

## Research Article

### **Teak plantation governance of Villagers in Luang Prabang Province under the control the Luang Prabang Teak Program (LPTP)**

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#### **Abstract**

This study examines the governance of community teak plantations in Luang Prabang Province. The aim of the paper is to evaluate the governance structure of teak plantations in the northern uplands of Laos, with a focus on Forest Stewardship Council (FSC) certification and teak timber production for FSC markets.

The results show that the program established a plantation governance system and an FSC-certified group entity by the end of 2010, achieving FSC certification in the first four villages involved in community plantation governance in Laos. However, the FSC certification system ceased operating in 2016. Nevertheless, LPTP has continued to maintain the governance system up to the present.

Ban Kokngiew had a clearer group administrative structure and more experience in group management than Ban Ansavanh. Teak plantation management generally followed the planned system, except for issues related to taxation after official registration of plantations and fee reductions when selling timber. Moreover, the communities received support from several projects, including funding for the establishment of a group office from the Japan International Cooperation Agency (JICA) and The Forest Trust (TFT).

Teak exports from Laos mainly go to China, Thailand, and Vietnam. It is estimated that 95% of teak wood produced in Luang Prabang is exported, while only 5% is used locally. However, only a small proportion of teak timber from both villages is FSC-certified and traded in FSC markets.

**Keywords:** Governance, community teak plantations, Forest Stewardship Council (FSC) certification

## **1. Introduction**

In recent years, the Government of Laos (GoL) has increased its support for Forest Stewardship Council (FSC) forest management certification for both natural and plantation forests, in order to secure the supply of raw materials from well managed sources and to help Lao wood products access international markets. In parallel, the World Wide Fund for Nature (WWF) and The Forest Trust (TFT) launched the Lao Forest and Trade Platform as a long term network, rather than a short term project, to support wood industries in obtaining FSC Chain of Custody (CoC) certification and implementing responsible purchasing strategies (Boupha et al. 2012)

At the same time, the Department of Forestry established FSC certified production forests and initiated the development of FSC Controlled Wood systems to supply raw materials to companies holding FSC Chain of Custody (CoC) certification. Despite significant progress toward achieving FSC certification, it has become necessary to involve more wood processing industries in obtaining CoC certification. This is because timber from FSC certified forest sources has often been sold as conventional timber due to the limited number of wood industry companies with CoC certification ( Sukksompong et al 2010)

In 2008, the Luang Prabang Teak Program (LPTP) was initiated to support teak plantation establishment and the registration of smallholder plantations. The project was supported by the Japan International Cooperation Agency (JICA) and the Swedish International Development Cooperation Agency (SIDA). It aimed to support local communities and the Government of Laos in improving livelihoods, promoting industrial tree planting, and enhancing the socio-economic conditions of teak plantation communities in northern Laos. A key approach to achieving this goal was the establishment of a sustainable stakeholder framework for forest certification and improved access to Forest Stewardship Council (FSC) markets. This assessment represents an important step toward enhancing the livelihoods of people involved in the teak plantation sector in the Lao People's Democratic Republic, while also contributing to community development and environmental sustainability (LPTP 2014)

In addition, new national policies aimed at curbing illegal logging, promoting timber legality in wood exports, and encouraging domestic wood processing have sought to mobilize teak plantation resources as an alternative to timber from natural forests. However, several factors are

believed to limit smallholder participation in the timber value chain, thereby risking their exclusion from international markets (Smith, Ling, and Boer 2017).

Currently, teak plantation promotion has expanded significantly, particularly in Luang Prabang Province. Teak planting has been widely practiced since the period between 1960 and 1993, during which the total plantation area reached approximately 582 hectares. By 2002, the teak plantation area in Luang Prabang Province had increased to about 10,200 hectares (DAFO 2002), it further expanded to approximately 27,994 hectares by 2014 (DAFO 2014). Moreover, all plantations must be registered with the relevant authorities.

The registration of plantations must follow the guidelines issued by the Ministry of Agriculture and Forestry under Mandate No. 1849/99, dated 7 October 1999, on plantation registration. The registration process involves several procedural steps (MAF 2000)

- The owner of a tree plantation must submit a proposal to the village forestry authority to measure the extent of the original planting area, determine the plantation size, and identify the tree species. A plantation map or diagram is then prepared, and a plantation certificate is issued.
- The plantation owner must submit the required documents to the District Agriculture and Forestry Office (DAFO) for registration. These documents include a self-registration form, land certificate, land declaration certificate, land tax certificate, village forestry certificate, and a map or drawing of the plantation area.

According to the Ministry of Agriculture and Forestry, the total plantation area in the Lao People's Democratic Republic has been expanding. By 2015, the Government set a national target to further increase plantation areas, aiming to establish approximately 54,000 hectares of new plantations between 2016 and 2020, in order to reach a total plantation area of 500,000 hectares by 2020 (Lao 2015).

The Lao Tree Plantation and Cash Crop Owners Association was established with the expectation that it would play a key role in providing technical and market information, as well as promoting good practices through the dissemination of Government of Laos (GoL) laws and regulations. However, the effectiveness of these policies has been inconsistent, and plantation wood value chains remain underdeveloped due to conflicting and unclear laws and regulations, inconsistent enforcement, and high transaction costs. As a result, investment in tree plantations has remained limited (Smith et al. 2021)

Although the annual harvesting of planted trees has been increasing, it remains relatively limited. Nevertheless, strong perceived demand for certified wood products in the United States and Europe, together with the maturation of teak resources in the northern provinces of Laos, has led to the development of a Forest Stewardship Council (FSC) group certification program for smallholder teak plantations under the Luang Prabang Teak Program (LPTP, 2014).

However, the program suspended its FSC certification in 2016, although it continues to operate in order to support smallholder teak producers. This situation has implications for several areas, including plantation management practices that influence wood quality, harvesting regimes that affect wood availability, and regulatory compliance. As a result, the wood-processing sector continues to face challenges related to the irregular and unpredictable supply of wood, which may not meet input specifications, output standards, or legal market requirements (Smith et al. 2017)

In addition, the project encountered significant difficulties in marketing certified wood. In the international market, the cost of transporting timber to processing factories in Vietnam was too high relative to the small volumes involved. In the domestic market, producers faced strong competition from illegally logged timber. Therefore, continued efforts are needed to increase the volume of wood available for export. The Forest Trust (TFT) committed to continuing its support for producers at least until the end of 2016 (LPTP 2014).

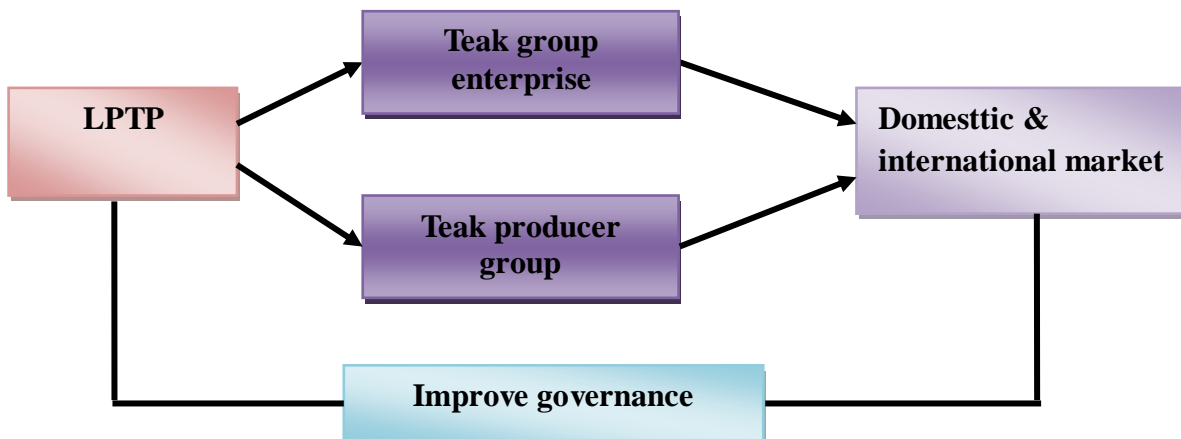
Therefore, the objective of this study is to evaluate the governance structure of teak plantations in the Lao People's Democratic Republic in relation to Forest Stewardship Council (FSC) certification, teak timber production in FSC markets.

## **2. Methodology**

### **2.1. Conceptual framework of study**

According to the literature review of several studies on teak plantation governance, particularly Ling et al. (2018) on the evolution of certified teak grower groups in Luang Prabang and Ling et al. (2016), several key characteristics were identified that could improve the teak plantation governance system. These characteristics focus on strengthening relationships among grower groups, enterprises, and market mechanisms. Such factors are considered closely related to the governance of community teak plantations.

Therefore, these elements form the foundation of the conceptual framework for this study, as illustrated in the diagram below:



**Figure: 1** Conceptual framework of study

## 2.2. Study site

This study uses two case study villages, B. Kokngiew and B. Ansavanh. B. Kokngiew consists of 54 households with 90.9 ha of teak plantations in Luang Prabang District, while B. Ansavanh consists of 38 households with 61.6 ha of teak plantations in Xieng Ngeun District, Luang Prabang Province. Both villages are located approximately 16 kilometers from the provincial center.

This study adopts a qualitative research approach to describe the governance structure of teak plantations in Laos under Forest Stewardship Council (FSC) certification and to assess teak timber production in FSC markets. It uses secondary data sources and content analysis of previous research findings, synthesizing information from academic papers, documents, reports, and related studies. The case study villages are presented in Table 1 below:

No	List of land types	B. Kokngiew		B. Ansavanh	
		HHs	Area (ha)	HHs	Area (ha)
	Tree plantation				
	Total	54	90.9	38	61.6

## 3. Resulted and discussion

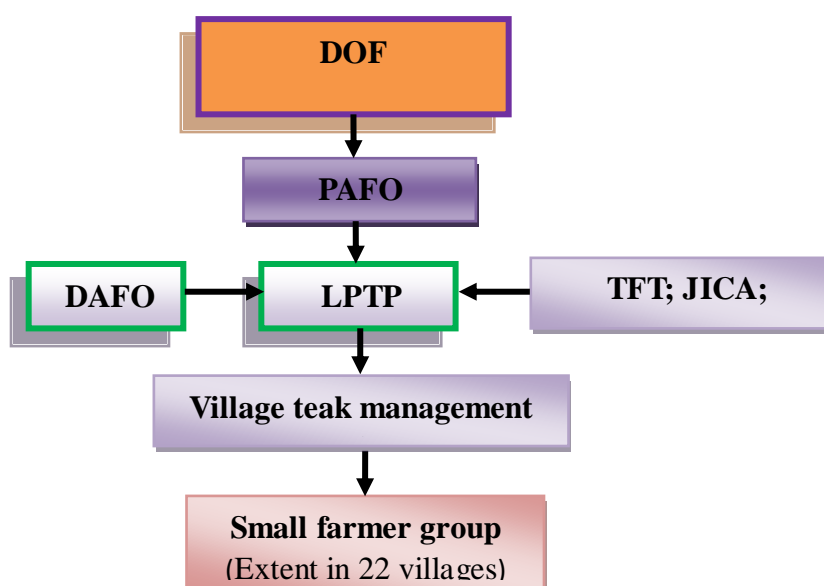
The results of the LPTP process show that the Forest Trust (TFT) aimed to establish a partnership between the Government of Laos and teak farmers to promote sustainable forest management. Through FSC certification, wood could be exported to more strictly regulated

markets such as Australia, the European Union, and the United States. In late 2007, after nearly a year of negotiation, the Luang Prabang Teak Program (LPTP) commenced in Ban Kok Ngiew village. Following four years of training and capacity building for farmers, the program achieved Forest Management and Chain of Custody (CoC) certification in May 2011.

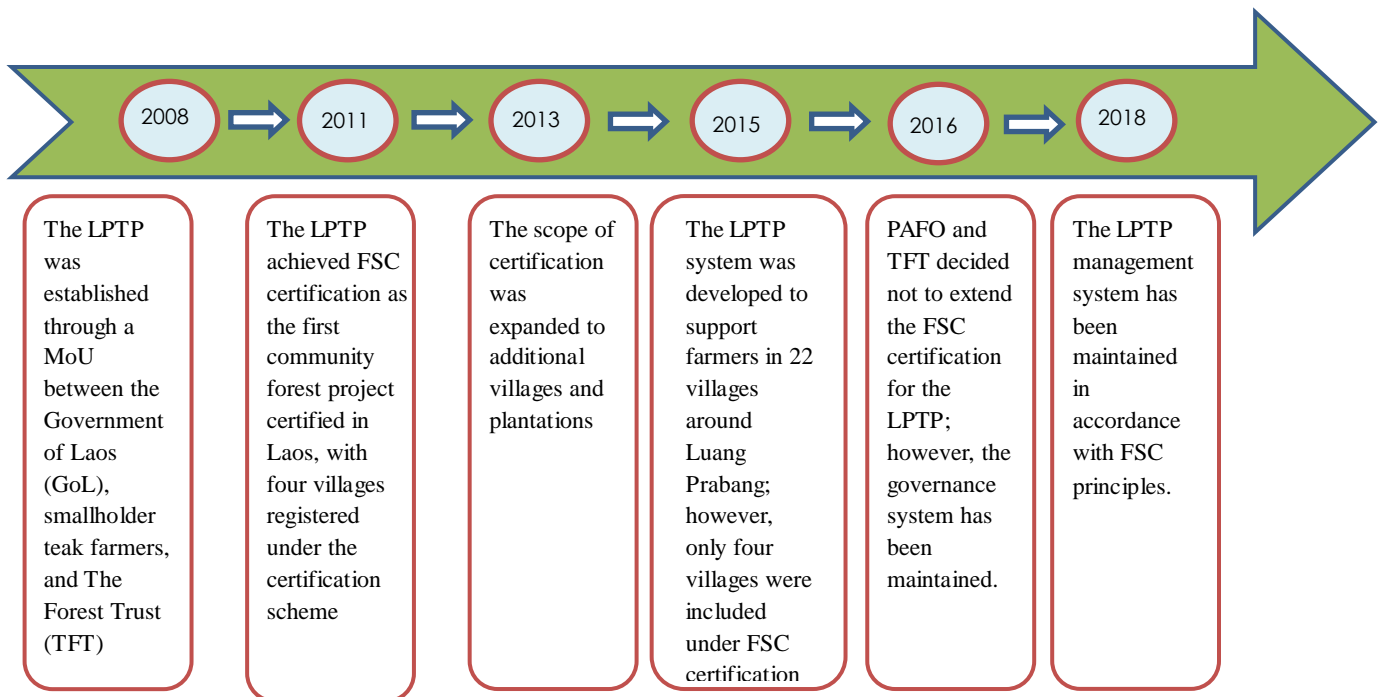
Since then, LPTP has contributed to increasing income from teak farming while enabling access to responsible markets. In addition, the project provided training to teak farmers on FSC standards, sustainable forest management, teak markets, and environmental management; established and supported teak farmer groups; facilitated plantation registration processes for certification by DAFO and PAFO; supported capacity building of district authorities in administering teak registration; and strengthened farmer capacity, including promoting timber sales by volume instead of standing trees, thereby increasing timber value.

### 3.1. Structure of teak Plantation governance

The Luang Prabang Teak Program (LPTP) is a project designed to support smallholder teak plantation governance and marketing, including Forest Stewardship Council (FSC) certification, policy improvement, business development, and the provision of training and extension services. The governance structure comprises the Provincial Forestry Section group entity, district authorities, village teak management committees, and farmer groups across 22 villages in three districts of Luang Prabang Province. The total plantation area under the program is approximately 1,000 ha, including both FSC-certified and pipeline plantations. Key stakeholders include the Provincial Forestry Section, The Forest Trust (TFT), the Japan International Cooperation Agency (JICA), the Australian Centre for International Agricultural Research (ACIAR), and smallholder farmers. The project was established in 2008, achieved FSC group certification in 2010, and certification activities ceased in 2016 (Smith, Ling, and Boer 2017)



**Figure: 2** Diagram of Structure of teak



**Figure: 3** Diagram of implementation teak Plantation governance

The findings show that the LPTP process was implemented in 2008 through a Memorandum of Understanding (MoU) with The Forest Trust (TFT) and achieved FSC certification in the first four forest community villages in Laos. In 2015, the LPTP system was further developed to support farmers in 22 villages. However, in 2016, FSC certification activities were discontinued. Despite this, LPTP has continued to operate and maintain the governance system up to the present.

### 3.2. The teak plantation management system for village groups

Detail

activities B. Kokngiew B. Ansavanh

Administration The teak plantation group of Ban Kokngiew is one of the first pilot villages in Luang Prabang Province. The group administrative committee has experience in group management, which has strengthened the group through support from various sectors and close coordination with state authorities. In addition, the group has its own fund to support its activities. The teak plantation group of Ban Ansavanh was recently established. The group committee has not yet effectively implemented management, and overall performance remains

weak. It appears that the group leaders have not provided adequate capacity building to group members.

Teak plantation governance. The member groups implement activities according to the plan. Each year, members carry out fire control measures to protect teak plantations. In addition, they practice slashing and pruning in their woodlots to improve tree growth and plantation management. They did not implement activities in accordance with the plantation management plan. Each year, fire incidents occurred in the plantations. Slashing and pruning of woodlots were also inadequate, as most members focused more on other occupations.

#### Policy

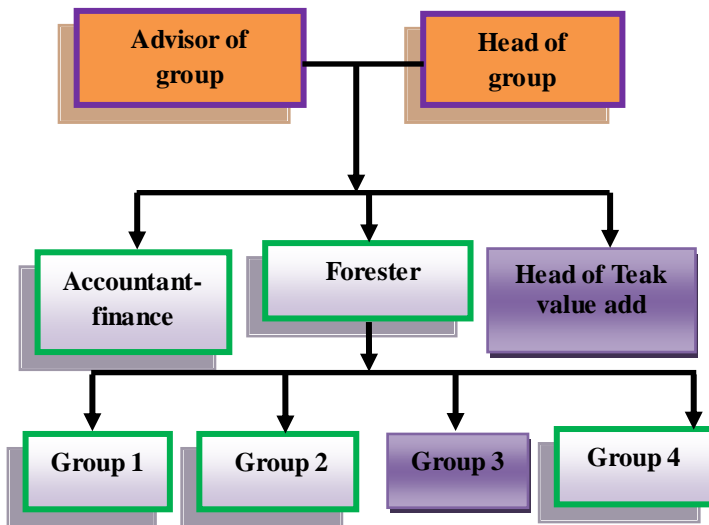
The village has received government policy support, including tax exemptions after proper plantation registration and reduced fees when selling timber. Within the group, value-added activities have also been developed, including purchasing timber from other members for processing into higher-value products such as furniture for both domestic and international markets.

The member group has further received assistance from several projects, including funding for the establishment of a group office from JICA and TFT, as well as support from the IGES project. This support has also facilitated the establishment of wood-drying ovens to improve the quality of timber for furniture production and to enhance the efficiency and commercial value of wood products. A teak plantation group located in Xieng Ngeun District faces certain policy restrictions. The group members possess valid plantation registration certificates; however, land tax is still collected by the local authority, as tax exemptions would reduce annual revenue for the district. This situation has discouraged some growers from joining the group.

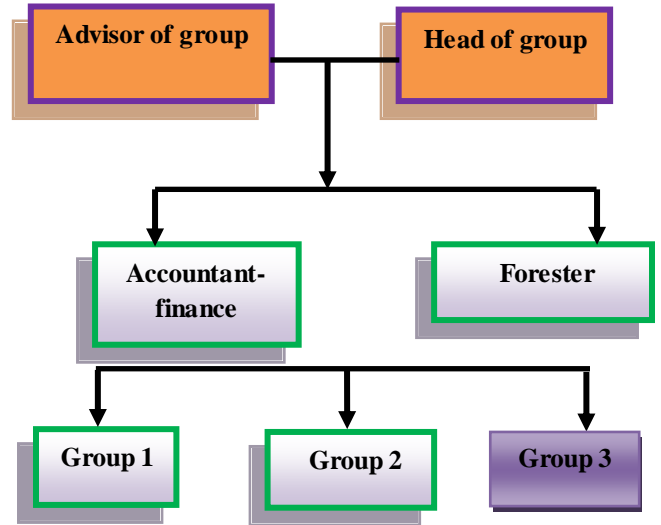
The group has received support from the TPTP, which has provided technical advice and staff training on plantation management, facilitated voluntary plantation registration, and supplied tools to assist with slashing and pruning of woodlots

### **3.3. Structure of Village Group Governance**

B. Kokngiew

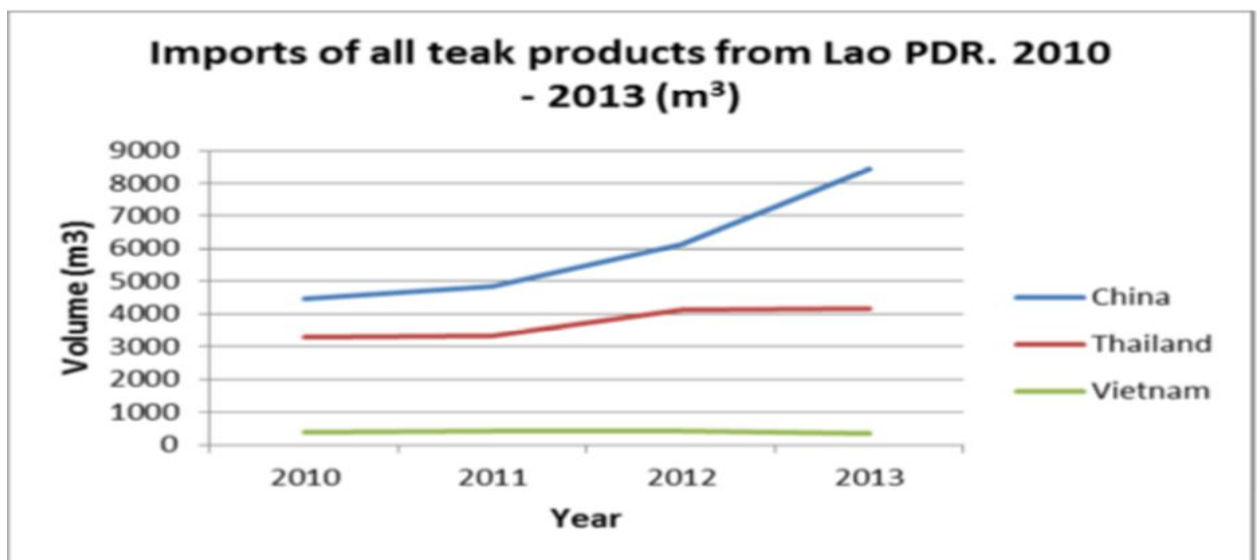


B. Ansavanh

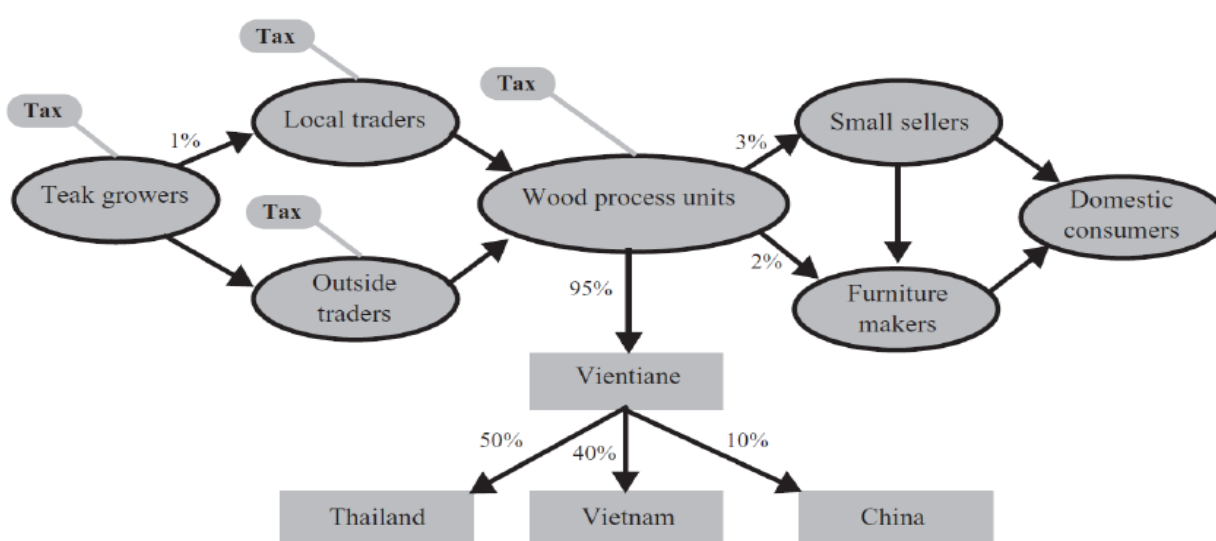


### 3.4 Teak market in Laos

Lao exports of teak round logs, squared logs, and sawn timber are relatively small by global standards, accounting for approximately 8,000 m<sup>3</sup> of the 1.1 million m<sup>3</sup> (less than 0.1%) imported by major markets such as India, China, Thailand, and Vietnam in 2011. Lao export markets are dominated by neighboring countries, particularly China, Thailand, and Vietnam, and this trend is expected to continue due to strong demand in these markets. Although India is emerging as a potential market for Lao teak, export volumes remain low (Midgley et al. 2015), as illustrated in the figure below.



In the teak log market channels in Luang Prabang Province, it was found that most growers sold their teak trees through both local and external traders. An estimated 99% of teak logs in villages are purchased by outside traders, while only about 1% are handled by local traders. It is further estimated that approximately 95% of teak wood produced in Luang Prabang is exported, while only about 5% is used in the local market (Keonakhone 2005) as shown in the process below.



### 3.5. Teak Timber Market of LPTP in Ban Kokngiew and Ban Ansavanh

The implementation activities of the teak plantation groups in Ban Kokngiew and Ban Ansavanh show several differences and can be assessed as follows:

The first sale of timber by the Ban Kokngiew group occurred in 2009, when the group initially attempted to sell trees to Bualapha Company in Vientiane, with a volume of 10,425 m<sup>3</sup>. In 2010, timber was sold from slashing and thinning operations, amounting to 155 m<sup>3</sup>, generating 103,758,751 kip (approximately USD 12,025.82 at an exchange rate of 8,628 kip/USD). In 2011, total timber sales increased to 228.908 m<sup>3</sup>, valued at 137,970,796 kip (approximately USD 15,991.05), including 20.598 m<sup>3</sup> of FSC-certified wood.

For Ban Ansavanh, timber was sold once in 2013, consisting of 26.7 m<sup>3</sup> of FSC-certified wood, generating 17,891,484 kip (approximately USD 2,073.65), as shown in the table below.

**Table 2:** Timber Sales of Ban Kokngiew and Ban Ansavanh, 2009–2016

No	Village	Year	Type	Volume	Total	Remark
				(cubic meter)		
1	B.Kokngiew	2009	tree	10.425	1,00,00,000	
		2010	timber	155	10,37,58,751	
		2011	timber	43.4	2,29,36,888	
		2011	timber	21.759	1,20,19,240	
		2011	timber	13.151	76,49,703	
		2011	timber	130	7,54,00,000	
		2011	timber	20.598	1,99,64,965	FSC
		2012	timber	68.75	4,93,28,006	FSC
		2012	timber	90.55	7,10,16,973	FSC
		2012	timber	16.55	88,56,412	
		2014	timber	17	1,30,00,000	
		2014	timber	177	8,90,00,000	
<b>Total</b>				<b>764.18</b>	<b>48,29,30,938</b>	
2	B.Ansavanh	2013	timber	26.74	1,78,91,484	FSC
<b>Total</b>				<b>26.74</b>	<b>1,78,91,484</b> <b>(\$ 2073.65),</b>	
<b>All of total</b>				<b><u>790.92</u></b>	<b><u>50,08,22,422</u></b>	

It was found that Ban Kokngiew sold FSC-certified wood totaling 179.89 m<sup>3</sup>, with a value of 140,309,944 kip (approximately USD 16,262.16 at an exchange rate of 8,628 kip/USD). Ban Ansavanh sold FSC-certified wood totaling 26.7 m<sup>3</sup>, with a value of 17,891,484 kip (approximately USD 2,073.65). Regarding market access, nearly half of the tree growers had sold teak at least once. Despite Ban Ansavanh being classified as a remote village, a wood-processing enterprise operates within the village, and several export-oriented larger processing companies are located nearby.

### 3.6. Discussion

The teak market is in high demand for both domestic and international markets; however, the trading system is complex and often disadvantages smallholders, particularly due to the role of middlemen. Several studies have highlighted these issues. For example, Arvola, Anttila, and Hogarth (2019), found that the process of selling timber was relatively easy, and that middlemen were accessible and easy to work with. They also noted that LPTP has been working to establish and expand sales networks with middlemen; however, this was not reflected in the statements of

tree growers. Ling et al. (2014) pointed out that Burapha Company, which previously purchased FSC-certified wood from grower groups in Luang Prabang, faced several challenges related to taxation policies, as regulations were applied inconsistently across provinces, particularly regarding business taxes. They emphasized the need for uniform tax, fee, and charge regulations nationwide. Furthermore, Anttila (2016) found that middlemen were the primary sales channel for teak in the complex market environment of northern Lao PDR. However, middlemen are often viewed negatively by producers and are perceived as rent-seeking actors within the value chain.

Moreover, issues related to the management system within plantation groups were identified. The group management systems differed in terms of administration, management practices, and local policies between Ban Kokngiew and Ban Ansavanh. This finding is consistent with Arvola, Anttila, and Hogarth (2019), who reported that smallholder tree growers are weakly supported at the district and village levels. They also noted that the main incentive land allocation has become less effective due to land scarcity and farmers' preference for alternative income sources.

Several issues were identified as reasons for the discontinuation of FSC certification. According to Ling et al. (2018), the expectation that FSC certification would provide group members with reliable markets and premium prices was not fully realized, leading to the termination of certification in 2016 due to declining interest. Instead, an improved value chain involving grower enterprises was expected to increase economic and social benefits for smallholders by adding value to timber within the local community, regardless of FSC certification status.

Firstly, transparency was expected to improve through volume-based timber sales (as opposed to standing-tree sales) within local communities.

Secondly, the enterprise could benefit from government tax exemptions for processing locally grown timber, thereby improving competitiveness and enabling higher prices for growers.

Thirdly, the enterprise was expected to provide immediate payment to growers or, at minimum, build the level of trust required for delayed payment systems.

However, most farmers registered only a portion of their holdings while waiting to see whether FSC markets would deliver tangible benefits. When these benefits did not materialize as expected, many farmers returned to traditional market channels, selling standing trees through middlemen and reducing their reliance on group-based services.

Moreover, Bouaphavong, Jarusombuti, and Veenin (2016) found that teak timber quality is generally low and strongly dependent on silvicultural management practices. They also noted

that timber markets present a barrier, and smallholders are often unable to sell all their trees to the market. As a result, the Government of Laos has approved regulations for log grading of native species based on four criteria: log bend, log routing, swelling, and log decay. The log assessment process requires only a short time for evaluation.

#### **4. Conclusion and recommendation**

The program achieved forest governance and FSC certification for a group entity in 2010 and obtained FSC certification in the first four villages of community forests in Laos. However, in 2016 the FSC certification system was discontinued. Despite this, the LPTP has continued to operate and maintain the governance system up to the present.

Ban Kokngiew has a clearer group administrative structure and more experience in group management than Ban Ansavanh. Teak plantation management generally followed the planned system, except for issues related to taxation after proper plantation registration and fee reductions when selling timber. In addition, the group received support from several projects, including funding for the establishment of a group office from JICA and TFT.

Teak exports from Laos are dominated by China, Thailand, and Vietnam, respectively. It is estimated that about 95% of teak wood produced in Luang Prabang is exported, while only 5% is used locally. Only a small proportion of FSC-certified timber is traded in both villages.

This study recommends improving coordination mechanisms between the state and enterprises in terms of regulations, laws, and policies; strengthening the management system within teak plantation groups; and improving market mechanisms, as both domestic and international product value chains remain complex.

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