

**Report of the  
Marketing and Enterprise Development Specialist**



***Submitted by:***

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**The opinions expressed in this report are those of the author and do not necessarily reflect those of the European Commission or the Upland Development Programme.**

Cover photo: A view of the pineapple crop in Sitio Tahakayo, Barangay Amsipit, Maasim, Sarangani Province, where farmers have entered into a contract growing relationship with Dole Philippines. Planting started in 2004 and harvesting will begin late 2005. Around 3,000 hectares of pineapple will be planted within Barangay Amsipit and this area will generate approximately US\$6 million per annum at the farm gate level. Although Barangay Amsipit has received assistance from UDP the development of pineapple has occurred independently of UDP assistance; in fact UDP polices do not support this type of upland development because the pineapple is not grown organically.

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## **Report of the Marketing and Enterprise Development Specialist, 1<sup>ST</sup> June 2005**

### **INPUT**

As per contract, the Consultant provided an input of 1.5 months (45 days) from 19<sup>th</sup> April to 2<sup>nd</sup> June 2005.

### **TERMS OF REFERENCE (TOR)**

The TOR are presented in Annex 1. The Consultant was required to evaluate the strategies and activities implemented under the Marketing and Enterprise Development (MED) Component within the context of the overall support package provided by UDP. The TOR lists the key MED strategies and derived activities as follows:

- Entrefarm training
- Farm planning
- Establishment of market linkages
- Market information systems (AMIS)
- Provision of Business Development Services (BDS)
- Cross and study visits

Another requirement of the TOR is to *“identify, develop and test key impact indicators of the component vis-à-vis its role in the achievement of the program objectives.”*

### **ACTIVITIES**

- Case studies were prepared of individual farmer beneficiaries of UDP located in 4 out of the original 5 UDP provinces. Case studies were also made of two farmers who are not UDP beneficiaries.
- Various documents (such as business plans and operations manuals) prepared by Business Development Services (BDS) providers assisting village-based enterprises were assessed.
- Documents concerning Entrefarm training were assessed and an Entrefarm training session was observed.
- Other activities included attending a “Cardava Techno-Market Forum”; a “One-day Orientation on Sustainable Upland Development: UDP Model”; part of a training on “The Basics of Vermiculture and Vermicompost Production; meetings with various organizations and individuals including internal meetings with UDP staff.

### **OUTPUTS**

The TOR specified the following outputs:

- Management recommendations on how to improve/expand the key strategies and derived activities.
- Develop the assessment tool on impact of key activities undertaken under the different strategies by the component

Regarding management recommendations, during the mission the Consultant submitted a series of memos to the Coordinator of the MED Component and to the two Co-Directors in which the findings of case studies and recommendations were presented; (a list of the memos is presented in Annex 2). The key findings and recommendations are summarized in this report.

The Consultant was informed by the European Co-Director that he should not just make recommendations, but should discuss his recommendations with the MED Team (i.e. the PMO's MED Coordinator and MED Specialist, and the National MED Consultant). Then, for the recommendations adopted by the team proposals would be prepared and submitted to the Co-Directors for their consideration. The Consultant discussed his recommendations with the MED team and Co-Directors on 30<sup>th</sup> May 2005.

## **FINDINGS**

Most the UDP Components have been involved in activities that could lead to increased incomes for upland farmers. The Consultant's findings are categorized according to the component:

### **Sustainable Agricultural Development (SAD) and Community & Institutional Development & Extension<sup>1</sup>**

It can be argued that in terms of raising farmers' incomes the main thrust of UDP has been the extension of agricultural technologies packaged into a "Diversified Farming System" (DFS). The main objective of DFS is to encourage farmers to plant tree crops (fruit and timber species) rather than cultivate annual crops such as corn which can lead to massive soil erosion. DFS also incorporates short-term and medium-crops that are presumably intended to generate income during the long gestation period of the tree crops.

Based on a limited number of case studies, it appears that *in general* UDP has had very little impact on the incomes of farmers *during the lifetime* of the Programme. This can partly be explained by the long gestation period the many tree fruits distributed by UDP (e.g. approximately 4 years for rambutan, 5 years for durian and lanzones and even longer for mangosteen).

While there are notable exceptions<sup>2</sup>, attempts to promote short-term and medium-term crops for income generation have generally not been very successful. For example, one farmer interviewed for a case study said the vegetable seeds he received from UDP did not germinate; farmers in Paolo 19 lost their peanut crops to rats; other farmers grow vegetables only for home consumption. In fact, in most cases the short-term crops introduced by UDP are grown only on a small scale because UDP only provided small quantities of seeds. Furthermore, in spite of the potential economic benefits of short term crops (which have hardly been realized), the environmental impacts have probably been negative, especially in cases where farmers have not been correctly trained in the DFS technologies being promoted by UDP.

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<sup>1</sup> This two components are combined here due to the overlap between agricultural technologies and the extension system.

<sup>2</sup> For example, see page 1 of the Report of the Upland Farming/Soil & Water Conservation Mission, January to May 2005.



This photo shows a slope from which a “Model” DFS farmer had recently harvested a crop of peanuts grown from seed provided by UDP. The slope is too steep for growing annual crops (especially crops like peanut that require digging the soil to harvest the product). The hedgerows have gaps and are planted too far apart. Soil is being lost through rill erosion.

Instead of developing short-term annual crops the Consultant agrees with comments in the Agribusiness Specialist’s report of February 2000 that suggest bananas would be a better crop to generate income during the gestation period of tree fruits. The markets for the main types of native bananas (e.g. cardava, lakatan, latundan and seniorita) are large and (depending on the type of banana, planting material and management) the first bunches can be harvested from 9 to 18 months. Banana can also provide the shade needed by several fruit tree species such as durian, lanzones and rambutan during the early years after planting.

Regarding the longer term impact of the tree fruits on farmers’ incomes, if the fruit trees are well cared for and assuming future prices will be similar to current prices the trees should generate significant increases in farmers’ incomes. Even if future prices declined by say 30 – 40% (e.g. due to a surge in planting) fruit growing would still be a lucrative activity with due to rising demand in both domestic and export markets.

The DFS package typically provided farmers with 30 fruit trees comprising several species. By adapting information from a UDP training manual<sup>3</sup> the Consultant estimates that 12 years after planting 30 trees could generate a gross income of about P34,000 per annum. Assuming input costs accounted for 25% then net income

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<sup>3</sup> Tree propagation and planting in the uplands. Training manual for Municipal Extension Staff.

from 30 trees would be around P25,500 per annum; this would represent a major increase in income for many upland farmers.

The 30 trees distributed by UDP represent an area of only 0.20 - 0.25ha (depending on spacing). The Consultant suggests that it would have been better for farmers' incomes and for the environment if farmers had been persuaded and assisted to plant larger areas of trees. The Tree Crop Specialist's report of November 2001 suggested an area of 0.5ha per farmer (or about 60 – 75 trees). No doubt there are reasons why UDP reduced the number of trees (perhaps due to costs?).

In addition to growing higher value crops, one of the most obvious ways for farmers with limited land to increase their incomes is to increase productivity, i.e. increase output per hectare. This can be achieved through improved agronomic practices (for example, in the case of bananas prepare the land and planting holes correctly, use clean planting materials, use the correct plant spacing, control suckers, trim leaves, control weeds, provide irrigation, apply mulch, use bags on bunches, remove the male flower bud, etc). Integrated Pest Management and Integrated Nutrient Management (INM) are also important practices for achieving higher productivity.

One task of the extension service should be to help farmers improve productivity. The Consultant was disappointed to find that many farmers are not using improved management practices and generally they use very few inputs. This suggests that extension activities under UDP have been weak and indeed this was perhaps acknowledged when in 2004 ICRAF (the World Agroforestry Center) was contracted to upgrade the extension system. However, it will be sometime before ICRAF's activities have any impact on the majority of farmers in the UDP areas.

A positive development that the Consultant heard from the SAD Coordinator is that in Davao Oriental, some members of Farmer Training Groups (FTG) are earning fees for providing extension services (e.g. P150 per farmer group that visits a Learning Site and P150/hour if the FTG farmer is invited to visit a farmer). So far, the main services provided by these farmer extension agents have been farm planning and tree propagation services. This more towards a commercial private sector-based extension service should be actively promoted in other areas.

### **Rural Financial Services**

The case studies revealed that many farmers are taking advantage of the micro-finance services established under UDP, but there is scope for improvement. For example, a case study in Maragusan revealed that repayment terms for a cardava banana production loan do not match the cash flow of the crop. Furthermore, in this particular case the Partner Financial Institute (a co-op that would also buy back the bananas) did not appear to have given sufficient attention to fully informing farmers about its marketing arrangements. Additionally, since it is in the co-op's own interest to have farmers grow good crops of bananas (otherwise farmers may default on their loans), perhaps the co-op ought to ensure that farmers are adequately trained in banana production and that they utilize the correct inputs (such as tissue cultured plants). This does not mean that the co-op should provide extension services (although some co-ops do), but it could at least ensure that extension services are provided by another party. One possibility could be for the loan amount to include a sum for payment of extension service fees; the loan recipient could use this money (or voucher), for example, to pay an FTG member for training services.

The case studies revealed that production loans for pigs are the most successful loan product for a Financial Services Center (FSC) in Maragusan, but an FSC in Santa Cruz did not allow pig production loans. Perhaps the officers of the latter FSC should be taken to visit the other FSC to see their success with pig production loans; or since there may be other such anomalies perhaps a workshop could be organized where representatives of many different FSCs could come together to share their problems and success stories.

### **Agricultural Infrastructure Services (AIS)**

The improvement of roads can obviously contribute to higher incomes for farmers by reducing transport costs both for the inputs (e.g. fertilizers) and the agricultural products. Improved access to upland areas can also result in more traders visiting these areas and increased competition between buyers of farmers' products can lead to higher prices.

While traveling around the UDP areas, the Consultant has observed roads that have supposedly been improved under UDP but have since been badly eroded by heavy rain. No doubt the AIS team is fully aware of these problems.

Besides roads, another notable infrastructure activity has been the construction of *bagsakan* centers. The Consultant considers that in many cases these are akin to white elephants and were constructed for the wrong reasons. The expressed objective for constructing these centers was to provide a location for farmers to consolidate their produce. However, it is not necessary to have a concrete structure with galvanized steel roof to organize an assembly market and, in view of the small volumes of produce, this type of structure is probably not justified financially. It would be more cost effective if farmers consolidated their produce under the shade of a large tree or a simple bamboo structure made by the made farmers using locally available materials.

A significant constraint on raising crop productivity (and therefore farmers' incomes) is a lack of water during dry spells. Even though AIS was originally expected to develop irrigation systems, it seems that this development opportunity has been neglected. The Consultant understands that at the time of writing this report, the SAD Coordinator is designing a simple irrigation system that could be used by some individual upland farmers. This is positive news, but the Consultant believes there must be significant scope to develop larger systems that could benefit groups of farmers particularly for growing fruits and vegetables.

### **Marketing and Enterprise Development (MED)**

Findings related to MED are briefly presented here and then recommendations are presented in the next section.

The Consultant suggests that one of the major weaknesses of the UDP approach is a lack of integration between different components and between different activities within each component. The consultant believes that much greater impact on farmers' incomes would have been achieved if the whole programme had been market driven, i.e. if a selected number of market opportunities had been targeted and then all components and activities geared towards helping farmers exploit those opportunities. For example, if UDP had targeted just bananas and durian then it is plausible that the net incomes of 10,000 farmers could have been at least doubled or trebled and millions of tons of soil erosion prevented.

Based on the case studies it is difficult to evaluate the impact of Entrefarm training on farmers' incomes. The Consultant's judgment is that the training has not had much impact on the incomes of most trainees. He believes the training is too advanced for most upland farmers to properly comprehend and practice and therefore has a negligible impact on achieving MED objectives. Although trainees probably reap some benefits, these benefits probably do not justify the high costs. However, the Consultant was informed that Entrefarm training will continue with selected farmers who are (perceived to be) able to cope with the level of knowledge provided.

The Consultant is aware of some of the activities and achievements concerning the development of market linkages, but suggests that in many cases farmers already have links to markets, i.e. there are traders who come to buy their products. The popular perception that farmers are the victims of exploitive middlemen is generally not justified but is ingrained in the minds of many development workers. Farmers would make much better returns if they produced what the market wanted and raised their productivity.

Reasons why farmers often receive low prices from traders include offering small quantities of product, offering product of low quality or of the wrong specification and offering product when the market is already well supplied. So a farmer who offers a trader 75kg of corn with 16% moisture level, infested with weevils, packed into an old fertilizer bag, during the main harvest period will receive a price lower than published in the newspaper. A farmer who offers a trader 1 ton of Monthong durian of good quality carefully packed in bamboo baskets during the off-season will receive a good price. The difference between the two is not the buyer but a difference in the product offered. UDP should be helping farmers to offer the right product.

In terms of off-farm enterprise development, the Consultant believes that in view of the resources available to UDP the impacts on farmers' incomes have been minimal. Greater impact could have been achieved if attention had been focused on adding value to the major agricultural products produced in UDP areas, for example improved post harvest operations (such as drying) could have been the basis of so called "off-farm" enterprises for growers of coconut/copra, corn and coffee, etc. Simple improvements for these products could have benefited thousands of farmers unlike enterprises such as mango puree production and bamboo furniture manufacturing that only benefit a few dozen families. Even now, the cost of providing "customized" Business Development Services to individual barangay-based enterprises appears to be too high compared with the anticipated benefits.

Attempts to develop agricultural marketing information systems in the provinces do not appear to have had any impact on farmers' incomes.

It is difficult to gauge the effectiveness of cross visits in helping to raise farmers' incomes. No doubt there are benefits for the people who participate, but perhaps there is potential to extract greater benefits from cross visits (see recommendations).

## **RECOMMENDATIONS for the MED COMPONENT**

When reading the following recommendations, readers should keep in mind that the Consultant would prefer to see UDP focus on a limited number of on-farm enterprise opportunities (e.g. durian intercropped with banana) and then integrate all the MED (and other components') activities towards helping thousands of farmers develop these opportunities. However, since this is not the approach followed by UDP, the following recommendations may not compliment each other as well as they could.

### **Entrefarm Training and Farm Planning**

1. **Organize a workshop for Entrefarm trainers.** The objective of the workshop would be to decide how to modify the Entrefarm training in response to the recommendations of:
  - The Institute of Small Farmers and Industries (ISFI); they carried out an assessment of Entrefarm training in 5 provinces;
  - The Entrefarm trainers themselves; their post-training reports contain recommendations on how to improve the training.
  - The MED team (e.g. the recommendations made by this Consultant).

Some of the recommendations, if adopted, would probably result in higher costs for UDP (for example ISFI has recommended pre-training and more coaching); so UDP needs to decide if the higher costs would be justified?

2. **Use Entrefarm training to sell business opportunities to farmers.** During training farmers are introduced to the idea of growing higher value crops as a way to earn a higher income. However, the crop examples used (e.g. strawberries<sup>4</sup>) are not based on any plan to actually help farmers develop these crops, so that while a farmer may understand that he could make more money growing strawberries instead of corn, he is unlikely to start growing strawberries because he does not know where to obtain planting materials, how to grow strawberries, how to market them, etc<sup>5</sup>. Therefore why not integrate the Entrefarm training with other activities aimed at assisting farmers engage in the production of high value crops. Such activities are further discussed under other recommendations. Assuming that the Project has identified opportunities appropriate for particular groups of farmers (e.g. those having the right soils, climate, proximity to a buyer, etc) then why not use the Entrefarm training to sell the opportunities to the farmers. "Selling the business opportunity" means telling the farmers about the market, briefly how the crop is grown, what are the inputs required and their availability, what would be the costs and returns, what technical and financial services are available, etc. How to help Entrefarm trainers to acquire this information is the topic of the next recommendation.

It should be noted that in the Tree Crop Specialist's report of November 2001, reasons are given why farmers are reluctant to plant trees. These reasons (marketing people would call them "objections") are exactly why "opportunity selling" is needed. For each objection the "salesperson" (e.g. the Entrefarm

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<sup>4</sup> See page 3 of Part 1: Training Report by InterDev Consulting, 11 May 2005. Rice is another crop referred to during training but it is not a crop widely grown in the uplands.

<sup>5</sup> He may not even know what is a strawberry!

trainer) should have prepared in advance a good answer that will convince the farmer that his objection is no longer valid.

- 3. Provide Entrefarm Trainers with “Product Manuals”.** This recommendation links to the previous recommendation. In order to sell the business opportunities to farmers, the Entrefarm trainers will require information about the opportunities and how farmers can develop those opportunities. It is unlikely that the Entrefarm trainers have adequate information; surprisingly even UDP is lacking sound and comprehensive information for the priority crops. Although much of the information already exists within UDP files and reports, it is scattered around in different places and may be out-of-date. It is therefore recommended that “Product Manuals” should be used to provide Entrefarm trainers with the information they need to sell opportunities. The “Product Manuals” (one manual per product<sup>6</sup>) would be prepared by BDS providers assigned to develop specific target products (see recommendations for BDS below). The information from the manuals could be incorporated into the Entrefarm game module, other modules and perhaps even a dedicated module focused on selling the opportunities. (The number of opportunities sold to a group of farmers should be limited to perhaps 2 – 3; this needs to be debated). A draft of the Product Manual’s contents are provided in Annex 4.

#### **Establishment of Market Linkages**

- 4. Make a short list of priority products and research the markets and “value nets”<sup>7</sup> for these products.** One of the most obvious ways to increase farmers’ incomes is to help them produce and sell more produce. It is therefore vital that markets can absorb increased supplies without prices becoming depressed.

The findings of the market research (assuming they are positive) should be included in the proposed “Product Manuals”. The Consultant suggests that the marketing research activity for a specific product would be best undertaken by the BDS provider contracted to develop that product. However, the Co-Directors have suggested that this should be a task of the extension system or network. For example, the Department of Agriculture (DA) has several Agribusiness and Marketing Assistance Service (AMAS) Programs including the Industry Support and Development Program. Within this program the DA has developed “key commodity road maps” for 13 commodities which include corn, coconuts, mango, banana, coffee and durian (all of these are important upland crops). The road maps are supposed to be based on a “strategic framework” that includes market identification and identification of the enterprise “movers”. It should be noted however, that these road maps may be too simplistic and nothing more than dreams or “wish lists”. Another AMAS program is the Market Access/Development Program which includes Market Intelligence/Assessment aimed at providing *“an in depth analysis of both local and international markets to determine the latest market trends and development, key industry players, market practices and trade policies and regulations to provide a good basis in the*

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<sup>6</sup> Note that one of the priority crops should be the bananas, but each type of banana should be treated as a separate product and not lumped together under the heading “bananas”. So there should be a manual for cardava banana and a separate manual for lakatan; and so on.

<sup>7</sup> Value Nets are discussed under recommendation #11 and are defined in Annex 3.

*development of strategies to promote and develop Philippine agricultural products”.*

### **Agricultural Market Information Systems (AMIS)**

5. **Explore the potential to use cell phone technology.** There are at least two ways in which cell phones could be used to provide farmers with market information:
  - Farmers with cell phones could be given telephone numbers of key buyers whom they could contact to check prices before selling to local traders.
  - The Consultant has heard about a system established in Northern Mindanao (perhaps by the DA) whereby farmers can use their cell phones to receive market prices via SMS. The service incurs a charge which helps pay for the service. UDP could try to find out if this service could be developed to serve farmers in Southern Mindanao.
  
6. **Explore the potential to use radio.** Radio can be an effective media for disseminating market information, especially in areas where there is no cell phone service. It was learned during one of the case studies that a farmer regularly listens to “Agribulita” on DXDC AM radio where he can hear prices of cacao, coffee, rice, corn and copra. Perhaps this service could be expanded to include other key products.

The Consultant recommends that any price information service (whether cell phone or radio-based) should be focused only a few key products (i.e. those targeted for development under UDP). Furthermore, it would be best if the market price information service for a particular product were managed by a party with a vested interest in developing the industry for that product. For example, just as Nestle is involved in disseminating coffee prices via the radio station, perhaps an organization such as MinFruit could take care of fruit prices, while VICSMIN might take care of vegetable market information; and so on.

### **Provision of Business Development Services**

7. **Place greater emphasis on productivity issues.** The Consultant strongly believes that raising productivity is essential if upland farmers’ incomes are to be increased.<sup>8</sup> Furthermore, if enterprise development is to be pursued then an enterprise should be built on a strong production base; meaning that the farmers should be assisted to meet certain levels of productivity, volume and quality in order that the enterprise will have access to product of sufficient quality and quantity at reasonable cost (assuming the enterprise is an agriculture-based enterprise). Without a strong production base the enterprise may struggle to survive. Therefore it is imperative that BDS providers should take steps to improve the production base. This means addressing issues such as low productivity, the use of appropriate inputs and technologies, extension services, and credit. This does not mean that the BDS provider should be expected to provide extension services – just as it should not be

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<sup>8</sup> Higher productivity could also have positive environment impacts because it could mean that farmers would need less land and thereby slow down encroachment into uncultivated lands and forests.

expected to provide financial services - but it should ensure that these services are provided by specialists in these fields. (By the way, extension services and financial services are examples of BDS).

8. **Focus BDS on a limited number of targeted products.** Instead of UDP hiring many BDS providers to develop a range of enterprises covering different products, it would be better to gain economies of scale by focusing on a limited number of enterprise opportunities. For example, there are opportunities to develop a large number of UBA-based enterprises based on trading one crop (e.g. cardava banana; coffee, goats, copra and several other major products suitable for production in the uplands). Therefore why not have one BDS provider focus on one product but assist many UBAs to develop that product?

This approach is already being practiced by PPO5 in collaboration with Nestle, whereby just one person from Nestle is attempting to develop coffee-based enterprises (referred to as Barangay Farmer Corporations) in 4 UDP-assisted barangays of South Cotabato. This approach should be more efficient than the existing approach. It could also allow UDP to reduce the number of BDS providers (keeping the better ones of course) while simultaneously increasing the total number of barangay-based enterprises assisted.

Regarding which products to target, the Consultant believes this should be a collective decision, but his personal suggestion is:

- Cardava banana
- Lakatan banana
- Latundan banana
- Durian

The banana and durian would be grown as intercroops. The Consultant sees no need to complicate matters by introducing additional crops. Some people may object by saying that not all UDP areas are suitable for growing banana and durian, in which case the Consultant would suggest that UDP should select areas where they can be grown (that is what market-driven projects should do). Another crop that would be good for more remote areas and higher altitude areas with high transport costs would be coffee; its high value per kilogram means that high transport costs would not be a serious impediment. Even at low prices, provided the coffee is properly grown it should still make better returns for farmers in remote places than their traditional crops. Coffee does not make financial sense when yields are low due to poor management. It is also important that the coffee is properly handled after harvesting. Farmers who sell fresh cherries rather than dried beans are simply throwing money away.

9. **Identify the barangays where the key products could be produced on a commercial scale.** Obviously in order to achieve high productivity crops should be grown in locations where conditions are favorable (e.g. the soils and climatic conditions should be suitable). The barangays identified as suitable for the target crops would then be the candidates for BDS. This information may already exist within UDP (e.g. as a part of the Agro-Ecological zoning activities early in the life of UDP).
10. **Sell business opportunities to farmers.** This recommendation has already been discussed under Entrefarm training above. However “selling

opportunities” should also be an activity undertaken independently of Entrefarm training. The Consultant believes that it is necessary to sell the idea of developing a particular opportunity to a whole community of farmers, not just a few members selected to attend Entrefarm training. Selling the opportunity has recently been done for example by Nestle in South Cotabato; a Nestle representative has persuaded farmers to invest in coffee.

The selling activity could be one of the tasks of the BDS provider chosen to develop a specific product. The BDS provider would need to have a good knowledge of the business opportunity including the market opportunity, the required production inputs and technologies, the extension/training services available to help farmers achieve high productivity and the financial services available for investing in the product. The BDS provider could be required to prepare this information prior to the identification and selection of UBAs that have good potential to produce the targeted product. This information (presented in the form of a “Product Manual”) could also be utilized by the Entrefarm trainers to sell the business opportunity to the trainees.

11. **BDS providers should adopt a “Value Net” approach for each targeted product.** If a BDS provider is appointed to focus on a particular product (e.g. cardava banana) besides focusing on the development of UBA-based enterprises they should also adopt a value net approach (this is explained in Annex 3). Initial steps would be to identify the key stakeholders in a value net and then bring them together - perhaps through a forum - to discuss ways in which they could work together. It’s important to emphasize that participants should not comprise of only one producer group and a buyer, but should ideally include other stakeholders such as other producer groups (of the same product), BDS providers, suppliers of plant materials, researchers, extension agents, banks, NGOs, development projects, government agencies, trade associations, etc.

The value net members could eventually become institutionalized and unified in the form of an umbrella Business Support Organization (BSO) such as a trade association or council; this institution could then play a vital role in promoting the development of the value net and its stakeholders. BSO’s would help ensure the sustainability of initiatives facilitated by donor projects.

The USAID-funded GEM project is actively promoting the formation and development of BSOs focused on specific product categories. Examples include MinFruit which represents the fruit industry of Mindanao; VICSMIN which represents the vegetable industry of Southern Mindanao and NORMINVeggies in Northern Mindanao. UDP (through its BDS providers) should take full advantage of GEM’s accomplishments and perhaps initiate similar developments for other industries and areas.

### **Farmer Cross and Study Visits**

12. **Cross visits/study visits should be linked to an action plan.** Participants should be informed in advance what will be the purpose of a visit and what actions they are expected to take after the visit, for example, adopt a new technology, hold a village meeting to share information gained from the visit, train “x” number of farmers in new technologies (in this case the farmers to be trained should be named in advance and informed that they should expect training), etc. Perhaps the participant should be asked to sign a MOA with a checklist of the actions that he agrees to implement after the visit. This could later be used to monitor the participant’s response to the visit. Participants

should be people who are best positioned to share their new found knowledge with others (e.g. managers of enterprises and members of FTG groups).

### **Assessment Tool**

13. **Monitor individual farmers' cash incomes from agriculture-related activities on an annual basis.** The Consultant suggests that farmers' cash income from agriculture-related activities should be a key impact indicator. Data should include the main crops planted (including area and/or number of hills), the output, quantities sold, prices received, production and marketing expenses, net income per product, total net income per annum. A simple questionnaire could be devised to gather this data.
14. **Monitor enterprise sales on a monthly basis.** BDS providers should be requested to collect and submit monthly data on the sales volume and value of products achieved by the enterprises that they are serving. If downward trends are reported then the BDS provider should provide explanations; (note that sales may go down due to seasonal patterns, not because the enterprise is failing).

## **Annex 1**

# **TERMS OF REFERENCE FOR MARKETING AND ENTERPRISE DEVELOPMENT SPECIALIST**

## **INTRODUCTION**

This proposal concerns services requested by the MED Component to provide the UDP with recommendation in respect of further improving the impact of the marketing and enterprise development component.

## **RATIONALE**

One of the major objectives of the Upland Development Programme (UDP) is to improve the income of the upland communities through the implementation of market-led on and off-farm enterprises.

The programme is in its consolidation phase, whereby all activities are geared towards ensuring that the programme gains are sustained.

In view of such time constraint, the component sees the need to evaluate its strategies and activities implemented whether these have contributed/are contributing to the attainment of the programme goal of increased income generation by upland on- and off-farm enterprises and to come up with priority recommendations to ensure that any gaps remaining are attended to within the available time.

Hence, this proposal, which seeks consultancy services of expatriate technical assistance for the purpose mentioned above.

## **OBJECTIVES**

The consultancy services shall have the following objectives:

To assess and come up with recommendations on the activities and strategies being undertaken by the component.

The key strategies and derived activities are in respect of on-farm enterprise development<sup>9</sup>:

- Entrefarm training for farm enterprises
- Farm planning
- Establishment of market linkages
- Market information systems (AMIS)
- Farmer cross visits

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<sup>9</sup> It should be realized that the strategies cannot be isolated from those of other components such as the introduction of Diversified Farming Systems and Financial Service Delivery, and farmers organizing. Hence the consultant is expected to be able to put his assessment and recommendations within the context of the comprehensive support package provided for by the Programme

The key strategies in respect of off-farm/UBA enterprise development<sup>10</sup>:  
Provision of Business Development Services in terms of assessing existing as well as potential UBA enterprises and their coaching which includes also business plan development, market linking, entrepreneurship training through coaching and others  
Cross and study visits

To initially identify parameters to evaluate impact of the key activities conducted in view of improving the income of upland farmers through development of on and off farm upland enterprises

## **SCOPE OF SERVICES**

The consultancy services shall be carried out in 1.5 man months. Intensive local travel within the programme areas to assess on-and off farm enterprises and service providers is part of it.

Specifically, the foreign consultant shall undertake the following:

- Review, assess and recommend management actions in respect of the key strategies and derived activities
- Assess the implementation of key strategies and derived activities and come up with recommendations to fill in any gaps
- Identify, develop and test key impact indicators of the component vis a vis its role in the achievement of the program objectives.

## **OUTPUT**

- Management recommendation in respect on how to improve/expand the key strategies and derived activities
- Develop the assessment tool on impact of key activities undertaken under the different strategies by the component

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<sup>10</sup> It should be realized that the strategies cannot be isolated from those of other components such as Financial Service Delivery in this case. Hence the consultant is expected to be able to put his assessment and recommendations within the context of the comprehensive support package provided for by the Programme

**Annex 2**

**LIST OF MEMOS**

<b>Date</b>	<b>Subject</b>
3 May	Comments on various BDS activities
12 May	Case study Coronon, Davao del Sur (9 May)
12 May	Case study Saliducon, Davao del Sur (10 May)
12 May	Case study Pamintaran, Compostella Valley (4 & 5 May)
12 May	Vermicompost
12 May	Jatropha and Biodiesel
12 May	Entrefarm Training
14 May	Case Study Sibulan, Davao del Sur (? May)
16 May	Case Study – organic banana – Tupi (16 May)
19 May	Meeting with SAFFIA
19 May	Case Study - Changco cardava banana farm in Gen San
20 May	Case Study – cotton – Maasim (18 May)
22 May	MASBAFAMCO Business Pan
22 May	Albagan Operations Manual
22 May	Assessment of ISFI's assessment of Entrefarm training in Davao Oriental
24 May	Albagan Project Summary ("Business Plan")
30 May	Assessment of InterDev's post-training report on Entrefarm training
2 June	Meeting with Dole Philippines regarding asparagus in Barangay Kablon
2 June	Jatropha and Biodiesel (again)

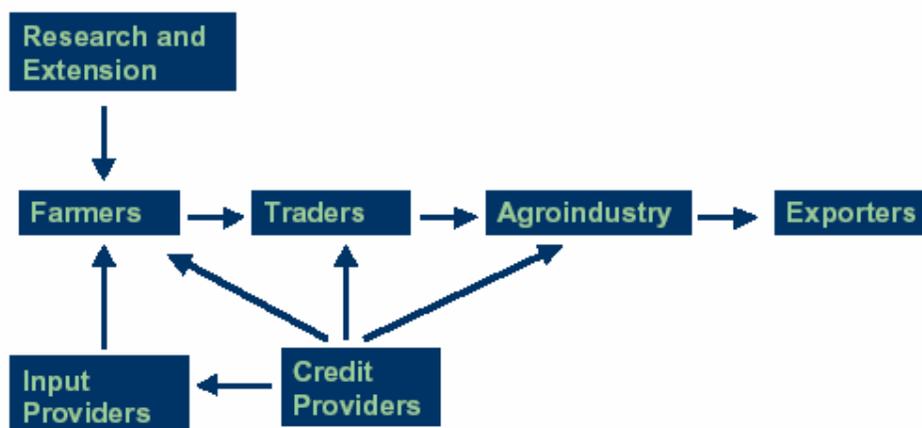
### Annex 3

#### THE VALUE NET APPROACH

Everyone knows that a length of chain is only as strong as its weakest link. The same principal applies to the value chain which is defined as a business system which creates end user satisfaction (that is value) and realizes the objectives of other member stakeholders. If any member of the value chain is weak then the performance of the whole chain from producer to consumer will be negatively impacted. This implies therefore that when seeking to improve farmers' incomes, the whole value chain needs to be considered, not just the link between the farmers and their immediate buyer.

More recently the concept of the value chain has evolved into the "value net"<sup>11</sup> or "business ecosystem"<sup>12</sup>. Rather than a linear model in which relations from farmers to consumers are considered in a sequential manner (see Figure 1), in a value net all actors can establish relations with each other to increase total benefits for the net (see Figure 2). That implies a multiplicity of partnerships that can be formed between not only different groups and organizations belonging to the private sector, but also between public and private sector organizations.

Figure 1: The Linear Model of a Value Chain

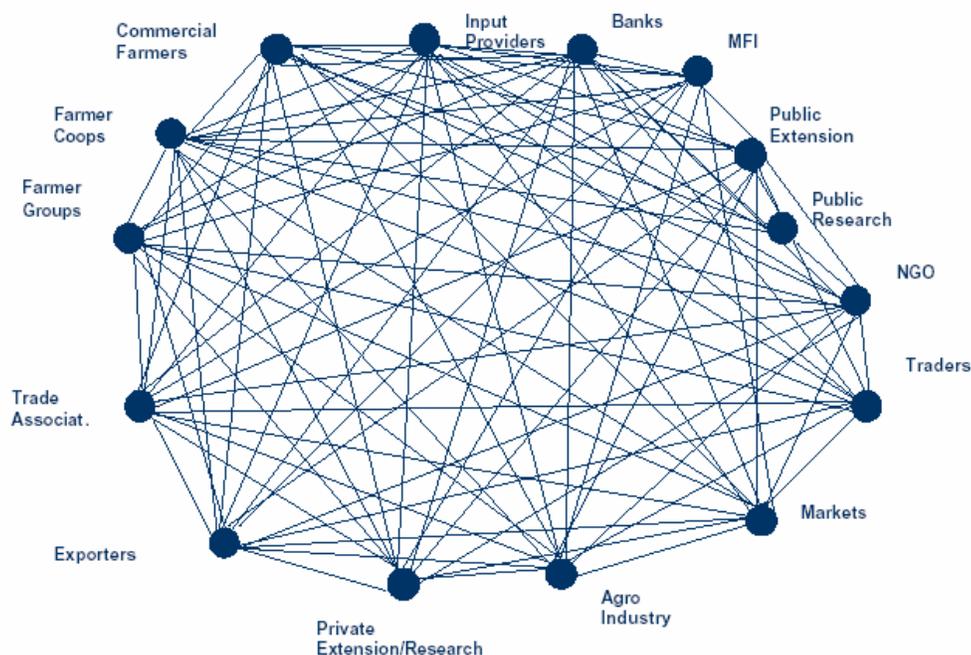


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<sup>11</sup> A value net is a non-linear web of units (both hard and soft systems factors) which assist contemporary value and supply chains to operate".

<sup>12</sup> Business ecosystem refers to the way businesses operating in an environment that closely resembles a biological 'ecosystem'. Each business has a role to play, each has their place in the ecosystem 'hierarchy', and the actions of each business directly and indirectly relate to and impact on other businesses. (E.g. Movements in price, additions to services, new products, removal of products, increases in efficiency, introduction of technology all have an effect on a market and on natural competitors.)

**Figure 2: The Value Net**



The primary aim of applying a value net approach is the search for **competitive advantage** because the development of a better understanding of the environment in which a business operates (and with whom it operates) can lead it to operate more effectively and efficiently. Value net thinking heralds a move away from a restricted view of the way in which business views itself and its interaction with the rest of the world. A business is *not* independent of external forces, its customers, suppliers and competitors, etc.

Central to gaining competitive advantage from the adoption of a value chain or value net approach, is the formation of **interdependence**. This concept refers to businesses becoming more open in their relationships – moving from a position where a supplier or customer may be viewed almost as a competitor for profit margins – to a philosophy where benefits can be shared between interdependent business partners.

In the ideal chain-based relationship, partners work together to extract maximum efficiency and effectiveness from their value net and increase their collective competitive advantage. This may be achieved by capturing efficiencies, controlling costs, reducing risk and responding to consumer demands.

In simple terms, adopting a value net approach means that instead of members fighting with each other to gain a bigger share of the cake, they instead work together to make a bigger cake.

**Annex 4**

**PRODUCT MANUAL CONTENTS (DRAFT)<sup>13</sup>**

1. Introduction
2. Description of the Product
3. The Market
  - Where is the market?
  - How big is the market?
  - Market trends
  - Who are the buyers?
  - What are buyers' requirements?
  - Current suppliers
  - Prices
  - Seasonal patterns
  - Packaging
  - Sources of market information (especially price information)
  - What is the opportunity?
4. The Value Net
  - Who are the key members of the value net?
  - What role do they play?
  - What do they believe are the constraints on increasing sales?
5. Financial Costs and Returns
  - Crop budget (including marketing costs) for the product
  - Provide a crop budget for corn for comparison purposes
  - Highlight the financial benefits of the product versus corn
6. Production Technology
  - Soil requirements
  - Climate
  - Altitude

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<sup>13</sup> Others may have better ideas.

- Plant spacing/number of plants per hectare
- Good Agricultural Practices (GAP) including post harvest operations.
- Life cycle
- Yield levels (Low, average, good, maximum)

7. Inputs

- What inputs should be used? (Specifications and quantities)
- Suppliers
- Prices

8. Extension Support

- What extension support will the farmers receive?
- What will be the cost of this support?

9. Financial Support

- Where can farmers obtain loans?
- What are the loan terms?
- How can the loan be obtained?

10. How to Sell the Opportunity

- What and how to tell the farmer about the opportunity so that he becomes interested without being confused.

11. Farmer Objections

- List the objections that farmers may raise together with (truthful) responses that will overturn these objections so that farmers will have no valid reason not to invest in the opportunity.