



SINOUK COFFEE | LAOS

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EXECUTIVE SUMMARY

Laos, with its status as Southeast Asia's only landlocked and least industrialized nation, presents a unique blend of challenges and opportunities in the coffee sector. The coffee industry, contributing 0.5% to the national GDP, plays a niche but vital role in rural livelihoods, particularly in the Bolaven Plateau, where high-quality arabica beans thrive. Despite the sector's modest size, it has witnessed significant growth in harvested areas, supported by cooperatives and entrepreneurial ventures like Sinouk Coffee, which combines local production with international presence.

Key challenges include climate change, labor shortages, and stringent international market access requirements. However, opportunities lie in diversifying local consumption, leveraging technological advancements to enhance quality and traceability. The industry holds potential for substantial growth, driven by an increasing focus on sustainability, niche market positioning, and government-supported initiatives such as the Lao Coffee Sector Export Roadmap.

Strategic recommendations for Sinouk coffee include maintaining stringent quality control, enhancing its brand identity through storytelling, investing in advanced technologies, building direct trade relationships, and proactively addressing climate and labor challenges. With these measures, Sinouk Coffee can capitalize on global trends and position itself as a leader in the premium coffee segment.



Figure 1: Screenshot from Sinouk Coffee's website. Accessed Dec 13, 2024

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Introduction

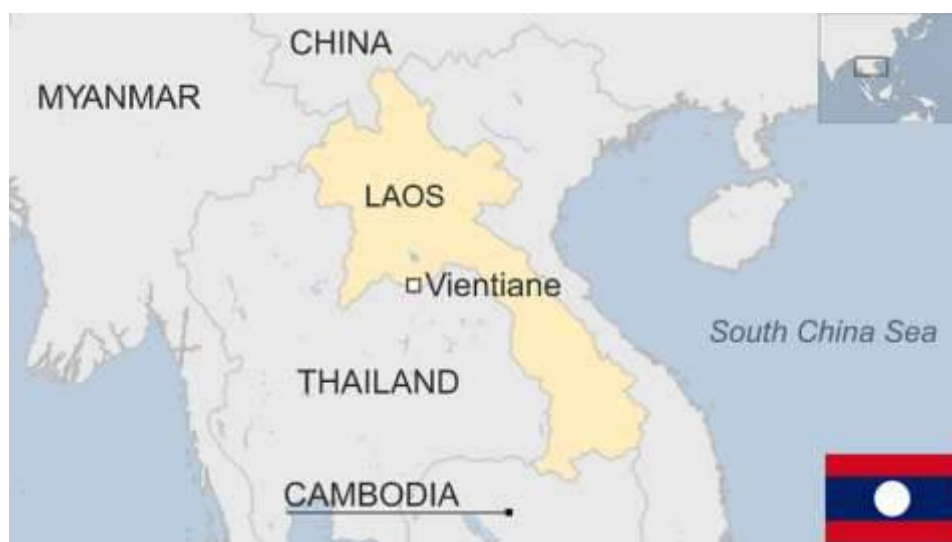


Figure 2: Map of Laos. Image source: <https://www.bbc.com/news/world-asia-pacific-15351898>

Laos remains one of Southeast Asia's least urbanized and industrialized economies, and the only landlocked country in the region. It has a GDP of 14 billion USD per annum, which makes it the smallest economy in ASEAN. (IMF, 2024) It has a population of around seven and a half million, of which 23.1% live in multidimensional poverty, while an additional 21.2% are vulnerable to multidimensional poverty. (UNDP, 2023) The country's debt levels is also of serious concern; it has trouble making interest payments for its 108% total public debt, of which more than 75% is owed to China. (Chanlivong, 2024)

Agriculture is a mainstay that makes up more than 16% of GDP, employing a large portion of the population. Within this sector, coffee has gained prominence as a high-value cash crop. The vast majority - 80% of the production is centered on the Bolaven Plateau in the south of the country, which offers ideal soil and climatic conditions, especially for arabica beans that command premium prices.

Since the 1990s, coffee cultivation area has expanded dramatically as harvested areas grew from roughly 20,000 hectares in 1990 to 88,000 hectares by 2020. (Anthony Marsh, 2006) This expansion is supported by international development programs, cooperatives, and entrepreneurial brands like Sinouk Coffee Co. Ltd. Founded by a Lao coffee enthusiast, Sinouk Coffee sources local beans, manages its own plantations, and operates cafés that serve as brand showcases, connecting consumers to the product's origin.

Industry Overview

Between 2009 and 2019, the planted areas of coffee increased by 67 percent. (Food and Agriculture Organization of the United Nations, 2022) The coffee industry in Laos plays a niche yet increasingly important role in the country's economic landscape. Even though it currently accounts for roughly 0.5% of national GDP, coffee production offers tangible benefits for rural livelihoods, particularly in regions like the Bolaven Plateau, which are well-suited for growing high-quality arabica. Over the past few decades, coffee cultivation areas have expanded substantially—from about 20,000 hectares in 1990 to 88,000 hectares in 2020 —indicating a clear upward trajectory driven by growing domestic capabilities and international interest. (Onphanhdala, 2022)



Figure 3: Farmers in the Bolaven plateau. Image source: <https://www.beijing-visitor.com/laos/bolaven-plateau>

We find the industry's structure noteworthy. On one end, you have farmers represented by cooperatives like the Bolaven Plateau Coffee Producers Cooperative and the Jhai Coffee Farmers' Cooperative that operate in the Bolaven Plateau, which together represent thousands of small hold farmers. These cooperatives are central to enabling small producers to reach broader markets, including export channels. (Onphanhdala, 2022) On the other end, there are downstream players that are starting to make their mark in both local and international retail. Companies like Sinouk Coffee Co. Ltd, our unit of analysis, have built a recognizable local brand that emphasizes quality, local sourcing, and the distinctive profile of Lao coffee. In addition, niche players like Naked Espresso and established global giants like Starbucks—who entered Laos in 2022—signal that the local coffee scene is evolving beyond commodity beans into more premium experiences and local consumption driven forms. (International Trade Centre (ITC), 2021)





Figure 4: The owner, Sinouk, and daughter Sirina. Image source: <https://sinouk-coffee.com/sinouk-coffee-brand/our-story/>



aven Plateau in Indochina. Image source: File:Location_of_Bolaven_Plateau_on_Indochina_topo

External Environment & Trends

While the Laos coffee market is modest in size and operated by almost purely local players, it is impacted by the global shifts in commodity prices as well as consumer tastes abroad. To counteract this, it makes sense for the coffee industry to pivot into more local consumption either by affluent Laotian or international tourists to diversify away from playing a role as a pure exporter.

The total market could reach approximately USD 234.7 million by 2024, potentially growing by around 5% annually from 2024 to 2029.¹ Given the relatively small size of coffee in the Laotian GDP, it represents new opportunities for farmers of less profitable crops to improve their earning capacities and livelihoods. Moreover, global trends in coffee consumption suggests that there's space for Lao coffee to carve out a niche—especially in specialty and single-origin segments—if producers can continue improving product quality and meeting global taste and sustainability standards. Technological improvements, such as upgraded drying and milling equipment, as well as better soil health monitoring and irrigation systems, are already helping local farmers enhance bean quality. (Anthony Marsh, 2006)

At the same time, challenges loom large. Climate change threatens to reduce yields, especially of higher value arabica beans that are more sensitive to rising temperatures. Labor shortages also impede growth, as younger workers often migrate to higher-paying jobs elsewhere. Market access remains an ongoing hurdle: while international demand is increasing, many smallholders struggle to meet the stringent criteria for specialty coffee markets, and they often lack the capital required to process beans into more lucrative

¹ <https://www.statista.com/outlook/cmo/hot-drinks/coffee/laos>

products like instant coffee. (Onphanhdala, 2022)

Yet where there are challenges, there are also opportunities. Growing demand for sustainable and organic coffee—particularly in the EU and US—offers a path to premium pricing. The rise of third-wave coffee culture and the single-origin movement gives Lao producers a chance to tell their story and compete on identity and responsible farming practices. Emerging technologies, including traceability tools like blockchain, can help local companies demonstrate compliance with international standards, reassure buyers about quality and ethics, and stand out in a crowded marketplace.

Porter's Five Forces Analysis

Threat of New Entrants

The threat from this dimension, particularly at the production and small-scale roasting level, is relatively high due to the low barriers of entry. Laos coffee plantations vary significantly in size, ranging from small-scale plots of 0.5 hectares to large estates covering up to 3,100 hectares. This wide range allows the capital requirements for entering the market to be more flexible for new entrants. Supply chain networks is often a large hurdle for agriculture (McKinsey & Company, 2020), however new entrants and small players are able to overcome this by offering boutique beans at a local or regional level and incorporating tourism into their operations to bypass the requirement to pass stringent standards to access the international market (FFTC, 2022).

That said, gaining recognition at the international level in premium segments such as specialty and single origin coffee is more challenging for new entrants, as it requires building reputable brands and complying with stringent standards.

At the beverage level, the threat of new cafes in urban or touristy areas can also be considered high as there is not many barriers to opening a competing café, except for the capital requirements which could prove significant in the context of Laos.

Bargaining Power of Suppliers

At the production level, suppliers are still mostly small hold farmers who often sell beans to cooperatives such as the Bolaven Plateau Coffee Producers Cooperative. As production is fragmented among various farms and the produce is relatively undifferentiated i.e., commodity or export grade beans, the bargaining power of these smallholders is likely to be limited.

On the workforce level, labor has been a major challenge for Laos coffee producers, with their profit margins not keeping pace with the rise in labor costs and continually competing with other industries for labor. Therefore, suppliers of labor to the coffee industry have a relatively higher bargaining power (FFTC, 2022).

Still, the bargaining power of suppliers of the beans themselves remains relatively weak, especially at the commodity and undifferentiated level of the market.

Bargaining Power of Buyers

While buyers of specialty coffee may face moderate switching costs due to unique taste profiles, buyers of commodity level coffee have a lot of power in negotiating prices and supply agreements. International coffee buyers can source coffee from multiple countries, with minimal switching costs if price or quality becomes unfavorable. Laos also has a large collection of suppliers who do not meet stringent EU import standards; therefore, their potential specialty buyer profile is smaller, transferring power away from them (International Trade Centre (ITC), 2021).

This fluidity in the market keeps the bargaining power of buyers high. To mitigate this, brands such as Sinouk coffee needed to invest in quality, brand storytelling and sustainability to build customer loyalty and reduce price sensitivity. There are signs of good progress on this front - Laos has still managed to build a reputation surrounding the quality of its coffee beans,



therefore everything considered, there is medium buyer bargaining power (Purohit, 2024).

Threat of Substitution

On a broader beverage level, coffee competes with tea, cocoa-based and energy drinks. However, for coffee drinkers, these substitutes do not completely replace coffee's flavor, caffeine boost, and the unique culture around cafés and specialty coffee. Although the threat of substitution is present, it is moderated by coffee's entrenched status in people's daily habits. Coffee is much more insulated from the threat of substitution because of this therefore the threat is low.

Competitive Rivalry

The South-East Asian region is quite saturated with coffee producers, with Laos close neighbors Indonesia and Vietnam accounting for 24% of the world supply combined (Mekko Graphics, 2021). This combined with the already large number of plantations in Laos, with reports of up to 20,000 coffee farming families (Lao Mountain Coffee, 2006), and the reduced differentiability of coffee beans, means competitive rivalry is strong.

Challenges and Opportunities

Increasing temperatures and altered rainfall patterns are adversely affecting coffee production. Farmers are having to turn to alternative crops such as cassava due to its greater resiliency (Food and Agriculture Organisation of the United Nations, 2022).

Labor shortages have recently risen as one of top challenge facing Laos coffee producers. The Laos government implemented strong policies to encourage Laos people to turn to farms for working during lockdown, this resulted in a wage increase of 17% between 2020 and 2021. The country also sees workers migrate to other countries during harvest season for more competitive wages, further increasing the strain on the Laos coffee industry (Wongpit, 2023).

Limited market access, especially to the EU, due to stringent important requirements has made it difficult for the Laos coffee industry to grow at a faster pace, however international organizations such as the International Trade Centre are helping to lay the roadmap to overcome these challenges.

With more countries and companies prioritizing sustainability, Laos has a unique opportunity to position itself as a sustainable producer of coffee beans. By leveraging traceability in the supply chain, and block chain technology, Laos would be able to differentiate itself from other large players across the region.

Laos also has a strong tourism industry, so guided tours of plantations, ending with tasting of niche and boutique coffee is a unique proposition that not many countries can employ. Evidence of this has been seen with companies such as Laos Mountain Coffee and Sinouk Coffee.

Strategic Recommendations for Sinouk Coffee

As Sinouk Coffee operates in a dynamic landscape characterized by evolving consumer awareness, international competition, and the rising importance of sustainable supply chains, it will need to enhance its strategic approach. The following recommendations draw both on the strengths of our unit of analysis itself, and the broader trends identified in the global coffee ecosystem:

Maintain Focus on Quality and Differentiation

While the commodity export-grade bean market is saturated and highly competitive with ready supply from other countries, coffee connoisseurs are willing to pay a premium for single-origin coffee that captures a region's unique terroir, much like premium chateau-bottled wine. (Mowery, 2017) Achieving recognized certifications, such as Fair Trade, organic, or Rainforest Alliance could help Sinouk further differentiate in an increasingly crowded global marketplace.

The good news is that Sinouk currently has strong quality control processes in place, allowing it to pass the stringent requirements set by regions such as the EU. This is a key differentiator



for Sinouk and it likely commands a greater market share compared to the smaller coffee producers in the region, though numbers are hard to come by. Maintaining this high level of quality control, and continually meeting any updated requirements set by the EU will be essential for Sinouk's long-term strategy to survive and flourish.

Leverage Brand Storytelling and Identity

Sinouk needs to leverage on its brand narrative to stand out in an industry where buyers have strong bargaining power. A strong digital presence, combined with effective storytelling, could increase the visibility of Sinouk to potential buyers worldwide. Sinouk already has an existing online shop and blog.

However further investing in professional website design and search engine optimization can boost its visibility. It can leverage story telling about its Bolaven plateau roots and its unique "Bolavens treasure" specialty coffee to collaborate with content creators to further position Sinouk in the limelight of the coffee world. Sinouk should be able to highlight the positive impact of its supply chain on its community, including its farmers and their families. Enhanced marketing efforts such as social media storytelling and single-origin focused packaging with community relevance could help forge stronger connections with customers, both in Laos and in the international markets.

Invest in Technology and Traceability

Investments in climate-resistant cultivation techniques and advanced post-harvest processing methods will help Sinouk maintain consistently high bean quality and supply, which will be key when targeting consumers who are willing to pay more for premium coffee.

Moreover, to assuage customers thousands of kilometers or continents away of the veracity of their single-origin, sustainability, and social impact claims, Sinouk should integrate blockchain or other digital traceability tools in its supply chain. Through such efforts, they could help communicate transparency and authenticity to discerning international buyers and create a moat to protect itself from potential copycat brands from Laos or other countries.

Expand International Partnerships and Direct Trade Relationships

In order to move beyond commodity buyers and intermediaries, Sinouk could try to forge direct trade relationships with specialty roasters and cafes in markets where niche coffee culture is strong such as North America, Europe, and affluent cities in Asia. By cutting out the middleman, Sinouk can firstly retain a larger share of the profits, but also crucially have a pulse on evolving consumer tastes in foreign markets and gain insights into trends in the single-origin market and third-wave coffee culture. Sinouk could try to leverage on trade missions facilitated by the Lao government or the EU or participate in international coffee festivals and barista competitions to open such relationships more organically.

Proactivity in Climate and Labor Challenges

With the ever-increasing focus on sustainable farming practices, Sinouk should improve its association with sustainability by being one of the leaders in this field for the coffee industry. By working with international NGO's and working directly with farmers or cooperatives, Sinouk can further improve its image and make it a more attractive supplier for buyers. Training programs, fair wage policies, and community impact initiatives could help it to build and retain the manpower it needs to maintain long-term supply of its coffee to the market.

Future Outlook

Looking ahead, Sinouk Coffee is at a crossroad. On one hand, macro issues such as climate change, labor shortage, and the weak state of the Laos government will place a drag on the Laotian coffee industry's trajectory. On the other hand, efforts by Sinouk Coffee to enhance brand identity and quality suggest that our tiny titan is ready to take these challenges head on and invest in its own progress and growth.

The medium to long-term outlook for the Laos coffee industry is dominated by the consumer preference shifts to sustainable and high-quality specialty products. The Lao Coffee Sector Export Roadmap, which has been endorsed and actively followed by the Laos Government (Laos News Agency, 2023), paints the best outlook for the Laos coffee industry. The roadmap



sees Laos leveraging its favorable growing conditions, particularly for high-quality Arabica, to meet the rising demand for differentiated coffee products in key markets such as the EU, ASEAN, and North America.

Climate change presents a challenge, especially for Arabica beans, so Laos will have to invest in climate-smart agriculture (such as planting trees besides crops and redesigning irrigation systems), improving farming productivity, and enhancing processing standards to ensure long-term sustainability and competitiveness of Lao Coffee

Strengthening quality management systems, implementing sustainability certifications and improve sector organization will be vital in allowing Lao to capture a great market share in regions such as the EU.

By focusing on quality, sustainability, and traceability, our unit of analysis – Sinouk Coffee can position itself at the forefront of coffee producers in the region and allow itself to prosper well into the future.

Conclusion

The Lao coffee industry holds strong potential for growth, despite facing significant challenges such as climate change, labour shortages, and limited market access. By leveraging its unique growing conditions and focusing on high-quality, sustainable coffee production, the sector can position itself effectively in global markets. For Sinouk Coffee, maintaining stringent quality standards, investing in technology, and strengthening its brand identity will be critical to sustaining competitive advantage.

Strategic efforts to address climate and labour challenges while embracing sustainability trends will further enhance its appeal to international buyers. With these measures, Sinouk Coffee can lead the industry in capitalising on the growing demand for premium coffee, ensuring long-term profitability and contributing to the broader development of Laos's economy.

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