CF because their risks are reduced by not being directly responsible for production and because more consistent quality can be obtained than if purchases were made on the open market (Eaton and Shepherd 2001; Patrick 2004; Songsak and Aree 2008; and Setboonsarng 2008).

A key argument in favor of CF is that it has the potential to incorporate low-income growers into the modern sector through private-driven efforts whereby inputs are provided in exchange for specified crops. Through contracts, the buyers provide significant inputs such as credit, information, reliable markets, and services. In this way, smallholders are supported and enabled to cultivate lucrative non-traditional crops. Proponents of CF argue that this brings positive multiplier effects for employment, infrastructure, and market development in the local economy (Key and Rusten 1999, and Sautier 2006). Studies of rice CF in Cambodia by Cai, Ung, Setboonsarng, and Leung (2008), entitled Rice Contract Farming in Cambodia: Empowering Farmers to Move Beyond the Contract Toward Independence, found that contract farmers, in comparison to non-contract farmers, had greater opportunities to obtain stable markets, access to credit, extension services, infrastructure, and other benefits.

Improved income is the key benefit identified by proponents of CF. Rice and Watts (1993), in their paper entitled Thailand and the World Tomato: Globalization, New Agricultural Countries and the Agrarian Question, found that farmers involved in CF in northeast Thailand were reaping a number of benefits. The authors found empirical evidence of substantial quantities of cash flow within the villages involved, and new pick up trucks, and communal projects and private building efforts were seen in evidence.

As with any form of contractual relationship, there are potential disadvantages and risks associated with contract farming. If the terms of the contract are not respected by one of the contracting parties, then the affected party stands to lose. Common contractual problems include farmer sales to a buyer other than the one to whom the farmer is contracted (side selling or extra-contractual marketing), a company's refusal to buy products at the agreed prices, or the downgrading of produce quality by the buyer. Side selling by farmers to competing buyers is perhaps the greatest problem constraining the growth of contract farming. Contractors also may default by failing to pay agreed prices or by buying less than the pre-agreed quantities.

Another concern about contract farming arrangements is the potential for buyers to take advantage of farmers. Buying firms, which are invariably more powerful than farmers, may use their bargaining clout to their financial advantage. A number of authors have presented evidence of CF being detrimental to the poor (Goodman and Watt 1997, Tiongco et al 2009, and Rosset 2009). Many of the studies reviewed take a pessimistic view of CF, emphasizing a wide range of problems which include limited benefits for small-scale farmers, unequal power relations, disputes within participating households, market failure, production difficulties, food insecurity, health hazards, loss of new varieties to diseases and pests, fluctuating global prices, and limited benefits for landless people.

Studies of contract farming in the PRC on supply chains suggest that contracting firms generally favor contracts with larger farms and tend to bypass smaller producers. Certain types of CF require relatively high levels of farm managerial skills, which farmers usually lack. Indeed, if farmers are not well organized or where there are few alternative buyers for the crop or it is not easy to change the crop, there is a danger that farmers may have an unfair deal. As a result, they are often at risk of breaking contractual agreements or of taking on the full risk of crop failure due to seasonal factors such as drought or floods (Rosset 1997; Rosset and Rice 1999; Coulter et al.,1999; Guo, Jolly and Zhu 2005).Delforge (2007) is also critical of the impact of contract farming on small-scale farmers. Although farmers are motivated to join CF in order to get secure income, inputs, and a certain market, the research reveals that small farmers are exploited and highly controlled. The question of distribution of benefits between growers (farmers) and firms, which is known as “bargaining problem,” requires attention.

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