Laos Rubber Sector Sustainability Challenges and Needs

Field Research Report

May 24-29,2026
Luang Prabang Province, Oudomxay Province, Luang Namtha Province, and Vientiane Province, Lao PDR

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Figure 1. Speaking with farmers at the Luang Prabang rubber sales station. Photo by China House.

1. Background

1.1 Rubber is a key pillar of the Lao economy

Laos is the only landlocked, mountainous country in Southeast Asia. Agriculture accounts for more than 20% of GDP and 60% of employment. Rubber is the country's most important agricultural export. In 2022, rubber exports reached USD 340 million, accounting for 4.1% of total exports, making it one of the fastest-growing sectors over the past two decades. For Laos, rubber is not only a major source of foreign exchange, but also the main income source for hundreds of thousands of rural households.

1.2 China is the most important foreign investor in this sector

In the geography of Lao rubber cultivation, Chinese capital dominates the northern provinces, while Vietnamese investment dominates the south. In terms of trade, China has long been the largest importer of Lao rubber, taking more than 60% of total exports. In December 2024, China implemented a zero-tariff policy on all products from Laos and other least-developed countries. Since then, Lao rubber exports to China have grown by nearly 90% year-on-year, further tying the two countries' rubber industries together. In short, the investment decisions of Chinese companies and the direction of Chinese market policy directly shape the trajectory of the Lao rubber sector.

1.3 Chinese companies in Laos face growing ESG challenges

As the sector has expanded rapidly, ESG (Environmental, Social, and Governance) challenges have become more visible. On the company operational side, our past research found that land disputes, weak bargaining power among smallholder farmers, inconsistent tapping techniques that reduce yield, and a lack of effective communication channels between companies and communities are common challenges for Chinese-invested companies. On the policy side, the EU Deforestation Regulation (EUDR) is passing compliance requirements down the supply chain through downstream tire brands; meanwhile the Lao government has been moving in the direction of "encouraging raw materials to be processed domestically before export." These policy trends may affect the way Chinese companies operate going forward.

1.4 Purpose of this research

This research was conducted between May 24 and 29, 2026 in Luang Prabang, Muang Xay, Luang Namtha, and Vientiane. We carried out field interviews with 4 Chinese-invested rubber companies, 6 groups of farmers (including 1 rubber cooperative), 1 rubber association expert, and 4 NGOs and international organizations. This report looks at three groups - Chinese companies in Laos, local farming communities, and local NGOs - to map out the challenges facing the sustainable development of the Lao rubber sector and the real needs of each group, in order to support future decision-making on sustainability-related work.

Figure 2. Farmers sort and arrange their rubber at the sales station while waiting for purchase. Photo by China House.

Figure 3. Farmers bring their rubber to the sales station and wait for weighing and purchase. Photo by China House.

2. Research Findings

This chapter presents the core needs and challenges of three groups of stakeholders - companies, farmers, and NGOs - and notes where different groups' perspectives align.

2.1 Chinese Companies: Core Needs and Challenges

(1) Tapping training is underway, but farmer motivation is the gap

The companies we interviewed generally recognize the importance of rubber-tapping training, and most are already running such training. However, several face the same problem: farmers are not very motivated to take part. Many farmers feel that learning the technique takes too much time and effort - some of them feel tapping is just a matter of "poking the tree with a knife" and does not need to be taught properly. Some farmers also switch back and forth between rubber and short-cycle crops like corn, making it hard to keep up steady tapping work.

Company A told us that company efforts alone have limited effect - they believe government involvement is needed to make farmers feel that "attending training is something to be proud of, not a burden." They suggested that companies could provide the funding while the government lends its authority to the training. Company B has already co-organized a rubber-tapping skills competition with the Lao Ministry of Agriculture and Forestry and the rubber association (the first one was held in 2019, with the Deputy Minister of Agriculture and Forestry in attendance) - this is a good example of a government-company training partnership.

Companies, rubber association expert Mr. Douangchanh, and the NGO PTSE all observed that farmers are reluctant to learn new techniques on their own, and all pointed to government involvement as the key to improving farmer motivation.

(2) Community communication: a shared priority, handled differently

All the companies we interviewed said community relations are important, but their actual practices vary widely.

Company A has the most developed system among the companies we visited: every month, they invite village heads and deputy village heads from each district (some districts even have a position specifically responsible for rubber affairs) to a company meeting, and pay them for their time. This is a regular, formal communication channel - the only one of its kind among the companies we interviewed.

Company C keeps in touch with village heads mainly through letters, and brings in the government to help resolve issues - for example, when a village head wrote asking the company to give villagers more tapping slots, Company C reported back to the local government that “local village farmers are less hardworking than workers from faraway,” and let the government step in.

Figure 4. Interview with a rubber plantation owners in Luang Prabang. Photo by China House.

The manager at Company D said maintaining good relationships with village heads is important, but this is mostly done through informal, personal connections rather than a set process.

Price transparency is the issue companies and farmers disagree on most. Company C believes the core problem is that farmers do not understand how rubber prices are set (factors like moisture content, location, and volume), and that prices change quickly while farmers get the information too slowly - this leads to frequent misunderstandings and even formal complaints to the government. Company A has actively asked the local commerce department to help set prices together with the company, hoping that government backing will build farmers' trust in the price.

Companies, farmers (the market coordinator in Luang Prabang, the Nam Tha cooperative), and NGOs (PTSE, Oxfam) all pointed to a lack of price transparency and information as a core source of tension. Company A, PTSE, Oxfam, and some farmers (such as the Luang Prabang market coordinator) tend to feel that bringing in the government or a third party as a go-between is the most workable way to improve this.

Figure 5. Workers cutting, weighing, and packaging processed rubber at a factory. Photo by China House. Photo by China House.

(3) EUDR compliance: companies are at very different stages

The companies we interviewed are at clearly different stages of EUDR readiness.

Company B is furthest along in EUDR readiness: they invited outside experts to run a two-day training, and have built a system with GPS-mapped plots and full supply-chain traceability data. They can now produce rubber that meets EUDR requirements.

Company C has obtained EUDR-related certification. Their main motivation is to stay ahead of future compliance risk, and they also see a competitive advantage in it ("if you have it and others don't, that gives you an edge").

Company A has limited awareness of EUDR. Their response was that “some international organizations have environmental requirements, and the Chamber of Commerce and Industry is in touch with us about it” - they have not yet taken concrete action.

Oxfam offered a critical view of how EUDR is playing out on the ground: the Lao government itself does not fully understand EUDR and cannot explain it clearly to companies; companies say they are “ready,” but from the EU’s perspective there are still real gaps; the EUDR documents are written in language too complex for farmers to understand at all; and some companies feel that since they mainly sell to China, “EU compliance has nothing to do with us,” so they have little motivation to act.

Oxfam’s view aligns closely with that of the Green Community Alliance (GCA): EUDR could be used as outside leverage to push companies to improve how they treat communities and the environment - and this leverage works best on companies that want to expand into the US and European markets (for example, investors from Singapore and Malaysia).

Figure 6. Processed and packaged rubber bales in a rubber processing factory. Photo by China House.

(4) Operational challenges

Raw material shortage: factory utilization across Laos is only around 50%, and raw material supply is the main bottleneck. Since land concessions are now essentially closed off, companies like Company C and Company B can only address the supply gap through the 3+2 model [a contract farming arrangement where farmers contribute land and labor, and the company contributes technology, capital, and market access] - which involves more complex farmer coordination and management than operating under a concession.

Policy uncertainty: the Lao government changes hands every five years, and after each change, existing relationships and contracts can be affected - land rents may be raised unilaterally, and authority over approvals is unclear and inconsistent across different levels of government. This is the biggest long-term operational risk. Company A said they would like a dedicated channel for policy information, “so we know which department to go to and who to talk to.”

Market competition: Chinese companies we interviewed also raised this concern. New entrants who only build processing plants are creating disorderly competition by straining the raw material supply, and the Lao government has not regulated or limited new entrants, which puts pressure on companies that made large investments early on. In addition, Vietnamese companies in southern Laos have consistently been able to offer higher purchase prices for raw material (the exact mechanism is unclear), making it hard for Chinese companies to compete effectively there.

High logistics costs: Company C noted that while rail transport is cheaper, customs paperwork is very complex - all paperwork must be completed within two days, forcing companies to ship in smaller batches. Other hidden costs (penalties for keeping containers too long, losses from mandatory currency conversion) also add to overall costs.

Need for financial compliance support: Company B said that Lao government requirements for financial management are getting stricter, but companies have limited understanding of the ASEAN financial system and don’t know how to respond when tax authorities come to check. They hope for support from a professional organization that understands the ASEAN financial system and can communicate in Chinese, and believe “many companies have this same need.”

Figure 7. Interview at the Nam Tha Rubber Cooperative. Photo by China House.

2.2 Farmers: Core Difficulties and Needs

(1) Farmers in different arrangements face very different situations

This research covered three types of farmer groups, and their situations differ significantly.

The first type is independent smallholders who own their own land (such as the Luang Prabang smallholders and the farmers at the Luang Prabang rubber market). They can choose who to sell to, but they have no collective bargaining mechanism. Where Company C dominates the local market, farmers generally have no choice but to accept the price offered. Information is not transparent, and farmers don't understand how prices are set. Some farmers have never received any technical training and rely entirely on experience, with very limited understanding of fertilizer use.

Figure 8. Rubber seedlings. Photo by China House.

The second type is hired workers who do the tapping for plantation owners (such as the three groups of farmers in Muang Xay). Their income is tied to output, and they can choose which buyer to sell to, but their technical skill levels vary widely. Their relationship with the owner also varies - some workers and owners trust each other and communicate well, with fewer disputes, and these workers tend to receive training; others, who have had no formal training and only learned by watching neighbors, face pressure around technical standards, the risk of having pay deducted, and a lack of an equal voice in communication.

The third type is self-organized farmer groups, represented by the Nam Tha Cooperative. This is the most independent group in our research - over twenty years, they have built a complete system of techniques and price negotiation. They get quotes from around 30 companies before deciding together as a group, and their prices are consistently above market rate. However, they also face a funding gap for building their own processing plant, and have not received any response after applying to banks for low-interest loans. A more detailed case study of the Nam Tha Cooperative is elaborated later in interview records 3.8(Farmers - Nam Tha Rubber Cooperative (Na Dui Village)).

The Nam Tha Cooperative case shows that when farmers organize and build collective bargaining power, they can reach a more equal relationship with companies. This points to one practical way to strengthen both farmers' bargaining position and their technical skills. Oxfam has successfully replicated a similar model in the coffee and tea sectors (starting with 10-20 households and growing to 100-300), and has a workable method for setting this up.

Figure 9. Community center of the Nam Tha Rubber Cooperative. Photo by China House.

(2) Common needs among farmers

Price transparency and a channel for communication: this is the concern farmers raised most often. The Luang Prabang smallholders clearly want someone to help them communicate with buyers and tell them how their product's quality is assessed. Farmers at the rubber market want the government to take part in setting prices. Some hired workers are unhappy that factories delay before selling collected rubber, causing it to lose water weight and reducing what they're paid for, but they have no way to raise this concern.

Technical training (for some groups): smallholders with their own land have a clear need for training - in planting methods, tapping technique, and how to use fertilizer effectively. Hired workers who never received proper training also run into technical difficulties, including being penalized for not meeting technical standards.

Income during the off-season: tappers typically go without steady income for four to five months a year (December through April or May), and have to return home to farm or find day labor to get by during this time.

Access to financing: the Nam Tha Cooperative wants to build its own processing plant to add value to its product, and the funding gap is a major obstacle - they have applied to the government and banks for low-interest loans multiple times with no response. Oxfam notes that Laos is the only country in Southeast Asia without agricultural insurance; insurance companies are unwilling to enter this market because of high risk and because they lack the technical capacity to assess agricultural risk.

Potential support for farmers: helping farmers set up and run cooperatives may be one way to improve both their bargaining position and their technical skills.

Figure 10. Transport trucks owned by the Nam Tha Rubber Cooperative. Photo by China House.

2.3 NGOs: Observations and Opportunities

(1) ESG issues raised by NGOs

The local NGOs we interviewed (HJA, PTSE, ECCDA, and GCA) all work on rural community development to varying degrees, but almost none focus specifically on the rubber sector (there is very little dedicated funding for rubber-related work). Still, through their observations, they raised several ESG issues that neither companies nor farmers had mentioned:

On land rights, GCA documented cases of land disputes in southern Laos: the government grants land concessions to foreign investors, often without the informed consent of local communities; compensation is low, and the replacement land given to communities is often less fertile than what they had before, making it hard to grow the same crops as before. The communities most affected are ethnic minority groups, for whom land is tied not only to their livelihood but also to cultural identity and ancestral connection - something that monetary compensation alone cannot replace. GCA also noted that land relations between Chinese companies and communities in northern Laos tend to be better than those involving Vietnamese companies in the south, partly because of a shared language in the north.

On the environmental and health risks of agrochemicals, both ECCDA and GCA observed that farmers often learn how to use chemicals from other farmers, with only a vague sense that "using this increases yield" and no understanding of the risks involved. Chemical runoff has flowed into rivers, killing fish and affecting community drinking water and fishing. Long-term exposure to pesticides has also caused skin problems for some workers. Farmers generally do not think to report these issues to the government - awareness of the risks is very limited.

On labor and social security, PTSE observed that rubber workers in Laos commonly refuse to sign formal contracts or pay into the social security fund, preferring to be paid by the day instead. Only about 3% of informal workers in Laos are enrolled in social security, and because informal workers must cover the full contribution themselves (rather than splitting it with an employer), the burden is heavy and participation stays very low. Mr. Douangchanh separately noted that tappers' use of acidic chemicals to help coagulate the latex poses a clear occupational health risk, but local farmers generally have no health insurance and the broader insurance system in Laos is underdeveloped.

Figure 11. Latex flowing into a collection bowl after tapping. Photo by China House.

(2) Partnership Opportunities with NGOs

Most NGOs face funding shortages and limited reach, which makes them open to outside partnerships.

PTSE and ECCDA both have direct experience helping companies and communities talk to each other.

PTSE has worked with the Lao Federal Trade Union, the Ministry of Labor, and the Ministry of Industry and Commerce to bring companies and farmers together and help them sign labor agreements. This is the only local organization in our research with hands-on, three-way dialogue experience, and some of these meetings have led to signed agreements between companies and workers. The biggest challenge is that both sides tend to hold firmly to their own interests, so it often takes several rounds of meetings to reach agreement. In addition, getting companies to participate usually requires government involvement, and since government staff change roles frequently, these relationships have to be rebuilt again and again. PTSE has clearly expressed interest in working together going forward.

ECCDA had a similar experience mediating with a Chinese-invested banana plantation company. The process involved ECCDA representing farmers' concerns to the company, but the outcome of the mediation was not made clear in the interview, and once the project ended, the relationship between ECCDA and the company also ended.

Figure 12. On-site financial settlement for farmers conducted by the buyer at the sales station. Photo by China House.

On training design, HJA has a method that works well in the Lao context: reach rural youth through government channels (the Ministry of Agriculture); cover food and travel costs to make sure people show up; avoid the busy farming season; and bring in government experts as trainers to keep costs down while adding credibility. This avoids the risk of language barriers with local communities, and offers a useful reference for designing future farmer training programs.

Oxfam has successfully built farmer cooperative groups in the coffee and tea sectors in Laos, following this process: needs assessment, group formation, a self-selected steering committee (split into finance, operations, and sales roles), collective pricing, and gradually expanding membership.

GCA offered a useful perspective on legal compliance for companies: some Chinese investors genuinely want to be compliant. When entering the Lao market, companies can hire a compliance advisor who actually understands the local context, rather than relying on "shortcut" middlemen.

Figure 13. A worker washing rubber at rubber processing factory. Photo by China House.

PTSE's observation that companies join ESG-related activities "mainly to maintain a good relationship with the government" lines up closely with what Company C and Company A told us in their own interviews about "maintaining good government relations." When pitching ESG-related services to companies, it may help to frame the value as "helping the company maintain and strengthen its government relationships."

2.4 Overall Findings

For companies, the most pressing need is help understanding Lao government policy requirements on rubber and connecting with the right government departments and officials. On issues like low motivation for technical training and weak community communication, companies would prefer the government to be involved, since this gives the effort more authority. On ESG topics, companies' main motivation is to "maintain good relations with the government" and "stay compliant proactively to avoid risk." Chinese-invested companies are also genuinely curious about Vietnamese companies' competitive advantage — how they manage to both pay higher prices for raw materials and remain competitive with their downstream customers.

Figure 14. Rubber on the conveyor belt awaiting processing. Photo by China House.

For farmers, needs vary a great deal depending on the type of farming arrangement. Independent smallholders running their own plantations have the clearest needs around tapping technique, fertilizer use, pricing, and communication channels. Helping farmers set up cooperatives is one workable way to improve their bargaining power and the sustainability of their operations. In addition, Laos is the only country in Southeast Asia without agricultural insurance, and the lack of access to agricultural financing is a major gap limiting farmers' ability to build capacity (including cooperatives trying to build processing plants). Oxfam noted that Chinese banks could be an important potential partner in supporting sustainable agriculture, but have not yet engaged on this topic - this could be a direction worth pursuing in the future.

For NGOs, the organizations we interviewed raised ESG issues that neither companies nor farmers mentioned, including land rights, the environmental impact of agrochemicals, occupational health risks from pesticide use, and very low social security coverage. NGOs' work also generally relies on the government as a go-between, whether for organizing dialogue between companies and farmers or running community training - government involvement tends to be a precondition for making progress.

As a go-between, NGOs could potentially help in three areas: helping companies understand government policy and connect with the right departments; helping farmers establish cooperatives, build their capacity for self-governance, and strengthen their market bargaining power; and working with the government to facilitate dialogue between companies and farmers or workers.

Figure 15 Chinese containers on the China-Laos Railway. Photo by China House.

Figure 16. Coagulated latex in the collection bowl. Photo by China House.

3. Attachment

Audio recordings and full transcripts: https://pan.baidu.com/s/1mSOozO5D7bUXtNpvMy293A?pwd=uryv password: uryv

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