

Farming is a business

and *Farm Business Advisors* are there to help small-scale farmers make the most of their opportunities



Project Update 2

September 2010



Cover photos: Nestlé – Sam Faulkner

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Project	Farm Business Advisors: Scaling up private-sector delivery of agricultural support services in Cambodia
Organization	International Development Enterprises Cambodia (IDE Cambodia)
Project Area	Prey Veng, Svay Rieng, Siem Reap, and Banteay Meanchey Provinces
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1 Introduction

The Farm Business Advisor project aims to increase the incomes of rural Cambodian households by delivering high-quality agricultural inputs and technical advice to small-scale farmers through a network of private Farm Business Advisors (FBAs). This is the second general progress report on the project. A more detailed description of the project objectives and approach is provided in the first Project Update (Dec 2009) and on the project website (www.ide-cambodia.org/fba).



Creating Shared Value

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In May 2010, IDE Cambodia was awarded the first ever Nestlé Prize in Creating Shared Value for the FBA project. The prize is awarded every other year to an individual, NGO, or business for a project that exhibits innovation, impact, scalability, and sustainability in the areas of water, nutrition or rural development. The Prize Laureate is selected by an independent Advisory Board comprised of internationally recognized experts in corporate strategy, nutrition, water, and rural development (www.nestle.com/csv/csvprize).

IDE was also granted a three-year extension to the Cambodian Agribusiness Development Facility, an existing IDE project funded by the New Zealand Aid Programme that will enable expansion of the FBA network into two new provinces: Siem Reap and Banteay Meanchey.

2 FBAs

Currently, 61 FBAs are serving client farmers: 24 were recruited in Feb 2009 and have been active for 19 months; 39 were recruited in Dec 2009 and have been active for nine months; two were dropped from the program due to a lack of activity. Lessons learned during the recruitment and start-up of the first FBA cohort helped to improve the process the second time around. The second cohort of FBAs was generally stronger than the first. They were able to start the training at a more advanced level, began finding and serving clients more quickly, and made 35% more sales from January through September this year. A third round of recruitment is underway and we expect an additional 40 FBAs to begin training in Dec 2010.

On average, each FBA serves about 90 clients and has earned gross profits averaging US\$12 per month during the past nine months from the sale of agricultural inputs.¹ There is significant variation in FBA performance: the top five FBAs serve more than 200 clients each and earn gross profits averaging US\$65 per month while the 28 lowest performing FBAs serve fewer than 60 clients each and averaged only US\$4 per month in gross profits. With half of the FBAs performing at low levels, a major focus in upcoming months will be to improve and/or replace low performing FBAs.

¹ The amounts quoted here do not include FBA profits from the sale of produce from their demo plots or other income connected to FBA activities (such as training contracts with local NGOs). Data collection on other FBA income sources has not yet been completed but preliminary estimates are that net profits average about \$500 per year per FBA.

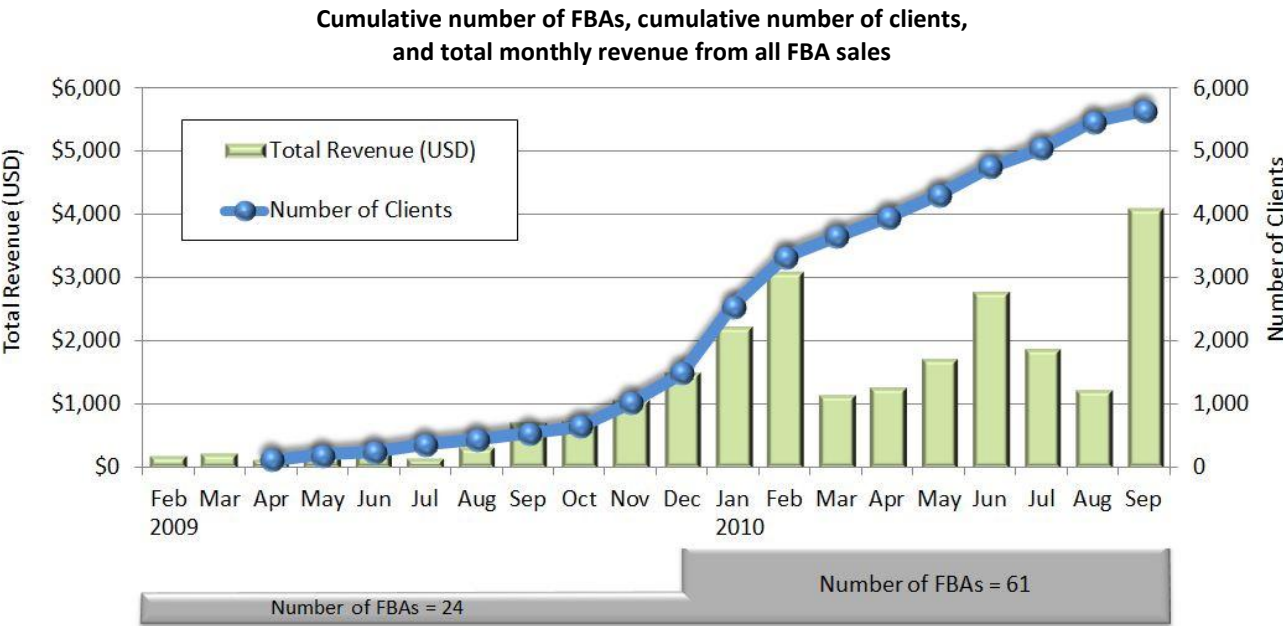
Women make up 11% of the active FBAs. The low proportion of women is due largely to the requirement for mobility. FBAs need to travel frequently between villages to promote their business and provide service to customers. Concerns about safety make many women hesitant to travel, while responsibilities for cooking and childcare make it difficult to be absent from home for more than a few hours. Despite greater barriers, the women who have taken up the FBA role are among the highest performers, averaging 45% higher sales and serving 60% more clients than male FBAs. We also observe that the FBA role is nearly always run as a family business with involvement of the spouse and other family members. Thus, even when the FBA is a man, women are active participants in the business, often taking on home-based tasks like caring for the vegetable demo plot and selling products to clients that come to the house.

There are now many instances of FBAs demonstrating independent initiative and innovation. For example:

- Mr. Oeun Vanna enters into verbal contracts with his clients promising to refund seed costs if they have a crop failure after following his advice. Although there have been some crop failures, he has not had to refund any seed costs yet because, in every case, the clients have said that they did not follow his advice. Here we see the FBA-client relationships being built on trust.
- Ms. Puth Sarouen, an FBA and a Volunteer Health Worker in her village, makes lunchtime visits to her neighbours to talk about family health. She is now able to back up her health messages with advice on growing vegetables as a practical way to improve nutrition while earning extra income.
- The FBA training that Mr. Sours Say received helped him to increase the profit from his own vegetable crops to the point that his family stopped growing rice. His wife is now responsible for the vegetable farm while he devotes all his time to servicing his clients (now more than 300). His success has also lead to him being contracted by another NGO to provide agronomic training to their farmers. Being an entrepreneur, their *beneficiaries* often become his *clients* as well.

3 Farmers

The chart below shows the cumulative number of FBAs, the cumulative number of farmer clients, and the total revenue from all FBA sales by month. By the end of September, the FBAs had served a total of 5,636 unique farm households (i.e., not double counting repeat purchases by the same household). Revenue is seasonal with peaks corresponding to dry season vegetable crops (Jan-Feb 2010), wet season rice crops (Jun 2010), and dry season rice crops (Sep 2010).



Out of the 1,409 clients who made their first purchase from FBAs in 2009, 28% have made at least one additional purchase. We consider this to be a low rate of repeat purchase but this may improve during the upcoming dry season when we expect another sales peak. To be successful, FBAs need to develop long-term client relationships rather than just one-time sales.

The project is monitoring farmer incomes by surveying a random sample of 10% of new FBA clients each quarter. Follow-up surveys are then conducted a year later to estimate changes in household income from all sources. The surveys are supplemented by detailed farm records collected from a smaller sample of farmers. From these data sources, we estimate that farmer clients are earning an additional net income averaging US\$110 per year after receiving FBA support for one year. We expect that the average income impact will increase over time as the experience of the farmers and the FBAs increases.

There is strong evidence that female farmers have been able to access and benefit from the products and information provided by FBAs. Although the direct client of the FBA is most often male (65% of the time), follow-up surveys indicate that about 35% of vegetable crop management and 79% of marketing is done by women. Thus, in most cases, income from vegetable production goes into the women’s hands first.

There is also strong evidence that FBA services have been reaching low-income households. Based on standard government poverty classifications, 52% of FBA clients are either ‘poor’ or ‘very poor’.² By comparison, the combined proportion of ‘poor’ and ‘very poor’ households in the general population of the project villages is 33%. This indicates that FBAs attract more clients from among low-income households than from higher-income households. Agriculture may be a less desirable income opportunity for wealthier households who are more likely to have other options.

Vegetable crop data from a) farm record books of 90 FBA clients and b) baseline and follow-up surveys of 30 FBA clients

Most common crops grown: cucumber, long bean, <i>trakuon</i> , eggplant
Mean unit profit* for all crops: US\$0.29/m ²
Mean increase in unit profit* after one year of FBA support: 53%
Median cultivated area: 300 m ²
Mean increase in cultivated area over previous year: 33%
Mean crop cycles per year: 2.5
Mean increase in net income per client household: US\$110/year

*Unit profit = net profit per square meter of cultivated area during a single growing cycle (2-3 months)



PREY VENG, SEP 2010 – Mom Samol describes a typical day marketing the produce from her family’s vegetable plot. There are several different vegetables growing but right now the long beans are ready for market. She can harvest about 10 kg of beans once every two or three days for about a month. She picks the ripe beans, ties them in bundles, and then takes them on her bicycle to sell to small road-side vendors near her village. It takes her a few hours and she receives US\$ 0.50 per kg, which amounts to about five dollars each time she harvests. She uses part of the money to pay for daily expenses and puts away some money for larger purchases in the future. The daily expenses she handles on her own; the larger expenses she discusses with her husband. She expects him to discuss large expenses with her also.

4 Franchise Enterprise

In an effort to provide more options to smallholders, increase FBA profitability, and even out the seasonality of FBA income, the project has been progressively expanding the FBA product line, which now includes:

- Seeds for vegetables with high market value (41 seed lines covering 27 vegetable varieties),

²The Royal Government of Cambodia’s Ministry of Planning (MOP) is in the process of identifying poor households in all rural villages across the country. The MOP program uses a standardized method in which households classified as ‘poor’ correspond approximately with those below the national *poverty line* and ‘very poor’ corresponds approximately with those below the national *food poverty line*.

- High quality rice seed that provides greater yield with less seed, compared to traditional 'kept' rice seed,
- Compressed fertilizer briquettes (also known as Fertilizer Deep Placement or FDP) that give higher yields than normal fertilizers and reduce environmental impacts,
- Plastic horticulture materials such as bed covers (mulch), shades, and trellises,
- Water management tools such as low-cost drip irrigation, and
- Low-strength pesticides (Class 2 and 3) for 'last resort' treatment of pests in accordance with Integrated Pest Management practices.



(Photo: Nestlé - Sam Faulkner)
Eggplant growing in an FBA demo garden. Low-cost drip irrigation and plastic mulch help to improve water use efficiency and suppress weed growth resulting in water savings, lower labor requirements, and improved yields.

To date, the project has focused primarily on improving agricultural production. Less attention has been given to output marketing since the current production volumes are readily absorbed by local markets. Nevertheless, a few output marketing activities have been initiated in anticipation of the time, possibly not far off, when local markets begin to be saturated:

- All FBAs receive training in vegetable marketing concepts and are able to provide advice to their clients on crop selection, crop scheduling, and meeting requirements for quality, cleanliness, and grading.³
- FBAs have been linked with the Svay Rieng Vegetable Supply Association. Originally started by the Provincial Department of Agriculture and now coordinated by IVY, an NGO, the Association has been contracted to supply restaurants on the VN/Cambodia border.
- Market assessments and field trials have been initiated for hibiscus, a potential export crop for use in tea mixtures.

Product inventory and procurement systems are now well established. Total sales have increased to the point where the FBA network has become one of the largest single agricultural input suppliers in the country (supply chains for agricultural inputs in Cambodia are highly fragmented with distributors generally being small and localized).

5 Challenges and Next Steps

In general, the project is proceeding as expected and there have been no major surprises or obstacles. The points outlined below highlight priority areas for learning and action in upcoming months:

- Continue working to increase the FBAs' income to more attractive levels by improving their technical capacity, solution-based sales skills, and commercial mind-set; by expanding the range of product offerings; and by increasing profit margins through cost reductions.
- Work to increase the number of repeat purchases by FBA clients. This will include finding the right balance between the number of clients and the amount of follow-up provided to each client. FBAs need to enable each of their clients to grow their small farm enterprise so that they are investing more and more each year and seeing greater and greater returns.
- Quality control of FBA products and services is becoming increasingly important as the project increases in scale. Establish and institutionalize more formal QA/QC systems.

³The FBA market training utilizes the Farmer Marketing School curriculum developed by the CIDA-funded Cambodia Agricultural Market Information Project (CAMIP), which we gratefully acknowledge.