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**UPLAND DEVELOPMENT PROGRAMME
IN SOUTHERN MINDANAO (UDP)**
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MARKETING and ENTERPRISE DEVELOPMENT COMPONENT

End of Mission Report
of
the
Marketing and Enterprise Development Specialist

Prepared by: Tom Cunningham
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End of mission report of the Marketing and Agribusiness Specialist.

1 Introduction

This is the final report of the Marketing and Agribusiness Specialist on the UPLAND DEVELOPMENT PROGRAMME IN SOUTHERN MINDANAO. It comes at the end of a 16 man month input which was divided into a number of separate missions and is now concluded in year four of the project.

The activities of the specialist in the various missions conducted have been described in exit reports at the end of each mission.

This is the report on a 2.7 man-month input to conducted in two stages. The first stage was conducted in the second half of November and December 2002 and the second in and April 2003.

During the mission the consultant paid particular attention to:

- the activities of the Market Point Persons (MPPs) in the UDP covered municipalities.
- the review of the Community Based Agricultural Information Service (CBAMIS) being piloted in South Cotabato

2 Marketing Activities

2.1 Market Point Persons (MPPs)

Market Point Persons (MPPs) have been appointed in all UDP municipalities. Many of them have no background in marketing and little or no training in marketing and enterprise development. Some municipalities, most notably in Davao del Sur have recently appointed or designated MPPs with third level business qualifications. These have generally been assigned to work full time as MPPs. Most of the MPPs have been designated as MPPs in response to a request from UDP. How individuals were selected is not always clear and in some cases may have had more to do with logistics than any particular marketing skills. This is not to say that that MPPs, who lack marketing skills, do not apply themselves to marketing activities. It merely recognises the *de facto* situation that there is considerable variability in the marketing abilities of MPPs. In general MPPs do apply themselves well to MED activities.

Some MPPs are much stronger on the production side of enterprise development than they are on the marketing side and in a minority of cases the opposite is true.

It is also recognised that MPPs are LGU employees and are therefore not answerable to UDP for their activities. UDP does present an opportunity to help develop capacity at the LGU level to assist farmers and entrepreneurs to improve their income through more effective product marketing and enterprise development.

This should be emphasised to the LGUs and they should be encouraged to make use of the opportunity.

Most MPPs perform a variety of other functions. Most estimate that they spend about 25% of their time on marketing related activities. Some are designated as full time

MPPs. Most, but not all MPPs, are attached to the Municipal Agricultural Office (MOA). It is not necessary that MPPs should be attached to the MAO office. However, there is the danger in those circumstances that the activities of the MPP and the MAO's office may not be well coordinated.

At this time at least 50% of the MPPs are not permanent members of the municipal staff but are employed on various types of contracts. This is a cause of some concern as it may mean that the MPP may not be employed long term by the LGU and the post may be discontinued after UDP has ended. This is a major concern both for the individuals themselves and for UDP.

Marketing skills among upland producers are very weak and if producers are to increase incomes and escape from traditional marketing channels and the production of traditional crops they need advice and assistance and especially on marketing. The LGU is in the best position to give this assistance. For this reason the post of MPP should be made a permanent position in the LGU staff plantilia.

It is recommended that UDP management raise this matter with the LGU chief executives and obtain a commitment that MPPs will be employed for the duration of UDP and if possible obtain a commitment to institutionalise the post in the LGUs and make it a permanent position.

2.1.1 Marketing activities undertaken by MPPs

MPPs undertake a number of marketing activities in their municipalities. These include collection of information on production, contacts with buyers and training of producers on marketing. They also liaise with UDP provincial offices.

They also undertake marketing activities on behalf of producers. The level of intervention varies. In some municipalities the producers are assisted in making marketing contacts but in others MPPs arranged sales for products on behalf of producers either by making arrangements directly with buyers or through other agencies. In some of those cases the MPP arranged transport of the goods or actually transported the goods on the producers' behalf. In some cases the producers and customers never meet and producers do not really gain any marketing experience. These sort of interventions, however well meaning, do absolutely nothing to strengthen the marketing capacity of the producers and are unsustainable in the long run.

2.1.2 Role of MPPs

When asked to describe their role as MPPs, respondents differed quite a bit in their answers. A job description was prepared and circulated to the municipalities but this does not seem to be well understood by MPPs or may not have been seen by all MPPs. None, when asked to describe their role or function as MPP, referred to this job description. There was also quite a difference in how the function is perceived. This is reflected in different practices in different municipalities. Differences in personalities and experience will also have an influence on how the MPPs conduct their activities.

2.1.3 Delivering Services

Marketing and enterprise support activities carried out by MPPs are essentially service activities. Delivery of services have a number of characteristics that

differentiate them from the delivery of tangible goods. One important characteristic of the type of services offered by MPPs are that they are very much 'people based' as opposed to 'equipment based'. It is also largely a contact system. It is very difficult to rationalise the operations of a contact system. Because of the human element involved in provision of services, there can be very high variability in the quality of service delivery.

Finding solutions for this variability of service delivery has exercised the minds of a number of business writers. It is useful to look at how some have proposed dealing with this. Levitt in '*The Marketing Imagination*' proposes that services be industrialised. He suggests three ways in which this can be done:

1. Use of hard technologies. This involves the use of machinery e.g. automatic bank tellers (ATMs)
2. Use of soft technologies. This is primarily concerned with the development of systems to improve performance. Some well known examples of this type of approach to industrialisation of services are fast food chains like MacDonalds and Jollibee and supermarkets which are laid out so customers can serve themselves. There are now attempts being made to industrialise professional services and these are meeting with some success.
3. Hybrid technologies that use a combination of 1 & 2.

The second approach of using soft technologies with some elements of hardware support would appear to be the most appropriate for UDP. This approach involves:

1. The development of a logical and systematic framework for MPPs to use when addressing particular tasks
2. The establishment of information banks that they can use e.g. a data base of buyers for particular commodities or services and a directory of services
3. The use of IT hardware and software to compile and update records at LGU level.

2.1.4 MPP Workshop

In order to introduce a measure of standardisation into how the function is perceived and how the role is operationalised a two day workshop was organised for MPPs in April 2003. The major output of this workshop is a clearer definition and better understanding of the role of the MPP. Due to the fact that some MPPs are assigned to the position full time and others are only allowed to spend a proportion of their time engaged in MPP activities it is necessary to define the position in terms of a common denominator which will be inclusive for all the MPPs. The definition and role of MPPs must be such that it can be operationalised by those people who can only devote a limited amount of their time to MED activities. In municipalities where the position is full time, MPPs will be able to take on a broader MED role.

Other constraints such as limited mobility and lack of finances were cited as constraints in carrying out MPP activities. This is no doubt a valid observation but is probably true for all activities carried out by the LGUs. It is necessary to operate within these constraints and the activities of the MPPs must be defined within the limits imposed by these resource constraints.

The primary role of the MPP has been defined as to facilitate and coordinate activities in support of their clients' marketing and enterprise development activities.

Facilitation will be mainly in establishing contacts and links for producers and entrepreneurs and organising training and other such activities in support of developments. The coordination role will involve ensuring that the inputs from the various support agencies are coordinated and that things are kept moving along.

Producers need support and guidance from MPPs and others but they also need exposure to the marketplace. During the lifetime of UDP there is an opportunity to assist enterprises (agricultural and non-agricultural) to develop business capacity and to establish relationships with the market. MPPs should encourage this by always involving the producers in the marketing and other market related and enterprise development activities.

MPPs should step back from direct involvement in marketing or selling produce on behalf of their clients and adopt a more supportive and capacity building role.

MPPs should advise producers during their negotiations with customers but agreements should be directly between the buyer and seller. When purchase agreements are concluded the role of the MPP is to assist the producer to fulfil the requirements of the agreement. Issues or concerns that arise should be dealt with directly by the buyers and sellers and not channelled through the MPP. In other words the MPP should not be a go-between. The MPP should be made aware of any problems that arise and should have the necessary competence to help producers solve them or obtain third party assistance to do so, but it is not their function to act as a go-between. Particularly in the early stages of the implementation of marketing agreements the MPPs should closely monitor activities and advise and assist the producers in every way possible short of doing the job for them. If agreements can be got off to a good start there is a better chance of developing a good working relationship between the buyers and sellers. The objective should be to encourage win-win situations as far as possible. In the long run it is in the best interest of both buyers and sellers to develop good working relationships that will endure.

One point must be emphasised. **MPPs are not there to market or sell products or services on behalf of individuals or groups.** Their role is to facilitate and coordinate marketing and enterprise development activities of farmers and entrepreneurs through linking them with potential customers and other agencies that can assist them in their marketing activities. It may well be that the initial contacts with the market are made by the MPP, but producers must be involved at the earliest possible opportunity and responsibility for the terms of marketing agreements assumed by the producers.

The MPPs should be aware of what other agencies or individuals are available to assist MED activities and link these with their clients.

Resource speakers from the commercial sector were invited to address the MPPs during the workshop and these included a fresh produce trader from the Bankerohan market who is also the president of the Bankerohan Larai Traders Association. This speaker emphasised the importance of establishing good working relationships

between producers and the market. A representative of a banana processor explained the operation of their business and the different quality requirements of the different export markets. Procuring sufficient volume of raw materials is a major constraint on the expansion of exports. Most plants are working at +/- 50% capacity. An exporter of fresh fruit who deals directly with retail outlets in a number of Asian and Middle East markets also explained the requirements of their customers. There are emerging niche markets for produce from upland areas. Quality requirements of these markets are high, but where these can be satisfied, prices are also high. Further contacts will be maintained with these and other people in the trade to explore other opportunities. The Rural Finance coordinator gave a presentation which explained in some detail the relationship between UDP and the PFIs and the different windows through which people can access credit.

2.1.5 Directories of service providers and buyers directory

A number of directories will be prepared to assist MPPs in performing their function. These will include:

- A Directory of Services. As a first step the MPPs in each municipality should a list of all service providers in the municipality. This should be repeated at the provincial level and regional level. UDP MED specialists will be responsible for coordinating this activity. An outside agency, possibly DTI or the Mindanao Business Development Council should be commissioned to prepare a design layout for the directory. The directory should give the name of the organisation, its function, which services it can provide, the name and contact details for contact persons. Of particular importance are how these organisations can assist what will essentially be micro enterprises in upland areas.
- A Directory of Buyers which should contain:
 - The name of the buyer (institution)
 - Type or category of buyer e.g. wholesalers, retailers, processors, institutional buyers
 - The produce that they require
 - Minimum volumes,
 - Collection or delivery arrangements
 - Will they deal with small individual producers or must loads be consolidated
 - Details of contact persons and any other information which might be useful should be included.
 - Any special requirements such as credit

These directories should be prepared by the end of May and the presentation and orientation should be conducted by mid June 2003.

When the directories are prepared they should be presented to the MPPs and an orientation programme on their use should be conducted.

2.1.6 MPP Training

While most MPPs have received some technical training there is really a need for orientation and training on how to operationalise the function. This is not technical training, It is training in how to be an MPP and to operationalise the role. This type of training is best done by resource people from the commercial sector.

It is recommended that when the directory of services and buyers are prepared and are being presented to the MPPs that an orientation and training be conducted on how to operationalise the function. Included in this training should be the presentation and discussion of case studies. These case studies will be prepared and presented by MED specialists and MPPs. Experience to date with peanut production in South Cotabato, the proposed contract growing of cassava in Davao Oriental, gensing processing in Davao del Sur are among the case studies to be presented. Where possible MPPs should prepare case studies for presentation. Where suitable persons are identified it would be very useful to get entrepreneurs who have benefited from support from various support agencies, to share their experience with the MPPs and to explain how they were of assistance.

It is further recommended that regular meetings of MPPs should be held. Bi-monthly meetings are suggested. The venue should rotate between the provinces and a visit to some successful MED intervention should be arranged in conjunction with each meeting. The programme for these meetings should be prepared to include discussions on MED activities and to review specific projects, share experiences and to act as a support network for MPPs.

The training/orientation programme for MPPs should cover the following topics.

1. The role of the MPPs – job description
2. Operationalising the MPP function
3. Presenting the service and buyers directories
4. The use of these databases
5. Documenting and using information gathered from contacts with potential buyers at trade fairs or elsewhere

2.2 Market Matching

If producers decide to target a particular market they must have the capability to serve that market. It often happens that more than one market outlet will be identified. These markets should be assessed and prioritised taking into account market attractiveness and the capacity to compete in that market. This is essentially **market matching** and is different from market linking.

It can happen that potentially attractive market opportunities can be identified but for a variety of reasons enterprises cannot serve these markets. In other words there is a poor fit or bad match between the market and the producers.

Factors could include:

1. Quantity. Examples might be where larger buyers require minimum quantities in each delivery. If a buyer is not interested in assembling produce from many small-scale producers, but requires a minimum of 2,000kgs per collection then producers can only target that market if they can meet those requirements.
2. Quality requirements may be too high.
3. Finance. One banana processor spoken to asks for credit from his suppliers and has cited this as one of the main reasons he prefers to buy from assemblers, rather than direct from farmers. If a farmer or a group of farmers were in a position to extend credit to that outlet they could obtain a higher price. Very few upland farmers are in a position to extend credit to their outlets.

4. Distance from farm to market may also be a factor that can make a potentially attractive market untenable for producers.

There must therefore be a good fit between the market and the supplier.

It is important to make a realistic assessment of the market requirements and the capability of producers. There are many cases where farmers enter into agreements with institutional or other buyers and then quickly fail to meet their obligations. The most frequent reason for this failure is unrealistic assumptions about the capacity of the farmers to produce sufficient volumes and to maintain quality standards.

For processed products the approach should be:

1. Assess current production volume
2. Assess local markets – poblacion, adjoining municipalities, adjacent larger towns. Local outlets are always easiest to service. They have lower transport costs, usually lower quality requirements in terms of packaging or labelling and if mistakes are made it is easier to correct them. They can also be more easily serviced without going through intermediaries. Valuable experience can be gained in local markets before penetration of more distant markets can be attempted.
3. It is only when production capacity can be increased sufficiently that more distant markets can be serviced. Very often the skills required to penetrate and service more distant markets may be lacking. In such cases working through an agent middleman may be the most prudent option. There is a tendency to think that this will reduce profitability but it should be remembered that most products are traded in this way and usually for very good reasons.

In all cases the producers should be closely involved in all the marketing activities and making the final decisions.

2.3 Market Linkage Activities

A main thrust of the MED component is the promotion of market linkage activities between producers and buyers.

A major constraint in marketing produce from upland areas is poor linkage between producers and the market. The market chain tends to be long with many intermediaries and product changing hands many times before it reaches major population centres, even regionally located ones. Producers are usually over dependant on local traders who often enjoy monopoly positions in the locality. The difficulty in assembling sufficient volume of produce to attract outside buyers or to make it economical for producers to hire transport exacerbates the situation. This may be even more of a difficulty if UDP covered sitios are regarded in isolation, as often the number of producers or volume of production in an individual sitio may be quite small.

A critical period is when production volumes saturate the local market but do not reach the volume levels necessary to attract outside buyers. Many buyers and especially institutional ones demand minimum volumes before they will trade.

It is important to recognise that most institutional buyers are not traders. They want to procure raw material as conveniently and as cheaply as possible for use in their enterprises but are not interested or do not have the resources to assemble raw material from many small-scale producers.

There are a number of approaches that can be adopted either singly or in combination to address these difficulties. These include:

1. Identify buyers/local assemblers who would be interested in intermediate volumes.
2. Organising collection from adjoining sitios and barangays not covered by UDP.
3. The concentration of resources to increase production rapidly

The first approach does nothing to shorten the market chain or give producers any more control over the marketing of their produce.

Assembling of produce from a number of small producers and consolidating shipments from upland areas can be an expensive operation. It is, however, the first part of the Marketing Chain that producers can most easily take control of. Consolidation into larger volumes can make it attractive for larger buyers to trade directly with producers thus giving opportunity for greater returns. Where buyers have been identified and marketing agreements concluded there may be no need for any infrastructure to support this activity. A simple structure to provide protection from the weather might be necessary in some cases. In time these might develop further into small bagsaken centres.

The third approach of increasing production is a more long-term strategy but does fit in well with the UDP farming systems Development approach.

It is recommended therefore that the second strategy of including the adjoining sitios, or even entire barangays be adopted. In order to achieve this MED activities must be extended to sitios and barangays not covered directly by UDP. To do this there must be good involvement and support from barangay officials.

It is recommended that at least one area be identified immediately where this approach can be fast tracked for piloting. One of the municipalities in Compostela Valley province, where banana production is being promoted would be the best place to start.

When looking at the possibilities of establishing market linkages for agricultural produce a number of factors need be taken into consideration:

- the volume of production
- number of producers
- produce quality, including variety
- distance from market
- access from farm to market
- unit value of product

This information can be included in the Buyers Directory or the Raw Material data base.

In addition to the volume of production, information on production trends can also be useful as this will give indications of likely volumes to be available in the future.

When estimating the volume of production, areas outside of the UDP covered sitios should be included. The information should be assembled for each barangay and for the municipality as a whole. Very often the volume of production in UDP sitios is only a small proportion of what is available. For more effective marketing and especially to attract larger buyers this information on the wider area is particularly important.

Very often there are buyers who will only accept minimum quantities. In order to meet the requirements of these buyers product would need to be assembled at one location. While local assemblers are often criticised for their activities they do perform an essential service and very often assembly of very small quantities of individual production in areas with difficult communications can be expensive, particularly in terms of time. This is a part of the marketing chain that can be most easily organised by producers themselves. It does require a level of organisation and discipline from the producers in terms of timing and quality requirements. This is an area where UDP can be particularly helpful through their community organisation process.

If links are established with larger buyers and arrangements are made to have agreed volumes of product available at designated collection points at agreed times, it is important that these commitments are honoured. The principal reasons which bigger buyers give for dealing with assemblers rather than farmers is that scheduling is much easier and if product is to be graded that assemblers carry out this operation much better than farmer. In fact, farmers are often accused of trying to cheat when it comes to grading. In any development of producer organisations which will be involved in marketing of produce the need for enforcing agreed quality standards needs to be emphasised as the number one priority.

When discussing possible collaboration with larger buyers it is important to have details of production volumes over time. Often agreements are entered into for the supply of produce but the volumes agreed may only be available for a very short period of the production calendar. Sometimes only one delivery can meet the volume agreed.

Sometimes buyers will buy from individuals at assembly points but very often, and particularly in the case of processors the buyer will just want to buy a load and will not want to deal with many individual small producers. In such cases the producers need to organise themselves to cater for this. Where deliveries are to be consolidated in this way the importance of everybody adhering to agreed quality standards cannot be over emphasised.

If the volume of production is only sufficient to meet local demand there is no point in trying to attract outside buyers. However before production is expanded beyond local demand, potential markets further afield should be identified.

Transport is often a major constraint and can be a relatively large part of marketing costs. Buyers who are prepared to undertake transport of produce from the production

areas should be identified if possible. There is a tendency in some municipalities at least, to supply or subsidise transport. While the reasons for doing this are perfectly understandable and maybe necessary to kick-start an operation it should be realised that this approach is not sustainable in the long term. Transport is a marketing cost and sometimes the provision of free transport masks the fact that production may not be economically viable in some areas. If this is the case it should be recognised.

2.4 Group organisation

Most MPPs interviewed cited poor organisation among producers as the greatest obstacle to successful marketing. This would appear to be a valid observation. UDP through the CIDE component is working to improve this situation. The recent internal evaluation conducted by UDP has given more information on this and the reader is referred to that report for greater detail. It also appears that where there is strong leadership in a community, organisational development goes ahead much more rapidly. These leaders are often elected representatives on the BDC or BC.

While the Community and Institutional Development component (CID) of UDP is the main engine for developing and strengthening community organisations in UDP covered sitios, it might be beneficial to have greater involvement of Barangay Development Councils (BDC), Barangay Councils (BC) or Agriculture and Fisheries Development Councils. This would be necessary if activities are to be extended beyond the UDP covered sitios. Input from MED and SAD should reinforce these organisational efforts. UDP are now making a major effort to strengthen links with the barangay governments and barangay organisations.

It is recommended that the BDC, BC or AFDC should be more involved in community organisation for MED activities and that the activities of the MED component be extended to non UDP covered sitios in UDP covered barangays and where necessary or appropriate in UDP municipalities.

It may well be that production and marketing activities may act as a catalyst for organisational development (give people a tangible reason for organising).

If supply agreements are entered into the MPPs should coordinate activities to support the producers in achieving the agreed targets. CID should become involved in developing and strengthening the producers organisation, with SAD and MED giving technical support. Technical support will be needed to ensure among others:

1. quality standards,
2. quantities,
3. production scheduling,
4. consolidation of consignments at agreed locations and times.

2.5 Diversified Farming Systems

The diversified farming systems approach being adopted by UDP aims to have at least twenty five hectares of land in each UDP covered sitio devoted to diversified farming systems by the end of the programme. In choosing commodities to promote a number of factors need to be considered.

Many upland barangays and sitios have very poor access. UDP have devoted considerable effort to improving this situation. However access from farms to the

roadside are still difficult in many areas. This can result in high costs in transporting produce and low penetration by support services. These higher marketing costs mean that the range of commodities that can be marketed profitably may be more limited. Transport costs also mean that the production of some potentially profitable commodities, but with a relatively low price per kilogram, may be difficult to justify in remote areas. For example culinary bananas are potentially a very profitable crop but at a price of PHP 3 per kilo delivered, transport costs may be 50% of the price received. In such cases relatively low value per hectare produce such as maize or abaca, but which sell at a much higher price per kilo are much more attractive to producers in remote areas. These latter commodities are also much less perishable.

In addition to market demand the marketing costs must be considered when choosing commodities.

This is an important point to keep in mind when developing the Farming Systems Models in the UDP sitios.

2.6 Entre-farm training

Entre-farm training for farmers will be adapted to take account of the principal of spaced learning which is regarded to be a much better approach than training in a classroom setting for a number of days continuously. All farmers who are to be included in the farming systems development approach are to be included in the entre-farm training programme.

2.7 Wholesale markets and Bagsaken centres

The consultant visited the wholesale markets at Tagum City, Davao City, General Santos City and the proposed bagsaken centres at Jose Abad Santos and Magsaysay in Davao del Sur. In Tagum discussions were held with wholesalers and the market supervisor. In JAS the operation of the proposed centre was discussed with members of the barangay council. In Magsaysay discussions were held with the Municipal Administrator.

The Tagum city council is proposing to develop an area adjacent to the present market where farmers can bring their produce for sale. It is recommended that the market supervisor and one or two other persons from the market or the city council be sponsored on a tour to study the operation of the wholesale market in La Trinidad, Benguet Province and the market in Baguio City. The original concept for the market at La Trinidad was similar to the concept being developed at Tagum City market. However the La Trinidad market never operated as originally proposed or if it did, does not do so now. The MED Marketing Specialist, the Marketing Specialist from PPO4 and one or two people from the Com Val Provincial office should also be included. Of particular interest in the Baguio City market is the range of locally processed products that are offered for sale. The wholesale market at Bambang in Nueva Viscaya Province could also be included if time and budget permit.

The La Trinidad wholesale market is a major assembly point for vegetables which are transhipped to major population centres and particularly Manila.

The La Trinidad market is not an appropriate model for relatively small municipal or barangay bagsakan centres. La Trinidad was originally developed to overcome severe

congestion at the wholesale market in Baguio City. Much of the produce for the La Trinidad market is produced in areas that are several hours distant from the market centre. Produce is assembled from a big geographical area. Most of the market outlets served by La Trinidad are also several hours distant from the market.

The original concept for La Trinidad market was that each producing barangay would have a space in the market for the farmers from the barangay to display and sell their produce to traders from the major market outlets. This has not happened. The operation of the market has been taken over by traders.

The bagsaken centre at Kapitagan in Davao del Sur is a much more appropriate model for smaller municipal bagsakan centres.

2.8 Trade Fairs.

UDP has sponsored a number of people to attend and exhibit at trade fairs and other exhibitions. The purposes behind UDP sponsoring enterprises to attend trade fairs include, among others to:

1. promote the enterprise's existing product range in order to secure future orders
2. obtain feedback from individuals or trade sources on the quality of the products being exhibited
3. generate ideas for new products or designs
4. generate business ideas for other enterprises
5. testing the market for products

In practice this is not always the case. A number of enterprises produce goods for sale at trade fairs. When notice of a trade fair is received goods are specially manufactured. In some cases the producers do not attend the fairs themselves, but are represented by LGU officers, who sell on their behalf. UDP rents the exhibition space and the LGUs subsidise the cost of transport or may even provide transport.

There are recorded instances of exhibitors declining orders for goods. There may be valid reasons for declining a particular order, for example the production capacity might not be immediately available. There may be possibilities for negotiating orders for some time in the future when capacity can be increased and this should be pursued.

The most difficult and riskiest part of any enterprise development is the marketing. Where potential opportunities like these present themselves they should be grasped and every effort should be made to commercialise them.

In some cases buyers have made suggestions for changes of design but there is no follow up by producers. It was reported that some of these suggestions were adopted but there was no further contact with the buyers. The reason given for this was that the buyers were not encountered again at other trade fairs. This kind of hit and miss approach needs to be improved. Names and contact details of potential buyers should be recorded. If suggested improvements are made to products the buyers should be contacted and samples sent to them for comment and possible orders. If necessary the samples should be delivered by the producer. Reliance on subsequent chance encounters at other trade fairs is not sufficient. Financial and other assistance with these types of activities are ideally suited for UDP support.

In at least one case a buyer made a number of suggestions for improvement to quality of fashion accessories. These included the use of different dyes and colours and the use of better quality trimming materials. The response of the producers was that they could not undertake the improvements because they did not have the dyes, capital for the better quality trim or a sewing machine capable of doing the right quality stitching.

This was an enterprise development opportunity that should have been investigated further. If the buyer was prepared to place an order for the improved quality produce a feasibility study should have been undertaken to make a preliminary assessment of the idea. If the FS is positive more detailed business planning should be undertaken.

The MED component is aware of this situation and has already stopped sponsoring some enterprises. While LGUs and LGU officers are free to continue to do as they see fit, they should be encouraged to help producers take a more commercial approach. This may involve the LGUs being advised to be more discriminating in the enterprises they support in these activities.

2.9 Commercialising enterprise opportunities

Where enterprise development opportunities are identified and especially when these possibilities are identified as a result of contacts in the market place every effort should be made to commercialise them.

Very few enterprises can be funded entirely from internal resources. The UDP Rural Finance component is there to assist potentially viable enterprises to raise finance.

What seems to be missing in some instances, at least, is the entrepreneurial spark to recognise the opportunity and to develop it. It may be that craft makers are not prepared to change their traditional designs. If that is the case it might be worth investigating what the reasons are. If it is a case of resistance to change there is not much that can be done about it. If it is fear of the unknown it may be possible to break down the barriers.

Contacts and leads like these should be documented and fed into the information network. If the particular exhibitors are not prepared to develop the idea further there may be others who will. Where opportunities like this occur the MPPs should be proactive in encouraging the producers to explore these ideas further and in creating linkages for business planning, development and financing.

UDP has the resources to assist enterprises to follow up and to commercialise potential opportunities. The producers/entrepreneurs must however be prepared to become involved at all stages.

2.10 Other practices

In other cases potential customers were advised to place orders with the UDP PMO who would pass them on to the PPO who would pass them to the MSO or MPP who would then contact the producers.

Some buyers, especially institutional ones are often keen to see UDP involvement in marketing activities. The reason for this seems to be on account of the difficulties involved in trying to deal with small scale producers. The buyers look to UDP to organise product assembly and delivery and probably to help ensure quality guidelines are adhered to. While there is no doubt that UDP can play a role here, it should only be a supporting and advisory role. The buyers and sellers should take responsibility for trading activities and UDP or the MPPs should not be inserted as a link in the chain.

2.11 Feasibility Studies

Feasibility studies are carried out to test the potential viability of enterprises based on certain assumptions. Feasibility studies are only of value when the assumptions are valid and calculations are well done. It is also important to understand that feasibility studies are not business plans. They are an early stage in the planning process. The function of a feasibility study is to test assumptions and to make a decision on whether to proceed with detailed planning.

Feasibility studies that the consultant has reviewed leave a lot of room for improvement. Assumptions made in studies need to be realistic and be validated. Of particular concern are the assumptions made on marketing. In discussions with the project proponents it became clear that the marketing projections were merely figures and that there was no plan for marketing or indeed no clear idea as to how marketing should be done.

Cash flow projections are not profit and loss accounts. However, cash flows are very important as more businesses fail for want of cash than for want of profit. This is particularly true in the early stages of a business.

Feasibility studies and business plans should be researched by the entrepreneur. Advice and guidance and the actual writing of the plan may be done by outsiders but the plan should be the property of the entrepreneur. UDP or LGU staff would not normally be expected to perform these tasks. A consultant or consultants from the private sector should be engaged for these activities. Small business development councils, chambers of commerce or other such institutions can assist in identifying suitable candidates.

2.12 GIS system.

The GIS system installed by UDP in the municipal and provincial offices could be used to map production areas. Initially UDP covered sitios could be included, but to be really useful entire barangays and even entire Municipalities should be included. A sensible level of detail needs to be decided on. Initially at least it should only be necessary to indicate the areas where the different commodities are being produced. A small working group should be formed to decide on the most appropriate model. In the proposed workshop to be held with the municipal mayors in 2003, this should be included on the agenda.

3 Review of the CBAMIS in South Cotabato.

3.1 Background

A community based agricultural marketing system (CBAMIS) was designed and pilot tested in South Cotabato province. The system commenced operation in Q1 2002. The basic design required the collection of wholesale buying prices at Koronadal and General Santos City baksakan centers. The prices would be submitted to the Provincial Agricultural Office in Koronadal where the data would be encoded and transmitted to the three municipalities of Tupi, Tampukan and Tantangan. From the municipal LGU offices the data would be transmitted by two-way radio to selected upland communities. This design was chosen to allow replication of the system to other municipalities and barangays.

The usefulness of market price information depends largely on the quality of information and the speed with which it can be transmitted to its users. This is particularly true for non-staple commodities where prices can vary considerably over short time periods.

The principal justification for AMIS is to enable producers to take advantage of spatial arbitrage (bringing produce to different markets) or temporal arbitrage (storage). For highly perishable crops, post harvest storage is not really an option. Where producers can not take their produce to distant markets, knowledge of prevailing prices is still useful as it can guide them in negotiating with local traders or help them to decide whether to bring produce to less distant market centres.

During the pilot period price data was collected twice weekly. Ideally price information should be collected and disseminated daily.

The CBAMIS was assessed in Q4 2002. This assessment has shown a number of weaknesses in the system.

3.2 AMIS assessment

Information is not being transmitted speedily or regularly. There are a number of places along the line where delays are occurring.

At the baksaken centre it is not always possible to get timely access to the internet on the Internet Service Provider (ISP) that is being used. Rather than using an ISP with a monthly subscription charge, the option used was to use an ISP where pre-paid cards similar to a phone card are used. This is a much cheaper option than using a monthly subscription service. Unfortunately these providers seem to sell more cards than their system can handle, making access difficult for much of the time. This appears to be a common problem as the consultant has had similar experience with another ISP using pre-paid cards and there is also a considerable amount of similar anecdotal evidence.

Delays have also been experienced at the provincial level, sometimes for a number of days.

At community level some difficulties were encountered in at least one community, particularly with the operation of the radio. In areas where there is no electricity the radio batteries have to be charged outside of the area. This usually means that the radio is only switched on at certain times and if the communication does not come through at that time it is usually not received at all. The possibility of using larger batteries which would only need to be charged every week or so should be investigated. Presumably in those areas there are many other pieces of equipment that are battery operated and some system must be in place for getting batteries to and from the charging station. It might mean that two batteries, which can be alternated, would need to be used.

In at least one community there is considerable dissatisfaction with the radio operator as it appears that he is often absent from the area and takes the radio with him. This is something that the community should solve and if it is not done satisfactorily the radio should be withdrawn (this has now been done).

The result of all this is that prices are often several days old by the time they reach the communities.

There have been suggestions that ordinances need to be introduced to mandate the LGUs to operate the system. If the fundamental problem is an inherent weakness in the system, then no amount of legislation is going to help.

The conclusion is that the system as currently operated is not delivering the quality of service deemed necessary to be really useful. However, the majority of respondents did say that they found the service to be of some use. Respondents in the market centre and in the production areas said a system that would allow two-way communication of information would be much more useful.

3.3 Price Dissemination

Two methods of price dissemination were favoured by the respondents:

1. Communication directly from the market to the communities and back.
2. Broadcast on local radio stations but which is only one-way communication

3.4 Direct communication from the market

This approach would have a number of advantages including:

- Putting traders and producers in direct contact with each other which should result in a two-way flow of information
- Information should be very up-to-date
- Information on availability of produce can be transmitted to the market
- It builds up a relationship between traders and producers
- There should be a better understanding of prices and price formation
- Traders could use this system to call for extra supplies if demand is heavy or if supplies are light
- If the market has good knowledge about upcoming supplies outlets can be identified
- Some preliminary analysis of the market situation could be given

3.5 Local radio stations

It has always been recognised that radio stations are the most effective way of reaching a wider audience and particularly people in more remote areas.

Getting the prices from the markets to the radio stations quickly and regularly is likely to be a similar problem to transmitting prices under the present system. As more markets are included and several radio stations are involved the difficulties are likely to be multiplied.

Considerable attention needs to be paid to the way in which the data is presented. On the radio, the reading of long, boring lists of prices can rapidly reduce the audience. Radio broadcasts could concentrate on the most important crops and/or on crops where prices have changed significantly. Price broadcasts should be interspersed with some analysis of market conditions and opportunities. While the use of radio stations is appealing, on balance it is likely that succeeding in getting daily broadcasts of up to date prices, packaged in the desired format is likely to be beyond available capacity.

Price broadcasts on radio stations is of course only one-way communication and does not address the expressed need for two-way communication between producers and market centres.

4 Conclusions and recommendations.

Marketing is a difficult operation and this is particularly so when it comes to the marketing of produce from upland areas. In addition to the difficulties of finding attractive markets for produce there are the added difficulties posed by poor infrastructure, small or very small scale production and poor organization among producers. Improved marketing can contribute significantly to improved income. Marketing is not just selling, in fact selling is just the end of the marketing process.

In an effort to address these marketing difficulties each UDP covered barangay has designated a staff member as a Marketing Point Person. While all MPPs interviewed showed enthusiasm for marketing activities there is a considerable variation in the marketing skills. This is to be expected. Despite this weakness it is still considered a worthwhile intervention. The challenge for UDP is to develop a framework which will enable people with limited marketing skills and limited resources to assist their constituents to improve their product marketing and enterprise development activities.

A number of recommendations are made which should help to operationalise market linking activities. It is important that producers be closely involved in the marketing process and in all marketing activities. This is not always the case. MPPs should be careful not to take over the marketing functions, but to guide producers on how to accomplish these themselves.

Producer organization is weak. For marketing activities producers from outside of the UDP covered sitios should be included. In order to achieve organization at this level, Barangay Development Councils or Barangay Councils should be involved.

Data bases of producers and buyers need to be improved. The services of a computer programmer is necessary. When the data bases are operational they should be used.

Feasibility studies and business planning needs to be improved. Some feasibility studies reviewed are considered to be of poor quality and of little use. Feasibility studies are only a stage in the planning process. Market plans and realistic and detailed financial planning in particular need more attention. These activities should be contracted out.

4.1 Recommendations

1. As a follow up to the workshop conducted with MPPs
 - a. A Directory of Services be prepared for the UDP covered area. This directory should contain
 - i. The name of the service provider
 - ii. details of contact persons,
 - iii. the type of assistance the organisation can provide
 - b. A Directory of Buyers should be prepared. This directory should contain
 - i. The name of the buyer (institution)
 - ii. Type or category of buyer e.g. wholesalers, retailers, processors, institutional buyers
 - iii. The produce that they require
 - iv. Quality requirements
 - v. Minimum volumes,
 - vi. Collection or delivery arrangements
 - vii. Will they deal with small individual producers or must loads be consolidated,
 - viii. Details of contact persons and any other information which might be useful should be included.
 - ix. The database of buyers should be continually expanded and updated
 - a. The inventory of production and raw materials should be updated and extended to include entire UDP barangays and eventually the entire municipality and especially the upland barangays .
 - b. These databases should be stand-alone and be installed at municipal and provincial LGU offices. A database that has been partly developed as part of the UDP MIS system is not working properly. The services of a computer programmer should be engaged to develop a suitable software package. This should involve two to three weeks work, including documentation. The production and raw materials database and the buyers database should be linked. The UDP MIS consultant should identify a suitable candidate to do this work.
2. A follow up workshop be conducted where the directories are presented and MPPs are orientated and trained on their use.
3. Meetings of MPPs be held regularly.
 - a. Resource speakers from the private commercial sector should be invited to address these meetings and visits to buyers' establishments should also be organised.
 - b. At least one successful case study should be prepared and presented by an MPP at each meeting
4. In addition to market linking activities the importance of market matching should be emphasised. Market matching should not be confused with market linking.
5. The GIS being installed by UDP in the LGU offices should be developed to map production areas.
6. Agricultural produce will continue to be the main focus of MED activities.
7. Entre-farm training for farmers be adapted to take account of the principal of spaced learning which is regarded to be a much better approach than training in a classroom setting for a number of days continuously.
8. All farmers who are to be included in the farming systems development approach are to be included in the entre-farm training programme.

9. When preparing farm plans for the FSD, markets should be identified before any commodity is included in the farm plan
10. MED should continue its present policy of only supporting attendance at trade fairs by enterprises that are prepared to use them for the purposes outlined above and not merely as a place to dispose of inventory.
11. A systematic approach to the collection and documentation of contacts made at trade fairs and other exhibitions should be introduced. Except where commercially sensitive this information should be made as widely available as possible.
12. All potentially useful contacts should be followed up.
13. Feasibility studies need to be done more thoroughly. Assumptions used in preparing feasibility studies need to be validated if a proposal moves from the feasibility study phase to the planning phase. A feasibility study is only one of the first steps in enterprise development. If a feasibility study is favourable it needs to be followed up with a detailed business plan, which will include a marketing plan and carefully prepared financial projections.
14. The Community and Institutional Development Component should work closely with MED to develop and strengthen producer organisations to enhance their marketing capabilities.
15. SAD should work to ensure that agricultural technicians and farmers are familiar with the technology necessary to produce goods that will meet quality requirements of buyers. MED will be responsible for communicating quality requirements.
16. Where active, barangay development councils (BDCs) be involved in actively supporting MED activities. If the BDC is not active the support of the barangay council should be enlisted. Organising producer-marketing groups should get priority.
17. Because of the importance of marketing and the low levels of marketing skills among most producers in UDP areas the position of MPP should be institutionalised in the municipalities and the post of MPP should be included in the LGU plantilla
18. UDP management should lobby LGU chief executives on this point. As a first step a letter should be written to each Mayor.
19. The wholesale market at La Trinidad in Benguet Province is not seen as a relevant model for small municipal or barangay based baksakan centres. The baksakan centre at Kapitagan in Davao del Sur is seen as a much more appropriate model for these small baksakan centres and should be studied by municipalities that are considering establishing baksakan centres.
20. The relatively major market centre in Tagum City is an important market for the UDP areas and has more in common with La Trinidad. A small party to include the market supervisor in Tagum, the MED specialist in PPO1 and the MED coordinator should be sponsored on a study tour to La Trinidad and Bagio market.

Community Based Agricultural Marketing Information Service

Based on the review of the CBAMIS the following recommendations are made:

Management adopt one of two alternative and mutually exclusive strategies:

1. The basic strategy be revised and that the focus should be on delivering price and other marketing information to selected communities directly from marketing centres using two-way radios
2. Support to the CBAMIS should be discontinued.

It is recommended that alternative No 1 is adopted with the following modified design:

1. The system should only be operated in selected communities where there are:
 - commercial production volumes,
 - where the radios will be operated properly
 - where communication is possible at all reasonable timesi.e. the community must be prepared to invest effort into operating the system
2. The market centres to be covered:
 - General Santos City Bagsakan Centre
3. The provincial office should identify production areas that can take advantage of the AMIS.
4. If this system is found to work well additional communities can be added by agreement between the communities and the market centre.
5. Price collection needs to be audited on a regular basis.
6. Data can continue to be transmitted to the OPAG to be analysed to give time series trends and other information, but this is a secondary objective of the AMIS. If analysis is not done transmission should cease
7. There should be periodic training of farmers on price comprehension and interpretation.

Further development

If areas are identified in Sarangani Province the system can be easily replicated there. If replication in other UDP provinces is implemented the wholesale markets in Davao City (Bankerohan), Digos City and Tagum City are the main market centres of interest.

The operation of these wholesale markets will be studied to determine the viability of installing the system there. This will be done by the MED Coordinator.

When information on radio coverage of the area and on the operation of Davao and Tagum markets is available proposals will be made for the possible extension of the CBAMIS to other areas. The MED PMO will investigate the requirements for radio coverage of these areas.

In municipalities where there is sub-commercial production, i.e. occasional surpluses for sale, it is not envisaged that it would be appropriate to use this system. In these cases ad hoc arrangements could be made for collecting price information.