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Consultation Workshop and Policy Forum
**PATHWAY TO SCALING-UP AND FINANCIAL
SUSTAINABILITY OF FARMERS ORGANIZATIONS
AND COOPERATIVES AGRI-ENTERPRISE**

IFAD Implementation Support Mission 2024



22-24 April 2024 | Bangkok, Thailand

Asia Pacific Farmers Program / Farmers Organizations for Asia (APFP/FO4A)

Implementation Support Mission 2024

**Consultation Workshop and Policy Forum on
Pathway to Scaling-up and Financial Sustainability of Farmers Organizations
and Cooperatives Agri-Enterprise**

22-24 April 2024

Radisson Suites Bangkok Sukhumvit, Bangkok, Thailand

Workshop Documentation

Day 1, 22 April 2024, Monday

Warm-up Exercises and Introduction

Facilitator/s: Maripaz Bernice Galang

Inclusive Time: 9:05 – 9:14 AM

Process:

1. Greetings of Good Morning by Country in its own language

- Participants are arranged by country per table.
- Participants stand up and say together Good Morning in their own language
- Everyone will repeat what has been said.

- Philippines Maganda Umaga/Mabuhay
- Indonesia Selamat Pagi
- Bangladesh Assalamu Alaikum
- Pakistan Subah Bakhair
- Sri Lanka Ayubowan
- Kyrgyzstan Kutmanduu tangyngyz menen boble
- India Namaste
- Nepal Subhprabhat
- Cambodia Sou sdey
- Thailand Swasdi txn chea
- Lao PDR Sabaidee
- Vietnam Chao buoi sang Cha
- Mongolia Sain bain uu
- Belgium Bonjour



Note: According to the announcement of the facilitator, today's workshop was participated by 72 pax, from 16 countries, 43% are women or 31 pax. some participants are in the Zoom platform.

2. Collective rain clap and rain dance to commemorate Earth Day (April 22)

Outcome: Energized and happy participants and workshop team. Learning other languages with joy. It paved way to remind everyone of the importance of rain during extreme hot weather condition and drought that affect the farmers most.

Enterprise Commercialization for Farmers' Organizations Empowerment

Resource Person: Danilo "Dan" Songco, Rural Finance, Markets and Value Chains Specialist

Facilitator: Maripaz Bernice Galang

Inclusive Time: 9:15 – 10:17; 10:41 AM – 12:11 PM

From the self-introduction of Dan Songco to put into context on where he is coming from in running this kind of workshop (telling concepts from years of experience)

Consultant of AFA for the Mid-Term Review of the programmes, Asia Pacific Farmers Programme (APFP) and Strengthening FOs in Asia (FO4A). He teaches at Asian Institute of Management (AIM) on Social Entrepreneurship (SE). He was also involved in PinoyME Foundation during the time of then President Cory Aquino to give support to micro-finance projects. Provides technical assistance to rural incubators. Worked with CODE-NGO, the biggest network of NGOs in the Philippines. Worked in a couple of government agencies and in Development Bank of the Philippines (DBP). Entrepreneur for 17 years running an ice cream business (Giardino Gelato) in Cebu and Davao. Married to an accountant.

Background of the workshop:

In the results of the medium-term review (MTR) last November-December 2023, it was discovered that many FOs are very quick in establishing business that are not making money when in fact the project is supposed to be about making FOs profitable.

To attain the expected outcomes of the workshop, below is the process to be undertaken:

- Level-off on the concepts of commercialization, commercial viability, FO commercialization, and how it can be realized;



- Agree on a tool to categorize the commercial maturity of FOs that are assisted by the project; and
- Agree on the capacity building efforts to undertake to make FOs commercially viable.

The following activities will aid the flow of the workshop:

- Input, Q/A and sharing of participants' experiences on enterprise commercialization overview -
- Case presentation from project implementing partners
- Categorization of FOs enterprises based on the agreed tool in determining commercialization maturity
- Planning for capability building
- Field exposure by host country
- Reflection on field exposure
- Regional meeting

In this workshop, three (3) terms will be used repeatedly:

1. Commercial viability – end goal
2. Commercialization – process
3. Commercial maturity – way to determine how commercial is the enterprise

Note: Participants are reminded to ask questions and clarifications in each topic (if there are gray areas) as the line-up of topics is linear. Understanding the previous topic is a prerequisite to catch up with the following topics.

What is commercialization, and why it is important?

- Business in order to survive must be commercially viable – it has the ability to grow, meet its objectives, and offer returns to investors in a sustainable way
- All businesses need to grow, continue to grow, make money and sustain business operations
- In the case of FOs, members are both investors and owners of business
- In the case of business, investors are not necessarily owners of the business
- Activity: Video showing about two (2) commercially viable businesses (enterprises)

Model 1 - The History of Amul in India

Founded in 1946 as a cooperative during the time when the dairy farmers are exploited by traders. As a cooperative the farmers controlled the procurement, processing and marketing of milk. The cooperative combined the forces of milk producer-farmers to avoid competing each other. It established a direct linkage between the farmers and consumers by eliminating the middlemen.

The cooperative grew through the leadership of its founding chairman Patel and the professional management of Dr. Kurien (known as the Father of White Revolution). The National Dairy Development Board (NDDB) was set-up by government taking on the Amul model and replicated it in various parts of the country. Through the years, Amul has expanded its operation in the district level and state level of India, and in 50 countries. Amul is a great contribution to the poverty alleviation and rural development.



Model 2: Sorosoro Ibaba Development Cooperative (SIDC) in Batangas City, Philippines

In March 19, 1969, Victoria Barte of Barangay Sorosoro Ibaba, Batangas City started a sari-sari store with an initial capital of P11,000 coming from the P200 share of each member. The business grew and established other businesses like hog raising, poultry, agriculture, retailing, banking, trading, resort for eco-tourism. In 2016, SIDC reached P528.9 million share capital. Landbank recognized SIDC as the largest agricultural cooperative in the Philippines with 8,700 members. SIDC expanded in the regions of CALABARZON and Bicol, and in the provinces of Romblon, Mindoro, and Palawan.

Processing:

Amul and SIDC started from a vision of one farmer to help the farmers free themselves from exploitation and poverty. It takes that long for both of them to expand and place their enterprises into mainstream market. They have increased the membership. Amul has 1.2 million and SIDC with 8,700 members. Amul dealt on one product (which is milk) while SIDC had multiple products.

Why commercialized?

In the 2023 Logframe indicators that was adjusted after the MTR, the main intention of the project is to have commercially viable FOs and bankable business plans. The question is, viable in what way? Would weak membership a factor to not being viable or the strong membership means it would be viable as indicated in the Logframe?

Using the mentioned above Logframe, in Outcome 1 – FOs and farmer-led enterprises (FLEs) improve technical and economic services along the value chains – four (4) indicators have to be realized and measured if the project is successful, to wit:

- Including number of supported economically matured FOs/FLEs having increased business volume in a viable way
- Value of marketed products (all value chains) by FOs/FLEs members (in tons)
- Value of marketed products (all value chains) by FOs/FLEs members (in EUR)

- Amount of private sector/other sources investments mobilized through bankable business plans (total amount in EUR)

Activity: Picture showing a village with a lot of economic activities. What do you see in the picture?

Impact of commercially viable FOs is within the framework of FOs – increased the income of members, improved quality of life, and reduced poverty. Business means increasing profits. Increasing profits are sources of business growth by re-investing it to other businesses. Business growth creates new jobs, more businesses, and thriving rural communities. If farmers have money, they can buy more food. Business is a way for stable food supply and food security.

Commercial viability

It is understandable that some FOs and NGOs are a bit averse to the idea of commercialization. It requires that we understand the business rules very well. Commercial viability deals with:

1. Profitability – increasing net income
2. Healthy balance sheet – assets and equity are increasing, and liabilities are well-managed
3. Business systems – decision-making is efficient and sufficient internal controls
4. Commercial financing – no longer reliant on grants/subsidies and able to access commercial funds

In **Profitability**, Life Cycle of a Business is an approach/tool to consider. The cycle passes the stages of Launch – Growth – Shake-out – Maturity – Decline in a given time, or a number of years. To be able to survive, net income must increase continuously. Commonly, when the business reached its maturity there are more stresses and competitions and if not addressed well the business is about to die. To prevent this, extend the life of business based on how long you want to do this business and diversify. The sooner you get maturity in business, the better.

In **Healthy Balance Sheet**, assets and equity are increasing, liabilities are well managed. First, FOs must understand Income Statement and Balance Sheet.

Income Statement – the performance of business in a particular time (semi-annual

or annual). It includes revenues and other income, expenses, and income (whether loss or gain)

Balance Sheet – the record that shows how much money the business own at present and what happened in the past business operation. It includes assets, equity and liabilities. This is the picture of business financial health.

This is not a simple equation of: $Assets = Liabilities + Equity$ because there are many hidden costs in most of the time. Ideally, liabilities should be one-third (1/3) of the business assets so the business can pay its liabilities. In capital, a factor of 3 is a way to measure if the business can pay its liabilities. For every P1 capital, borrow not more than P3 for the business to be able to pay the liabilities.

Whether registered or not registered FO and even the business is not profiting, you need to make financial statements like income statement and balance sheet. Healthy balance sheet that indicates how much is the assets, liabilities and equity of the business will be the basis of the banker to approve loans. It is also important to stress to have an audit of your finances to a registered/certified auditors.

In **Business System**, the efficiency of decision-making is illustrated in the organizational structure, definition of authorities and responsibilities, accountabilities, and the decision process. FO members own the business, the Board is making the decision and the Management performs the daily operation of business as a matter of check and balance system.

Mapping the business process describes the sequential flow of activities, duties and responsibilities in business operation. Illustrate what happen in each step, time spent, and the completion of tasks. Business cycle shows the product you are ready to sell, how much money you will earn.

Accounting and financial management is the budget preparation, flow, and recording of financial transactions, internal controls, and financial reporting – where the money come from (Treasurer), disbursement of money (Disbursement Officer), record the transactions (Bookkeeper). FO must put this in place from the start-up of the business.

Commercial financing is when FOs are no longer reliant on grants/subsidies and are

able to access commercial funds. Common illness of FOs and NGOs is relying on grants and subsidies. What will happen if the donors are no longer providing grants/subsidies? Where will the money come from if the projects funded by donors were already finished?

In business, the valley of debt refers to describe the slow and often painful period of time between a company's initial launch and when it gains meaningful tractions with customers and revenue.

By experience, funded enterprise projects or businesses where seed capital comes from grants/subsidies are falling into the valley of debt. The grants/subsidies will run-out. A way out to free money trap is tapping the commercial financing.

By research, the trajectory of universal practice in financing is free money, rise-up to commercial financing and blended financing. Take a risk to keep the business grow. Project can start in policy advocacy. Understand commercialization. Government can help in financing but not much, while commercial financing is open and ready.

Interactive Discussion

(Summarized Q and A, stating the name and country of the person – with assistance from AFA)

Video showing: 2 Models of commercially viable businesses/enterprises



Video showing: 2 Models of commercially viable businesses/enterprises

Megha (India)	<p>From one product, they diversified in other products. Diversification is growth. *Reminder: Do not diversify if your product is not yet solid</p>
Rahul (India)	<p>Three (3) factors in the success of Amul – (1) aggregation is important; (2) decentralization of the business operations; and (3) professionalism – employed professionals to manage the milk business.</p>
Zahid (Bangladesh)	<p>Good quality of product contributes to the success of the business.</p>
Sneha (India)	<p>Sharing: Works with marginal farmers, organize the farmers and support the farmers products.</p>
Roy (Philippines)	<p>Both businesses started with small capital and grow. Commercialization was there. They went beyond the original scope of the operations, operation without perimeter. Amul went international and SIDC to other provinces of the country.</p>
Peou (Cambodia)	<p>Inspired with a vision. Clearly identify the needs of members and the community. Started with what they have. Fulfilled the needs of the members. Big members also meant big customers. Practice transparency and accountability. Know the value of money. Rooted in the members' capacity – what they have and what they can do.</p>
Samadanie (Sri Lanka)	<p>Solved the problems of the poor together. Founded on the need. Responded to the problem and need of the market. Lack of supply of milk in a milk consuming country like India is a big market.</p>
Phout (Laos)	<p>Qualify growing, commercialization. What influences the growing of the business? What is the ending of the profit? Where to stop? Answer: Stop when you have done what you wanted to do. In</p>

	<p>business plan, 3 years is a good time to review if you reach the level of happiness and satisfaction in doing your business. Improving the life of your members and continue to see the market needs will influence the growing of your business.</p>
<p>Wasim (Pakistan)</p>	<p>80 years, 30 years are longer. We can have a shorter period because we can learn from their experiences. There must be new efforts especially in this time of new technology. Everything is very quick in digital technology. In this case, what kind of support we need to undertake in this situation?</p>
<p>Roy (Philippines)</p>	<p>The business started with the need of the members then going to commercialization, when you outgrow the need of the members and the business is more profitable, would that mean commercialization has done the tasks? Cooperatives both address the need of members and commercialization.</p> <p>Answer: What are your objectives? Prime-up the objectives. There are rich cooperatives but still the members are poor. Define success with members. Define growth of the FO and growth of each member. Mission-driven business.</p>

Why Commercialized?

<p>Megha (India)</p>	<p>To bring the interest of the new generation, make this effort attractive to them. Encourage more young people in this line of work. Make use of the social media. This is one way of sustainability.</p>
<p>Zahid (Bangladesh)</p>	<p>Cooperative is not popular among the youth. Inclusion of the youth in this work and strong and viable management are important. How can we make a strong and commercially viable FOs?</p> <p>Answer: That is this workshop all about.</p>
<p>Lany (AFA)</p>	<p>The issue of responding to the needs of today must be in the limit of the capacity of the nature and planet. Connect today and the future. The effort for FOs commercialization is not like</p>

	<p>in the commercialization of the corporations. FOs commercialization is about participating in the market and having profits not only for the sake of profit but for the needs of the members and within the limits of today, future, and the environment.</p>
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Commercial Viability

<p>Wasim (Pakistan)</p>	<p>How do you know your business is at maturity stage and will decline?</p> <p>Answer: Two (2) to three (3) years from start-up and become profitable this is fine. When the business is not profiting for 3 years, the business is in danger. If the business survived 3 years, experiencing shake-out is still probable. The more growth in business the more problems. The key is how to overcome the challenges. Every time a new problem comes out it is more difficult than the last one. Find a solution at once and avoid new problem. Business continues to have problems and how to cope-up is the way to address it.</p>
<p>Rahul (India)</p>	<p>Regular commercial commodities diversify.</p> <p>Answer: Not diversify, innovate products. Like Facebook, it continues to improve by learning the experiences of its users (as its customers) and innovate. As entrepreneur understand the product, market, and needs of members.</p>
<p>Megha (India)</p>	<p>Seven years to make profits and the farmers pays in the first 2 to 3 years. It will be difficult for the farmers.</p> <p>Answer: In 2 years the farmers learn to do short term business.</p>
<p>Peou (Cambodia)</p>	<p>What's need to be done to make small business to become big?</p> <p>Answer:</p>
<p>Sneha (India)</p>	<p>Sharing: In the village, marginal farmers produce small quantity and the middlemen market their produce. They suffer losses. The farmers were organized and formed their own marketing arm, Rudiben Women Marketers (RUDI), that market the products and eliminate the middlemen.</p>

<p>Aeyesha (Pakistan)</p>	<p>This is similar to our business cycle. Do you think we need commercialization and social transformation? Gestation is longer to bring people into commercialization.</p> <p>Answer: Social Entrepreneurship takes a lot of money in social transformation and not in business. Business is less in social transformation. Market cannot be change. Be simple in social transformation. Muhammad Yunus with his micro-finance/credit to the poor took 30 years to succeed. Be patience but ensure profitability. Washington Sycip, famous in his audit company, once said – make money first then talk about social transformation.</p>
<p>Toolos (Kyrgyzstan)</p>	<p>Sharing: It is difficult to convince farmers about cooperative especially those who are in old cooperative. The government took our land. There are a lot of consultation and training to challenge their mindset. What we did is to form a new cooperative, collect shares by household and tell them this is not for profit.</p>
<p>Sanat Bangladesh)</p>	<p>Sharing: The middlemen bought the farmers produce for only 10 cents even when the good are high quality but it will sold in Dhaka in higher price. We are trying to market directly from farmers to consumers.</p>

Healthy Balance Sheet

<p>Zahid (Bangladesh)</p>	<p>In the mango orchard, the business is leasing the land where the mangoes are planted. Is the land leasing a part of liability?</p> <p>Answer: Yes, since you do not own the land and renting it. Land own is asset and land lease is liability. In income statement that would part of expenses and in balance sheet it is liability. The key point here is, whatever money you own after you pay debts is Equity.</p>
<p>Megha (India)</p>	<p>Small women organizations are in different geographical location. They don't make financial report. Accounting is complicated to them. There's no common and consolidated report.</p>

	<p>Answer: You have to record your finances. If you don't make it you will not know if the business is making profit or not. Source out someone who can do it for FOs.</p>
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Business System

Megha (India)	<p>Business cycle does not include the production cycle. The entire process need to be seen.</p> <p>Answer: That is another cycle.</p>
Megha (India)	<p>Free money (grants and subsidies) are often used in capacity building of FOs. There are affordable financing groups other than commercial financing.</p> <p>Answer: In a rapid assessment, FO is successful in trading and they identified they need to buy a dryer worth P3 million. The solution is to get the money from the Department of Agriculture (DA). FO get addicted to free money.</p>
Sneha (India)	<p>Commercial loan is a challenge with a high interest. Cooperative bank provides loans to farmers with low interest and payment is based on production cycle.</p> <p>Answer: Affordable financing like rural bank is not really profit-oriented. When the business grow, rural bank cannot afford anymore and they need to go to commercial bank. Commercialization is getting more sustainable financing institution.</p>
Wasim (Pakistan)	<p>Commercial financing in Pakistan requires many documents, hence, it is time consuming and longer the crop season.</p> <p>The Peace and Equity was an intermediate finance institution when problems are cannot be answered by commercial financing. Pakistan in general is a huge problem.</p>
Areeya (Thailand)	<p>In Thailand, the context is different to the farmers. NGO that is in Social Entrepreneurship works with fisherfolk business for 3 years. Two FOs survive. NGO implemented a policy - no more</p>

	<p>advances from funds. It was difficult for the farmers to understand this. How to make social transformation and not to fall on free money trap?</p> <p>Answer: You need to be profitable.</p>
Megha (India)	<p>Seed money in RUDI should make profits and benefit the members. SEWA organized women as economic organization by trade. There are organization that are registered and not. How do we select organization?</p> <p>Answer: Organizations that you know they can pay back.</p>
Toolos (Kyrgyzstan)	<p>Sharing: Step by step, we opened a new cooperative which is now 3 years old rather than continue the old cooperative. The cooperative focuses on business, selling products not by quantity but on quality. Cooperative got money from members and not free money.</p>
Zahid (Bangladesh)	<p>Financial institutions and banks do not provide loans to group of farmers rather they provided loans to individual farmer. In district level, 75% are agricultural farmers and there's not enough loans for commercialization.</p>
Suman (India)	<p>FOs and NGOs are non-profit and non-stock. Capacity building to run business was provided by NGO to FOs. NGO can run the business?</p>
Roy (Philippines)	<p>Most of the organizations came from policy advocacy and shifting to economic organizations, how will it pass in the valley of death? The program should also address the gaps.</p>
Nahendra (Nepal)	<p>Mountains are loaded with tea in India boarder. Due to government policy on boarders, getting into tea business is difficult.</p>
Meena (Nepal)	<p>The roles of leaders and managers must be define. Capacity building should be given to business minded farmers who will be capable of running the business.</p>

<p>Elvie (Indonesia)</p>	<p>How do you describe valley of death when we play as middle player?</p>
<p>Megha (India)</p>	<p>Challenge in climate change on farmers must be addressed. Products of farmers affected by disasters are not covered in insurance.</p> <p>Answer: Not all countries in developing countries have financing on disaster-affected production. Issue on disaster in relation to commercialization can be covered in the third part of the program. This has three (3) parts. First, this workshop. Second is on blended financing. Third, programs the project will do in the remaining period.</p>

Case Presentations (01:48 PM - 02:44 PM)

3 cases (10 minutes for each presentation)

- Bangladesh - starting
- Indonesia - promising
- Philippines - advanced

Case 1. (Title): Komunitas Swabina Pedesaan Salassae (KSPS)

Presenter: Affan Firmansyah

Country: Indonesia

Inclusive Time: 1:53PM-2:13PM

Key Points:

KSPS is not a member of any NFO. Organized in 2009 with 9 founding members who are not elementary graduates and ex-illegal migrant workers. Started to work on resiliency and policy advocacy work to uplift the dignity of farmers. It was registered under the Ministry of Law and Human Rights. Total number of KSPS is 2,435 of which 1,137 are women; 1,298 are men; and 649 are youth.

Total assets is IDR 586,500,000 (EUR 33,902) and funds came from members and has no liabilities. In 2023, it has a net profit of IDR 227,489,108 (EUR 13,150) from the natural farming business. It has an internal funds of IDR 1,070,410,892 (EUR 61,973), most of it was used in capacity building. External source of funds was not tapped.

In 2021, KSPS was the model for sustainable farming benchmarking in Sulawesi. In 2022, they influenced 51 village governments in the district of Bulukumba in their policy advocacy. Since there's no income during the pandemic, they sold their rice in lower price.

Because of low education of the farmers and lack of business management capacity they are educating and involving the youth in managing the business. Government is not fully supportive to the cause of farmers, hence, they continue to influence the policies and programs that would be beneficial to them. They strengthen KM production since learning tools is lacking. Changing market behavior is a challenge and so they are shifting market strategy and digitalization.

Key success factors to their work are attributed to their very strong community organizing, stakeholder building and provision of appropriate support to members.

Interactive Discussion

(Summarized Q and A, stating the name and country of the person – with assistance from AFA)

<p>Megha (India)</p>	<p>The three major strengths are good. You did not make loans from the bank.</p> <p>Answer: There are two reasons. First, cultural. Farmers are hesitant to make loans from the bank. Second, religious belief. They feel they can do it by themselves and there's no course from borrowing money in the financial institution. It is the mindset.</p>
<p>Elvie (Philippines)</p>	<p>What about the registration in the Ministry of Law and Human Rights</p> <p>Answer: We got the minimum requirements to be registered and keep off from administration burden.</p>
<p>Sneha (India)</p>	<p>What is the government support and for how many years?</p> <p>Answer: In 2009, marginal farmers in the village faced a lot of challenges . They are unworthy and unheard. KSPS keeps pushing the district government to give attention to the farmers</p>

	until it came-up with the 10-year district program to support the businesses of farmers in 51 villages.
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Comment:

Key learning points in the case of KSPS are: how they review the market and political condition, building on a network of stakeholders, and funds came from the members. Since the funds came from members, KSPS do not own it and the FO has the responsibility to manage the funds and pay back the members, hence, KSPS has the liability to the members. Meaning, KSPS cannot claim a zero-liability.

Coming from policy advocacy work and going to enterprise with farmers who not really familiar to business, is a big responsibility of the organization to make the business work.

Case 2. (Title) Mustard Oil and Dry Maize Production

Presenter: Zahidul Islam

Country: Bangladesh

Inclusive Time: 2:14-2:29 PM

Key Points:

Ranasia ICM Krishan Krishani Somobay Samity Limited (RIKKSSL) was established by a group of local farmers aiming to boost agricultural development in 2009. It was registered under the Department of Cooperatives (DoC) in 2011. Its total number of members is 429 where women are 102 and youth are 83. It has a total asset of USD 35,708 and total liabilities of USD 35,708. Funds from internal source is USD. 7,448 and from external source which is grant is USD. 28,260. It also received material support from the government.

In 2023, the mustard cultivation target in Bangladesh was 0.67 million hectares, while farmers cultivated the crop on 0.8 million hectares. There's a high demand from edible oil mills and animal feed factories and rural farmers were interested to cultivate mustards because of handsome profits.

Changes in the management structure was implemented to cope-up with the present condition. Subcommittees of the FO (Project Implementation, Procurement and

Marketing) are working proactively. Collaborate with government officials and buyers. Hired a part-time financial personnel to look after the expenses following the compliances. Conduct regular update-sharing meetings with EC members.

Among the problems they've been encountering are – limited access to financing facility, shortage in human resource particularly NIA which limits the regularity of field visits, organization's due diligence, lack of market information, lack of access and affordability of modern machineries, pricing of products, and hesitant of farmers to bring changes.

Among the solutions they've considered are – establish SNFO savings and credit groups, link to nearby cooperatives, committee formation with specific responsibilities, hire part-time finance personnel, establish collecting system of farmers produce from their premises, detailed marketing plan, improved pricing, negotiate with government to access loan and subsidy facilities.

Interactive Discussion

(Summarized Q and A, stating the name and country of the person – with assistance from AFA)

Megha (India)	What is the impact of climate change to your project? Answer: Climate change would definitely impact the mustard and maize plantation. Note: A capability on climate change and commercialization is part of the continuing capability building and separate discussion on this is underway.
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Comment

For 12 years (2009-2021), the business is not yet profitable. FO exists on grants and more grants. This is the dangerous part to rely on grants. Even the funds are from grants you have to prove you can manage the grants. The trajectory is to fall into free money trap.



Case 3. (Title) Kabangasan-Mapua-Dahilig Agrarian Reform Community Cooperative (KAMADA Arc Coop)

Presenter: Rico Badilla, General Manager

Country: Philippines

Inclusive Time: 2:30-2:44PM

Key Points:

KAMADA Arc Coop was established in 2001 and registered under the Cooperative Development Authority (CDA). Through collaboration with the Department of Agrarian Reform (DAR), the cooperative management has successfully accessed farm-to-market road projects and post-harvest facilities, pivotal for enhancing agricultural efficiency and profitability.

Of the 15,280 total members, 8,875 are women, 6,405 are men and 1,685 are youth. Its total asset: PHP 200,369,844.00 (USD 3.6M), total liabilities: PHP 169,692,101.00 (USD 3M); and net profit in 2023: PHP 3,260,293.00 (USD 59,278). Internal fund: PHP 68,561,015 (USD 1.2M) and from external sources are a grant of PHP 1,496,000.00 (USD 27,200) and loan of PHP 78,522,743.00 (USD 1.4M).

To manage the business well, an organizational structure was consolidated. There are distinguished Board, committees with specific responsibilities, consolidator in each type of business, focal person in each barangay, General Manager and personnel with particular tasks and functions.

KAMADA is into multiple commodities/products and services and complete the value chain from farmers production to marketing, using the rural development consolidation and clustering approach. Products of farmers have insurance under the Philippines Crop Insurance. Collaborate and partners with government agencies and private sector. Provide services to its members. Making new projects. In the pipeline are the incoming projects worth PHP 329,700,000 (USD 5,994,545).

Challenges they encountered include calamities brought about by climate change, traditional farming and practices of farmers, diversion of funds, lack of personnel to assess the projects on a regular basis, and no contract was made to partners in marketing. To confront these challenges, actions have undertaken like conceptualize projects that are weather-based and climate-resilient, provide more trainings to

farmers, supervise credit, implement automated monitoring system, ensure MOA or contract to partners in marketing. Another approach KAMADA did was to ensure market first then from the demand of market, comes the farmers production.

Interactive Discussion

(Summarized Q and A, stating the name and country of the person – with assistance from AFA)

<p>Megha (India)</p>	<p>How much is the loan and grant? Answer: grant of PHP 1,496,000.00 (USD 27,200) and loan of PHP 78,522,743.00 (USD 1.4M). The loan is from Department of Agriculture (DA) payable in 5 years. We entered into agreement to ensure the market of the farmers products.</p>
<p>Toolos (Kyrgyzstan)</p>	<p>Do you export to other countries? Answer: As of now, not yet.</p>

Comment:

KAMADA has a strong structure that support the operations of the businesses. Business system is well described in terms of personnel and activities. Recording of financials are prepared including the balance sheet. Consolidator model is good.



Elements of enterprise Commercialization

Resource Person: Danilo "Dan" Songco, Rural Finance, Markets and Value Chains Specialist

Facilitator: Maripaz Bernice Galang

Inclusive Time: 2:45-3:35PM

Activity: Picture showing – A happy man from Thailand with lots of money

Key Inputs:

The Road to Commercial Viability

Consolidation > Market Linkage > Finance > Business systems > Investment readiness

In a study, business must be profitable 2 to 3 years from start-up/launch. Then, 5 to 7 years it must be commercial viable. Business can be profitable but not necessary commercial viable. KAMADA becomes profitable after 12 years. For FO it will take long years. But the danger of reaching it for long years, members got frustrated. Be mindful with the timeframe of the business and in the time when it is reaching milestones. RIKKSSL is into business but have many problems. KSPS is mainly on advocacy but not yet on business. When you go to business, you have to understand business. The difference of the three cases presented is in the objectives. If we only be conscious and competent, mistakes are avoidable.

1. Consolidation is a must.

Take these data (FAO 2021) as example. 85% of world's farms are small farms; 35% of the world's food is produced by small farms; 5 out of 6 farms are less than 2 hectares; 12% of all agricultural land are operated by small farms. Building on in these data, small farmers can be more profitable if they go on business. Consolidation addresses the existence of middlemen.

Small farmers are numerous in number yet operating in small areas and volume. Big companies operate in the economies of scale. The more volume of products, the more profits. Volume is the key! FOs must consolidate in order to participate in the agricultural value chain. Otherwise, farmers are prone to be victims of traders. Traders are indispensable. FOs are paying the price and middlemen are growing.

They are making money at the expense of farmers. To take the farmers' products direct to the market (to the customers), participate in the value chain.

Understand your value chain – who is buying, who is selling, how will the products be transported, what is the price to the end? Understand the political economy in business like the existence of rice cartel. Understand better the dynamics in your value chain.

Supply chain vs Value chain

Supply chain is the concern of the buyers. Where is the goods coming from? How it will reach the buyer? How much is the cost? Example is the transporting the goods from farmers to buyers. If FO has no means of transporting the goods look for transport service.

Value chain is the concern of the entrepreneur. Each step in the chain from the start of making the product to the end at its arrival to the market the cost is added as well as the value of the product.

Pricing is very important to farmers. Even a P0.50 increase in the price matters most to farmers. In Libmanan, Camarines Sur the farmers want to put their own rice mill. To compete with the traders, they increase the cost of palay by P0.50. If the trader buy it for P1 they haggle for P1.50 and so the farmers sell their palay to the FO rice mill. Another marketing strategy is to buy the pay as equal to the price of the trader but add value service to the farmers. Look for better market. Work with other FOs.

How to add value to the product?

Build the volume first. If you have already volume of products, go into processing to add value. You need equipment to process the products. Think if FO can afford to have the equipment and ready to use that or otherwise tap the equipment of others. Government give away equipment to farmers but does not train them how to use and maximize it, thus, the farmers are still poor.

Key Issues in the Value Chain

In every stage of the value chain there is always a challenge. Understand each stage and figure out how to address the challenge. Consolidating is about Organizing for Scale. You have to start with Consolidation. Take a look on how Japan and Korea made their agriculture system efficient. It takes a lot of discipline, leadership and incentives.

Japan 1940 – members of the 90% of the farmers

Korea 1951 – 2.4 million farmers became owners

Philippines – the economy got stocked on BPOs

2. Market linkage – establishing a continuing relationship with commercial establishments

Traders are players in the market. Establishing market linkage is connecting and continuously working with traders.

Formula for market access



Volume (high); Quality (high); Price (competitive – not too high and not too low); Consistency (continuous).

Usually, prices of FOs products are high and quality of products is not competitive.

Consistency is maintaining relationship with the market. When the agreement of the

delivery of goods is every Wednesday before 6AM, fulfill this no matter what happen and whatever hurdle it takes.

Consistency also in quality . A local government helped the onion farmers to supply onions to Jollibee (the biggest food chain in the Philippines) but since the onions did not passed in quality (a specified size) 200 tons delivery is rejected. For one year, the onion farmers experimented on how to keep the size of onions required by Jollibee until the perfected it.

Logistical Considerations

Logistics are the key of bringing your product to the market.

Packaging – making your product looks better and sturdy. Packaging adds value to the product and also add cost to the production. Other business that are in packaging can also be utilized to package your product if it would lower your cost.

Transportation – analyze what is better for the business, whether to own a truck or opted to go in trucking service. It will also depend on the volume of the product. What is cost beneficial? In Zamboanga, Philippines, FO has a rubber plantation but the problem is transporting it to the market. Upon taking all considerations they realized having a truck is not a solution. If accident happens it will be costly to repair the truck. Poor infrastructure like roads add cost to the transport. However, if the situation is there's a shortage of trucks and you want to enter into trucking business that is a good business opportunity.

Market Segmentation

Market segmentation is the process of dividing a broad consumer or business market, normally consisting of existing and potential customers, into sub-groups of consumers according to product lines that appeals to their interest. Know who your markets are.

Supermarkets all over the world become the primary source of food and center of food trade. Understand how to take advantage of primary source of food. If you break with the establishment you will lost the market. There' a long line of suppliers. You cannot dictate the market, the buyers are bitches you have to deal with.

Retailing makes more money but expensive in cost. The biggest cost is the market.

In the case of Metro Pacific, they paid Vilma Santos (a famous actress in the Philippines) as endorser of their products and they were selling millions.

Public procurement is difficult. They ask for big volume, lower price and unreliable payer. It takes 6 months before they pay.

Other than supermarket, markets include village market, food manufacturing company and in-between are restaurants and hotels. Village market, restaurants, and hotels have lower volume, high quality and good price. Food manufacturing company demands high volume and good quality, and pay the best. Be mindful of the volume and price of different markets.

Working with the private sector. Public Private Producers Partnership (PPPP).

There are four ways to work with private sector – as buyers, lenders, business partners, and for technical assistance. Many companies are exploiters, this is given and you have to deal with this when you are in business.

As business partner admit they (private sector) know more about business - supply problem, management, capital, and technical expertise. FO must be aware of the terms and condition.

There are different models of partnership. FO must not be wary in partnership but be aware of the terms and condition to the benefit of the farmers. Do not close your eyes in business sharing and be smart to see the balance between the advantages and disadvantages of partnership.

Interactive Discussion

(Summarized Q and A, stating the name and country of the person – with assistance from AFA)



Consolidation

<p>Sneha (India)</p>	<p>Production is lower. RUDI cost is very high. About 200 farmers purchase certified seeds from the government. Added to this is the transportation cost.</p> <p>Answer: First and foremost, create volumes. Manage the whole value chain. Consolidate. Sell together.</p>
<p>Rico (Philippines)</p>	<p>In KAMADA, when our volume is not enough to the demand of the contracting buyer, we look for other sources, consolidate the sources.</p>
<p>Suman (India)</p>	<p>Farmers produce 10 to 50 kilograms of tea but FO don't find a market. They lost.</p> <p>Answer: Allow the farmers to sell their produce to other market. For example, 60% to FOs and 40% to traders to make sure farmers are earning. Help each other to grow. Maintain relationship to players in the market. Explain the whole business of consolidation and that they can earn more by consolidating themselves.</p>
<p>Rico (Philippines)</p>	<p>Consolidators craft business plan, link to government agencies, tap transportation services, give continuing education to the farmers, and provide reward system.</p>
<p>Rahul (India)</p>	<p>Potato farmers have storage as business to refrain from expensive transportation services. Farm to market facility to help small farmers. Potatoes are brought to the market on monthly basis.</p>
<p>Wasim (Pakistan)</p>	<p>FO has huge challenge to connect to direct buyers and chain of buyers in the cities. How to overcome this?</p> <p>Answer: Syndicate is a huge problem in Pakistan as well as to other countries. Understand the whole value chain as well as the supply chain.</p>

Supply Chain vs. Value Chain

Peou (Cambodia)	Value chain is from start to end like in the rice production – from seed to harvesting to consumer
Wasim (Pakistan)	Value chain is from start to end. Movement from farmers.
Rahul (India)	Supply chain pertains to what is the demand of the market/buyer

Consistency

Rifai (Indonesia)	<p>In December and Christmas season, there's a lot events going on and as expected busy roads.</p> <p>Answer. That's doesn't matter. You have to deliver what has to be delivered. Otherwise you lost the market.</p>
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Packaging

Zahid (Bangladesh)	<p>One of the leading private company will take our products, use the product with their name (brand).</p> <p>Answer. That would be better, white labelling. The private company will do the packaging and sell it as their product. If the company is big the demand will be in volume. Study the terms and condition.</p> <p>DO NOT FALL IN LOVE WITH YOUR OWN BRAND – package and create your brand when you have the volume – economies of scale.</p>
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Market Segmentation

Wasim (Pakistan)	<p>Market price is lower. Small farmers took back their products.</p> <p>Answer: There are many ways in dealing with market. Prepare to face the circumstances. There are intermediary market that know how the market works. They can do the job for you. They get into it.</p>
Megha (India)	<p>In supermarket they lower the price of the products and you cannot bargain.</p> <p>Answer: They pay more in the Philippines.</p>
Rahul (India)	<p>Two commodities, potatoes and apples, prices are extremely low in the market. Potatoes are used to make patties.</p> <p>Answer: Before selling you have to make market and supply analysis. Participatory market analysis – terms and conditions, dynamics of people, how much is the cost, understand what the market expect (high volume, competitive price).</p>
Megha (India)	<p>Try FO to FO marketing. Explore outside market and internal market. Understand what is your capacity to produce.</p>

Zahid (Bangladesh)	<p>There are companies, like Nestle, that do not only sell seeds but also teach the farmers how to produce seeds.</p> <p>Mustard business is a signature brand. Can FO afford to have two businesses? Answer: Do you have business system? Every time you engage in making the new product for business you need to have a different management (enough good people).</p>
Megha (India)	Two markets are better. Farmers balance both market.
Samadanie (Sri Lanka)	Professionalize in making volume, supply, best quality farmers products and gain name (brand).
Roy (Philippines)	The Bottomline is the market, the demand of the market. Buyer can tell you to produce this much and give it a brand.
Peou (Cambodia)	Market is demand-driven with different customers. Design of products matter. Modernize the design.

Working with private sector

Megha (India)	Win-Win partnership. Private sector as the buyer. Profit sharing and shared ownership. FOs must have bargaining power, how much is the value of the product.
(Sri Lanka)	Competition exists. Bigger companies replacing small entities. Bigger company holds the technology. In their greenhouses, farmers supply the products.



Takeaways from Today's Session

1. Group together according to your country.
2. For 5 minutes, share your takeaways to today's session and write it in the Google Classroom platform.

From Google Classroom:

1. Nepal (Nahendra khadka, Meena Pokharel and Ranju Parajuli)

- Concept of commercialisation and value chain, Elements of commercialization
- Concept of commercial viability of FOs
- Role of FOs in commercialisation and value chain

2. Belgium (Lukas)

- You only fail if you are not learning from it. And while you are at it: learn from the failure of others as to not repeat their mistakes.

3. Cambodia (Peou KHIEV)

- Working on Lead FOs
- Assessment on Business Systems
- Introduce/train Commercialisation/ Enterprises and Scaling up
- Develop Plan of Actions for each AC
- Provide coaching and mentoring about Plan of Action
- Regular Reflection & Learning
- Documentations and Knowledge Management.

4. Thailand (Areeya Tivasuradej)

- Breaking down market access component and consolidation is very helpful. It helps to categorize the challenges. For the fishery sector, quantity/volume depends on the daily catch and ecological factors. This makes it difficult to control the volume. It could be 100 kg one day and 1 kg the next. It's difficult to ensure consistency with any scale of buyer/market. This links to price competitiveness. Even though we aim for premium prices, the consistency prevents us from being profitable. Storage is very important for fishery and seafood. The market would like it fresh but our operating and production scale is too small to ensure freshness.
- Differences between value chain and supply chain.

- If we depend so much on the ecological factors, will we be stuck in the Valley of Death or the free money trap?

5. Sri Lanka (Subhashini Vithanage)

- Aspect to consider in relation to the process of the growth of a business things to consider
- Objective should be clear when start the business
- Financial recording is a must
- Market changes related risk management is important for business sustainability

6. Pakistan (Wasim Kakakhel)

- Commercialization of FOs
 - To check if the business is commercially viable or not?
 - To check if the FO is commercially mature or not?
 - In 2-3 years, the FO has to cross breakeven or there is something wrong with the FO agribusiness
- Major elements of the Business System include:
 - Decision making
 - Business process
 - Accounting finance
 - Policies, systems and procedures

Raza Ul Haq Madini

- Today session take away are
 - Commercial viability
 - Commercial maturity
 - Capacity building
 - Most importantly consolidation, market access, market segmentation

7. Kyrgyzstan (Toolos Bostonbaev)

- On behalf of Kyrgyzstan team, our main take away thought is the how important is financial activities, maintenance of financial documents. The structure of the value chain is very well covered, the importance of logistics and marketing met large cooperatives and received motivation.

8. Philippines (Norma Dasco, Giwel, Roy, Lheng-Leng, Rico, Rey Ulysses, Vieny, Raymund)

- Commercial viability should have the ability to grow, met the objectives, return of investment and sustainable;
- Importance of Balance sheet and Income Statement for Business Viability;
- Clear Business Processes;
- Bitches Buyers;
- 4Ps
- It is inevitable to pass through the Valley of Death. It depends to you if you stay or not. Innovation and diversification is important
- Life Cycle of a Business
- Don't fall in love with your brand
- FOs experience in the Philippines is same with other countries

9. India (Suman Kalyan Mandal)

- Fundamental Business Rule, market linkage by understanding on commodity specific value chain & supply chain and Don't fall in love on your own brand.
- Nice inspiring session and very thoughtful as well. Good cases shared from NIAs

10. Indonesia (Jose Elvie Torres-Gayosa)

- When agricultural businesses are in the Valley of Death, it will be difficult to get out, and not many people are interested in getting involved in reviving or helping to get out of the Valley.
- The theories presented are good but application in reality maybe different because of the different context. We need to adapt to the reality or context the field.
- Consolidation means not all positions in the chain are taken by farmers and costs are not all managed.

11. Vietnam (Thu Uyên Nguyễn)

- Balance sheet and income statement is particularly important for the FO to follow and track their financial record, as well as to understand their financial status (gain, loss...). Based on that information, the FO can decide/ find a solution for current problems or determine the plan for development.
- Hope to have more discussion about the value chain.

Day 2, 23 April 2024, Tuesday

Warm-up Exercises

- Facilitator/s: Amirul Islam
- Inclusive Time: 9:03 AM-9:12 AM

Process:

- Participants from Vietnam led the warm-up exercise (gesture of storytelling when drinking wine)
- Demonstrated first and then ask the participants to stand-up and follow the exercise as instructed – Hai (1), Two, (2) Ba, Bon (3) = Cheers!
- [Facilitator paid welcome the two women participants from Myanmar]
- Outcome: Relax and happy learning environment.

Elements of enterprise Commercialization

Resource Person: Danilo "Dan" Songco

Facilitator: Amirul Islam

Inclusive Time: 9:14 AM-11:54 AM

Before continuing the discussion on Elements of Enterprise Commercialization, the Resource Person asked the participants of their lingering questions or reflection in yesterday's session as he is validating his thoughts based on what he read in the Google Classroom about the takeaways. He further explained that this FO commercialization project is the first initiative of this kind and is creating a precedent that is based in the 2023 MTR.

Peou (Cambodia)	Agricultural Cooperative (AC) plays an important role in the livelihood of the farmers, in bringing the product in local market as well as overseas market. While it is important to commercialized there are a lot of programs and problems to need to find solutions. Thinking of the capacity of the AC and the potential product to market, assessment of 50 members, market assessment, packaging of product based on the wants of audience, pricing, and capacity building for farmers.
Raza (Paskitan)	It is important to learn the consolidation, a paradigm shift of FO from small scale at city level to FO becoming commercially viable enterprise placing itself in the bigger market. Competing in bigger market and packaging of the product – these are paradigm shift. Small entrepreneurship get stuck, elevate to commercial level.

Small enterprise is fine. But how do we deal with transformation? Start to the level where the income of the enterprise increase up to the level where the income of the farmers increase. Commercialization is about big volume to have more jobs, increase income, and provide stable food supply. Volume is the key. Having volume and selling the products to traders will put your product in high value commercial market.

Key Inputs:

Financing is the third element of enterprise commercialization. It is obtaining the financial requirements for business growth in a sustainable way. It is a way how to manage risks and untangle the business in free money trap. This has 4 areas – business fundamentals, profitability, funding needs of FOs, and sustainable finance

Basic business formula: Revenues – Expenses = Net income/loss

For example:

REVENUES	100
- COST OF SALES	50
GROSS PROFIT	50
- OVERHEAD COST	45
EBITDA	5
ITDA	5
NET INCOME	0

Overhead cost is usually high especially in self-enterprise (sole ownership). Like in the example above where overhead cost is high (45 when the gross profit is 50), the business is in danger. Efficiency is managing the business financing well.

Selling a lot of business product is not necessary making money. It is not that simple. There are costs to consider. You have to pay amortization and your liabilities even the income is high or low.

Remember:

- All direct sales – All expenses (regardless how much your sale is) = your Asset.
- If 50% of sales will cover the salaries of all paid staff, the business will be sustainable.
- Overhead cost is the cost in the running the business. Cost of salaries if fixed cost since it is recurrent.
- Cost of money is often overlooked. The cost of money of your investment 5 years ago is not the same cost of money at present.
- Financing based on value chain – costs associated to every stage of the value chain. In the stage of production, who will lend money to produce the product

This is the production cost. Analyze and plan the cost of every stage up to the end of value chain. Bottomline is the income.

- The biggest cost is capacity building source out from free money. In business sector, no one want to spend on this. Where will you get it as FO? Find the source (partners, government). Social Entrepreneurship is heavy on capability building.
- Financial management is where you source your money. Different needs, different sources
- BLENDED SOURCES OF FUNDS – subsidies and loans
- When you get to commercial funds, understand the whole system and be smart enough.

Financing Needs of Small Farmers

Capacity building funds. Pre/Post harvest facility. Working capital. Production loan.

Everyone need sources. Surveys show sources of funding are: government funds, non-government funds, and commercial banks. Other categories include informal lenders, local money lenders, and private institutions. National government and commercial banks are sources to access to finance business of more than USD 70K. Government funds apportion short number of years to pay the loan (3 years). More sources like commercial banks allow 5 to 7 years loan.

In Valley of Death it clearly illustrates the finances needed in every stage:

- re-seed (research and development, technology transfer)
- Seed (product launch)
- Funding gap (success as a new product) – the critical stage whether to succeed or fall into valley of death; a stage where and when commercialization is crucial
- Early – success as a business
- Growth – success as a business

4. Business system – a collection of process and procedures that work together to achieve the business goals

Management capacity building – we have to train farmers to become good managers and when do not succeed at certain degree, FO need a manager with inherent skills in management. Study shows, farmers are not capable to manage as the business grow. Not everyone need to be commercial but it is import to understand commercialization.

Based on the experience in Peace Equity, there's a certain glass ceiling. When you reach that you stop. The value FO can manage is PHP 20 million. Beyond this they cannot continue the business, pay the loans, manage the resources. FO has a limited capability in managing business.

Explore the four options: (1) train FO managers on basic management; (2) hire professional managers especially in a commercial entity. Supervision mission on the level of complexity; (3) partner with professional institutions (service center). This project expects there will be service centers; and (4) partner with entrepreneurs.

There are complications as expected. FO may refuse hiring of professional manager, partnering with professional institution or with entrepreneur. In case FO accepted any of the options make sure that the terms and condition protects the best interest of the farmers and share in equity is fair.

Business and organizational system – has four areas of concern: (1) Organizational structure; (2) Business process; (3) Accounting and financial system; and (4) Policies, systems, and procedures.

KAMADA is an example of a strong organizational structure as show in yesterday's case presentation. It illustrates definition of authorities and responsibilities, decision-making process, accountabilities of the General Assembly and Board of FO, Committees, and Management of the business. Specific management of the organization and business of the cooperative.

Likewise, it shows how business is managed through the sequential flow of business activities, duties and responsibilities. Aside from the General Manager, there are Area Managers and Consolidators in business product and service lines.

Accounting and financial system is all about budget preparation, flow and recording of financial transactions, internal controls, financial reporting. Policies, systems, and procedures refers to approving authorities, forms, manuals, accountabilities.

Think about compensation and alignment of principles. Professional compensation and incentive basis like 5% incentive in every sales. More sales, more income. Alignment of principles in the hiring process. Background check and test of the commitment.

Based on experience, there's a farmer-leader who is a part of the Board and very skillful in business. The leader was appointed to be the General Manager but still stayed in the Board. Compensation is attractive to the leader. No check and balance. FO should decide whether the leader would be in Board or as General Manager. FO as organization and its business should have separate and specific governance. Governance is a decision-making process.

As the business matures you have to put the policies on separated management of the organization and business. At the start, same structure and management is fine. The problem with many FOs policies and CBL (Constitution and By Laws) are using pro-forma template for the sake of registration. Create policies that focus on business. Invite independent professionals in the Board with no shares and interests in the cooperative (as business) for check and balance, and professionalism of the business.

5. Investment readiness – need to prepare in the perspective of a banker
Being prepared to answer essential questions and present documents investors would most likely ask from entrepreneurs in the pre-due-diligence stage

To be investment ready, FO has to prepare: (1) Forms of Investment; (2) Minimum requirement of the financial institutions; (3) Business Plan; (4) Preparing for due-diligence.

Financing options are using internal funds, applying for loans, using equity, and by joint venture. Commercial banks is capable of lending the FO more than USD 70K. Rural bank is small.

Debt financing is collateral based. Bank captures collaterals and take the business in case the borrower cannot pay in due time. Why will you borrow money, this is the basic question of the bank. FO has to show how investment loan can make the business grow. Central Bank implements risk-based financing, interest rates depend how risky the borrower is.

Equity is common or preferred shares. In the Philippines, cooperatives cannot establish new company. If you have loans to pay, even when business is losing, equity maybe offset.

Minimum requirement of funders to provide loans: Profitability; Credit history – ability to pay (when you high overhead costs, chances are your loan will not be approved); Legal documentation; Business Plan (problem, analysis, solution, success).

What funders look in business plan: Is the plan Logical? Are assumptions correct? Is financial projection reasonable? Will the borrower has the ability to execute the plan? Will the borrower has the ability to pay? Look at you Balance Sheet. Do not lie in business plan. Funders will know if you lie. This is their line of work.

Due Diligence – a thorough investigation of information and documents to inform business decisions.

Be patient and prepared. Any lender will know if the documents are correct and consistent. Peace and Equity Holdings prepared 54 documents made by bankers. For example, borrower declared an equipment as its asset. Lender has a way to check it. They will ask, can I see the receipt? They will check the amount, quantity, and the date of purchase. There are challenges faced in accessing financial.

As this is FO commercialization project is the first initiative of this kind and is creating a precedent, consider this two-pronged framework:

Commercial Viability	Social Responsibility
Scale	Accountability to members
Connected to market	Participatory decision-making
Financially secure	Inclusivity
Business system	Environmental sustainability
Investment ready	

Interactive Discussion

(Summarized Q and A, stating the name and country of the person – with assistance from AFA)

Financing

Rico (Philippines)	<p>How will the business be efficient when it's micro-enterprise?</p> <p>Answer: Start simple. FOs want many products. Focus first on one simple product. If the business is making money, diverse. Revenues get bigger when we get profits.</p>
Rahul (India)	<p>What about depreciation?</p> <p>Answer: Depreciation is an overhead cost.</p>
Phout (Laos)	<p>Financial acquire from commercial bank requires 3 to 5 years payment period and many documents.</p> <p>Answer: Money in the bank is not their money. The money is from the depositors and therefore they have to take good care the depositors' money. Fiduciary responsibility – depositors can take them in court if something went wrong in their deposits (money).</p>
Nahendra (Nepal)	<p>Since we are working with the farmers and individual farmer has production and overhead costs, and FO as an organization has production and overhead costs, too. What needs to be done?</p> <p>Answer: Separate the accounting of production and overhead costs of the farmer and the FO. Both need to be efficient. Do not charge cost of production of the farmer to FO. Cost of products the FO is getting from the farmers is accounted to FO cost of sales.</p>
Samadanie (Sri Lanka)	<p>In consolidation, where is the cost of FO?</p> <p>Answer: Procurement in consolidation is the cost of sales.</p>

Rahul (India)	In the books of costs of sales of FO level business produce of farmers are categorize.
Roy (Philippines)	<p>Cost of sales include buying the materials, labor cost for processing, packaging, transportation, etc.</p> <p>Answer: In real life, there are hidden costs. For example, along the way the truck fell down when delivering to a company. The driver went to the repair shop to get the truck repaired, paid the repair cost and did not report the incident to the company. Actually, that repair cost should be charged to cost of sales. It can be a simple incident but it's an example of hidden cost.</p>
Affan (Indonesia)	<p>What is the basic law in the overhead cost if seller take percentage for every product sold? What is the impact of this to business?</p> <p>Answer: Commission basis. This is part of marketing and is to be included in the cost of sales. Salary of management is management cost and part of operating cost. You have to divide the income from sales and distinguish who is getting a commission. Giving commission is a good practice because it is based on the capacity to sell. It depends on the industry if they have more profits from sales.</p>
Megha (India)	<p>FO has different products, 7 business lines, everything is in one financial statement.</p> <p>Answer: In cost accounting every line of business must have its own financial statement to determine what line of business is gaining or losing. Then, consolidate to see the entire financial status of the FO.</p>
Megha (India)	<p>Breakdown the sources of loans based on needs. There are soft loans with lower interest from the commercial banks. Government is giving grants in the form of equipment.</p> <p>Answer: Think about to keep the loan's payment otherwise if you cannot pay, bank get the assets (chattel mortgage). In government there's a lot of trouble in giving equipment with matching grant.</p>

<p>Rahul (India)</p>	<p>Back to assets, where is the recording of government subsidy in the books of accounts? How to take the cost/value the asset?</p> <p>Answer: Recognize as grants. Assets will depreciate. Note: For more intricate topic, we will hold webinar like for example – the logic of commercialization</p>
<p>Rico (Philippines)</p>	<p>Sharing: The formula in our coop – profit, profit, profit. Maintain healthy balance sheet. Maintain financial statement. If you have this, you can access capability building and post-harvest facility from government. If business is viable, production loan is available. We accessed PHP 20 million agricultural grants from APCD and KAMPPIIL, and production loan (as working capital) from DA-ACPC (Department of Agriculture – Agricultural Credit Policy Council). The coop can revolve again to gain more income.</p>
<p>Megha (India)</p>	<p>For Rico – you have blended funds from grants to production loan, do you charge the farmers?</p> <p>Rico: Production loan has no interest. Grants started to farmers that were affected by super typhoon Yolanda (Haiyan) and added this on the project. More farmers were given grants. We did collectivization. We expand money in the bank.</p>
<p>Aggie (Mongolia)</p>	<p>At country level, FO agricultural coops rely on zero-cost loan. At provincial level, give little charge at 0.5%. It is the responsibility of the business to be profitable. Done 12 business plans – 2 on grants and others are revolving funds. What is the biggest challenge? Get a working capital. Subsidize funds for working capital.</p>
<p>Wasim (Pakistan)</p>	<p>How do I know we are entering in the valley of death?</p> <p>Answer: This is the journey. Naturally you go to death. You need borrowing. You need commercialization. Help the FO to understand to take a risk and to manage the risk. Subsidized loan is a limited resource. Farmers get loans from traders and eventually limit the selling of their products to the traders at the price controlled by traders. Enlighten the farmers that entrepreneurship is taking risks.</p>

Affan (Indonesia)	<p>In relation to the valley of death, is subsidy risky to new business?</p> <p>Answer: Yes and No. Yes, since subsidy is limited. No, because of the framework of due diligence.</p>
Zahid (Bangladesh)	<p>Most farmers do not want business plan. They want to stay in their comfort zone. In Bangladesh, local money lenders are influential to farmers. No criteria and requirements</p> <p>Answer: That is an issue of accessibility, access to finance. Recognize the value they play in exploiting the farmers.</p>
Megha (India)	<p>Risk taking is important. Farming need loan support – buying equipment, actual implementation. Plan. See the value addition of risk taking. Motivate the farmers to take the risk.</p>
Elvie (Philippines)	<p>Farmers are risk takers. Farming is high risk. They adapt to the impact of climate change. Facilitate them to navigate to overcome the aversion on going into business. Help them to understand what they don't understand. Realign their being risk taker to take a risk in commercialization.</p>

Business and Organizational System

Sneha (India)	<p>In SEWA we hired professional but farmers are in decision-making. Train the farmers in participatory decision making.</p>
Wasim (Pakistan)	<p>We hired professional but the rate is not competitive and the professional resigned. FO is not in control. It affected the operation of the FO.</p>
Samadanie (Sri Lanka)	<p>All officers had gone. We train staff and afterwards went to a more promising job (career path).</p>
Peou (Cambodia)	<p>When the manager was fired, the leader took the management of the enterprise since the FO is struggling with funds and revenues.</p>

Altantuya
(Mongolia)

FO in Mongolia is small. There's a lot of barriers and challenges in business. Board vs. Management. Board does not know the challenges in the Management. There's confusion in the Board.



Measuring the Level of Commercial Viability of FOs

Categorizing FOs According to Commercial Viability

Resource Person: Lany Rebagay, Junie Pandela, Jan Manuel Hebron

Facilitator: Amirul Islam

Inclusive Time: 1:11 PM

Energizer introduced by Peou from Cambodia – demonstrating addition of numbers through the action of hands and feet ($1 + 1 = 2$; $2 + 2 = 4$; $4 + 4 = 8$)

Key Inputs:

Enterprise Assessment Tool

We must level on how do we grow – how our FO is commercially viable. We have to determine if we are growing or not, thus, we have a tool – Enterprise Assessment Tool. It is in excel form that is user-friendly. The tool can be used as a self-diagnostic and internal assessment of the FO in a collective and participatory way.

What is the FO score in being commercially viable on a semi-annually or annually period of work. This will be done regularly so that we will see at once if we are growing or not, and if growing identify what are the factors and if not growing determine what are the challenges. Then, actions have to be taken.

Result can be used as:

- Reference for planning (annual or strategic planning)
- Prioritization of resources (time/activities and financing/budget)
- Guide for partners in identifying areas for support/intervention

The 5 key elements of assessment are as follow:

1. Organizational maturity
2. Market access and profitability
3. Financial stability
4. Inclusivity and equity
5. Sustainability

The indicators will guide you to identify your maturity

- Start-up/building-up (confidence building)
- Strengthening /Developing (professionalism/growth)
- Commercializing

What to do? In this workshop participants will do the following:

1. Read and review the drafted Enterprise Assessment Tool per FO that you can access in the Google Classroom
2. Give comments and recommendations on the elements, description, and indicators
3. Determine the category of FO according to commercial viability:
 - Level 1 – Building-up (19-25 points)
 - Level 2 – Developing (26-36 points)
 - Level 3 – Commercializing (37-57 points)
4. Per region, discuss the comments and recommendations made by FO
5. Per region, come-up with common comments and recommendations
6. Choose a rapporteur per region who will share the regional comments and recommendations in the plenary
7. Agree on the general framework of the Assessment Tool

What to do next? After this workshop, these are the things to do:

1. Until April 30 you can still submit comments and recommendations in Google Classroom
2. AFA will gather and consolidate all the comments and recommendations and revise the Assessment Tool based on these. Upload the revised Assessment Tool in Google Classroom
3. Translate in your own language the Assessment Tool using Google translate. NIA (National Implementing Agency) Coordinator will facilitate and ensure the translation of Enterprise Assessment Tool
4. Issue a No Objection Certificate
5. NIA (National Implementing Agency) Coordinator will check the supporting documents which include:
 - Mitigation plan and Succession plan
 - Mechanisms and funds within the organization
6. BDO (Business Development Officer) participate in continuing capability building via Zoom

Means of Verification

- Certification and Standards
- Environmental Management Plans
- Waste Management Reports/Plan

[Note: There are 119 approved business plans]

- Interactive Discussion
- (Summarized Q and A, stating the name and country of the person – with assistance from AFA)

Zahid (Bangladesh)	If we know our score, what now? Answer: Transition to planning. Position the plan to move to the next level.
Zahid (Bangladesh)	Separate columns for challenges and recommendations
Nahendra (Nepal)	As non-profit organization, we cannot get certification, what shall we do?

Workshop Result

Comments and Recommendations to the Enterprise Assessment Tool

1. Southeast Asia (SEA) – Giwel (Philippines)

- From 5 elements to 7 elements (separate Inclusivity and Environmental Sustainability)
 - a. Organizational maturity – add indicator (capacity to give service)
 - b. Market Access
 - c. Profitability
 - d. Financial sustainability
 - e. Inclusivity
 - f. Equity
 - g. Environmental sustainability
- Organizational maturity – consistency in the indicators, like using leadership, inclusivity vs. maturity; add: presence of feedback/grievance system
- Capacity to give services – add as indicator to Element 1 (Organizational maturity)
- Add Member Satisfaction – but complex indicator – how to measure satisfaction? Measurement can be: payment of fees; presence and absence of feedback system; 80 % of members are accessing the products and services of the enterprise
- Social audit system
- Financial stability – breakeven analysis
- Sustainability – shifted and safe; waste management/recycling; succession planning both for leaders and members; for Level 3 (HACCP Gap)
- Planning tool – insert column for recommendation
- Organizational maturity
 - Legal identity (registration, business license, bank account, tax payment)
 - Succession plan

- Legal identity (registration, business license, bank account, tax payment)
- Succession plan
- Target reach in membership (change increase to target reach)
- Strategic plan
- Constitution and By Laws
- Inclusivity - women, youth, indigenous people

Level of FOs commercial viability:

- 3 FOs = Level 1
- 1 FO = Level 2
- 7 FOs = Level 3

Elements	Targets					
	2024		2025		2026	
	Yes	No	Yes	No	Yes	No
1. Organization maturity						
1.1						
1.2						
1.3						
2. Market access						
2.1						
2.2						
2.3						

2. East, Central and South Asia (ECSA) – Wasim (Pakistan)

- Agreed on the 5 elements (more clarity in the results)
- Indicators – separate indicators
- PO - Sustainability but in score on Ecological Sustainability
- Organizational matter – representation/recognition; membership growth viz-a-viz population of PO family members

Summary (Lany Rebagay)

- Indicators are the same but there's recommendation to qualify, collapse or split
- We came with this to have a common Tool for project purposes. Beyond the project you can use and revise it.
- Do we need to assess all the enterprise? Assessment will be on FOs under FO4A. However, FO with enterprise you are free to use the Tool for other purposes outside FO4A if you feel this can help you. For your own use whenever useful and not necessary to be approved by the body
- Will we use it to other partner FO? No. Only to FO under FO4A project
- Applied to LFO? Priority use to approved and being implemented business plan
- In terms of FO commercial viability, in 20 FOs (9 FOs are in Level 3). But let me clarify this is just initial sensing and we need to validate.
- Where do we proceed from here?
- Transition plan
- Regional intervention
- There might be common capability building like risks management. Based on the national budget up to 2 pax are OK.
- All we do are for small scale farmers – land rights, gender, multiple - mission
- Profit. People. Women and Youth.

Takeaways from Today's Session

1. ECSA – Shad (Pakistan)

The Assessment Tool is useful. It will help the FO to transform into enterprise. Tool will be useful to assess maturity level of the FO and determine its future. It is useful also to securing external funding for the enterprises.

2. SEA – Phout (Laos)

Professionalism. Not every farmer can be manager. Consider outside sources on accessing investment money. We need to grow. We need bigger money available from the commercial bank, followed by government funds.

Day 3, 24 April 2024, Wednesday

Field exposure to FO Enterprises in Host Country

Facilitator/s: Maripaz Bernice Galang (during the sharing-discussion in the area)
Inclusive Time: 6:30 AM - 3:30 PM

Process:

1. Participants are divided into 7 groups (7 vans) with AFA staff in each van.
2. Sharing-discussion of history and operations of the women-led cooperative.
3. Look around the different enterprises of the women-led cooperative – store, restaurant, and crab bank
4. Festive lunch
5. Words of solidarity from different countries and gift-giving

Basic Information about the Field Exposure:

Workshop participants visited a women-led organization in Laem Phak Bia, Province of Phetchaburi, Thailand (approximately 160 kilometer south of Bangkok) engaged in crab bank cooperative to increase the catch of fisherfolks thereby increasing their income as well. From 10 kilograms catch before it goes up to 100 kilograms to date. From having 2 boats before they now have 8 boats that can be used by members by scheduled turns in catching seafoods. Aside from crab bank cooperative, they expanded the enterprise activities to managing a restaurant and selling processed products from fisherfolk like dried fish, shrimp, and squid, and salt. With their collective effort they now have a safe water system. At present, they have 240 members. They were recognized by the government as an OTOP Village Champion.

Reflections on the Exposure

Facilitator/s: Lany Rebagay, Maripaz Bernice Galang
Inclusive Time: 3:30-5:00 PM

Process:

1. For 15 minutes discuss in your group (per table) the two guide questions.
2. Choose in your group who will report to the plenary the highlight of your sharing.
3. Share to the plenary the highlight of your sharing for 2 minutes.

Guide Questions

1. Of all the things that you have heard, seen, learned for the past three days, what is the one thing you will commit to do in your organization to ensure FO's financial sustainability (something doable in the next 6 months)?
2. Is there one thing you are not comfortable to accept or difficult to understand? If so, what is it?



Sharing to the Plenary.

1. Nepal, India (Rahul Barkataky)

Q1: Financial sustainability – analyze the business plan, farmers income, decrease the costs, linkages to the government, marketing, organizational assessment using the assessment tool

Q2: In the field visit, how the cooperative is addressing the issue on climate change and its impact to farming and the destruction of mangroves. Financial analysis – farmers are hesitant in matters like balance sheet, depreciation costs and IRR. Farmers should understand the whole financial management. It should be explained in a simple and practical way in which they understand.

2. Cambodia, Vietnam (Peou Khiev)

Q1: Apply FO Enterprise Assessment Tool. Supporting documents to the assessment tool. Women leader champion in enterprise. Shared accountabilities. Consolidation. Inclusiveness.

Q2: Financial management – trusted managers.

3. Bangladesh, Kyrgyzstan (Toolos Bostonbaev)

Q1: Financial viability – income and expenditure, balance sheet, and value chain. FO Enterprise Assessment Tool.

Q2: Balance sheet is not difficult but complicated to implement. Cooperative to unite the farmers. Income of individual farmers.

4. Philippines (Lheng-leng Francisco, Roy Ribo)

Q1: Echo (share) the ideas and concepts discussed in this workshop to the FOs. Review the policies business concept, and procedures of value chain of the FOs.

Q2: Recognizing the different levels of the organizations and cooperatives – micro, medium, and large – and the main products they are engaged in – credit and savings, and processing and marketing – the condition is different. Credit and savings need to have more members to increase the capital shares while those involved in processing and marketing may not necessarily need to have more members. The fear in commercialization is coming from the different maturity of the FOs. While we have the level of commercialization, what will be the parameter of commercialization? Given also the impact of pandemic and the war in Russia and Ukraine there is no more market to be developed and supply is a problem. The economies of scale will be inward or within the country and not exports.

5. Thailand, Laos (Areeya)

Q1: Financial well-being of the FO. Importance of farmer-members having no debt to. Free them from being entangled them from debts and control of traders. Enterprise provides income to farmers and enough food to eat.

Q2: Contradiction of commercialization FO focus on profit and the social responsibility for sustainable impact.

6. Sri Lanka, Pakistan (Thisara Maduwantha)

Q1: Assessment tool will be used to understand where the lead FOs are and cooperative system will be developed to enterprise level.

Q2: Assessment tool is much difficult to use to FOs and need a user-friendly, less time consuming, and easy tool.

7. Indonesia (Apip Hermawan)

Q1: Administration, bookkeeping, financial records and statements of FOs. Implement business plan formulated within the timeframe set.

Q2: No difficulties and some aspects have been carried out by farmers' cooperatives. Need to digest some points and materials presented in the workshop. Some participants from Indonesia have difficulty to interact with other participants because of difficulty in language.

Points to Ponder (Pabaon) from the Resource Person (Dan Songco):

1. On the aversion about Financial Reports/Statements. Farmers will not do the financial reports and statements. There must be someone (a finance professional) the organization should get to do this work and this someone has the responsibility to explain to the farmers the reports and statements in a simple and practical way that they would understand. Continue finance education to the farmers.

On maintaining the FO business at subsistence level or becoming a big enterprise. Keep the business based on the objectives set by FO in engaging into business. If the FO does not see the need to grow bigger keep it in the way they wanted it to be. If the FO wants to get the farmers out of poverty and increase their income making the business grow bigger and bigger is indispensable. The FOs need to understand business when they get into it.

2. On keeping the balance between business (FO commercialization) and social impact. In development work, FOs and NGOs are very good in social aspect but not so well in business and thus, the workshop focuses on commercialization. In social entrepreneurship, social mission is very much emphasized, however, attaining commercially viable enterprises is ambiguous. Finding the balance of these two aspects is difficult but with this kind of initiative there is still a big hope in finding it.

Closing Activity

Individual workshop evaluation through google form facilitated by Amirul Islam
Words of gratitude from Lany Rebagay

ANNEXES

Annex 1. Powerpoint Presentation, Agri-Enterprise Scaling-up and Sustainability Workshop, presented by Danilo Songco

Annex 2. Powerpoint Presentation, Komunitas Swabina Pedesaan Salassae (KSPS), presented by Affan Firmansyah

Annex 3. Mustard Oil and Dry Maize Production, presented by Zahidul Islam

Annex 4. Kabangasan-Mapua-Dahilig Agrarian Reform Community Cooperative (KAMADA Arc Coop), presented by Rico Badilla

Annex 5. Business Assessment Tool

Annex 6. Summary of Workshop Evaluation

THE PARTICIPANTS



COAST Foundation,
BANGLADESH



Farmer and Nature Net & Federation
of Farmer Associations Promoting
Enterprise in Cambodia (FAEC) Family
Agriculture, **CAMBODIA**



Institute for Motivating Self Employment
(IMSE), North East India Committee on
Relief and Development (NEICORD),
& Self Employed Women's Association
(SEWA), **INDIA**





Aliansi Petani Indonesia (API), Serikat Petani Indonesia (SPI), Jaringan Masyarakat Tani Indonesia (JAMTANI), Asian Partnership for the Development of Human Resources in Rural Areas (AsiaDHRRRA), Koperasi Karya Manunggal (KOKAMA), & Himpunan Tani Ngudi Makmur (HTNM), **INDONESIA**



Kyrgyz Association of Forest and Land Users (KAFLU), National Union of the Water User Associations of Kyrgyzstan (NUWUA) & Ishker KG Cooperative, **KYRGYZSTAN**



Lao Farmer Network (LFN)
LAOS



National Association of Mongolian Agricultural Cooperatives (NAMAC) & Tsever khursnii shim Cooperative, **MONGOLIA**



All Nepal Peasants Federation (ANPFa), Nepal Agricultural Cooperative Central Federation (NACCFL) & Farmers - Shree antu SFACL, **NEPAL**



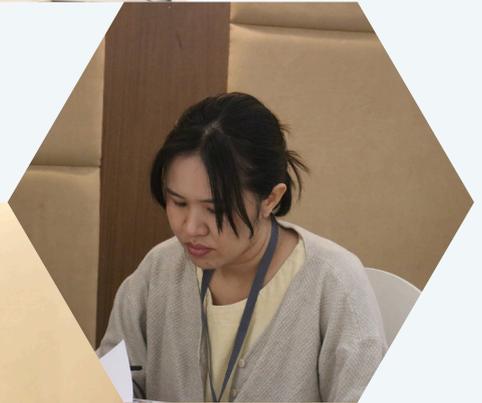
Agribusiness Support Fund & Karakorum Farmers Cooperative Network (KFCN), **PAKISTAN**



Philippine Family Farmers Agriculture Fishery Forestry Cooperatives Federation (Agricooph), Labo Progressive Multipurpose Cooperative (LPMPC), Camarines Norte Federation of Cooperative (CANOFECO), Trias Aniban ng mga Magsasaka, Mangingisda at Manggagawa sa Agrikultura-Katipunan (AMMMA-K), Kabangasan Mapua Dahilig Agrarian Reform Community Cooperative, & Kalipunan ng Maliliit na Magniniyog ng Pilipinas (KAMMPIL), **PHILIPPINES**



SANASA International,
SRI LANKA



Federation of Thai Fisherfolk
Association (FTFA), **THAILAND**



Viet Nam Farmers' Union (VNFU) &
Nghe An Cooperative Alliance,
VIETNAM



Agricord, **BELGIUM**



Food and Forest Development
Finland (FFD), **FINLAND**



Asian Farmers' Association
for Sustainable Rural Development (AFA),
PHILIPPINES



International Fund for
Agricultural Development



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