Farming is a business

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

Project Update

December 2009

Canadian International Development Agency
World Bank Development Marketplace
UK Department for International Development

Project Name	Farm Business Advisors: scaling up private-sector delivery of agricultural support services in Cambodia
Organization	International Development Enterprises Cambodia (IDE Cambodia)
Project Area	Prey Veng and Svay Rieng Provinces
Contact	Phil Charlesworth Agricultural Program Manager Phone: 855-23-223-541 Mobile: 855-12-384-893 Email: pcharlesworth@ide-cambodia.org

1 Project Description

1.1 Objectives

1.2 FBA Model

Farm Business Advisors (FBAs) are independent micro-entrepreneurs who travel within a six- to ten-village circuit assisting farmers to improve, intensify, or expand market-oriented agricultural production. FBAs analyze individual farm enterprises and match any constraints or missed opportunities that they identify with the products and services in their "toolkit."

The FBA toolkit includes a range of products to reduce risks, improve productivity, and increase income. The range of products is continually growing and includes irrigation equipment, good quality seeds, fertilizer, pest control, plastic mulch, plastic fencing and trellising. However, what really attracts customers to the FBAs is the high-quality technical advice and market information that they provide at the time of sale and during return visits throughout the growing season. FBAs sell products and services at a profit—often on credit with payment due at harvest—and provide technical advice as an embedded service.

Before becoming FBAs, these micro-entrepreneurs typically have a pre-existing business activity that puts them in regular contact with rural households, including veterinary services, vegetable collection, agricultural input supply, agricultural training, or health care workers. One of the most successful FBAs is a retired teacher who is highly respected by his farmer clients, most of whom he taught sometime in the past 30 years.

The FBAs are recruited and supported by a central Franchisor enterprise. The Franchisor does not pay salaries to the FBAs. Instead, it provides services such as training, bulk input purchases, credit access, market information, new product development, and branding/promotion to the FBAs as franchisees. The Franchisor also ensures that the FBAs maintain specific standards for product and service quality.

Currently, IDE acts as the Franchisor and will continue to do so while the business systems are developed and refined and a strong network of highly-capable FBAs is established. The Franchisor operations are managed within a separate business unit within IDE. IDE expects to spin off the franchise operations into a private enterprise with an explicit social mission and shareholders that will include IDE, social investors, and FBAs themselves. By transitioning to a social enterprise, IDE aims to create a sustainable, self-financed entity that will continue to serve small farmers without relying on continued donor support.

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2.1 FBAs

Twenty-four Farm Business Advisors (FBAs) were engaged in February 2009. They spent the wet season (May to October) honing their production and sales skills at weekly trainings conducted by IDE. They also used this time to test the income generation potential of their new business and see how it fits in with their mix of household income sources. The wet season is traditionally the low vegetable production time of year and FBAs made modest sales to a small but growing number of farmer clients.

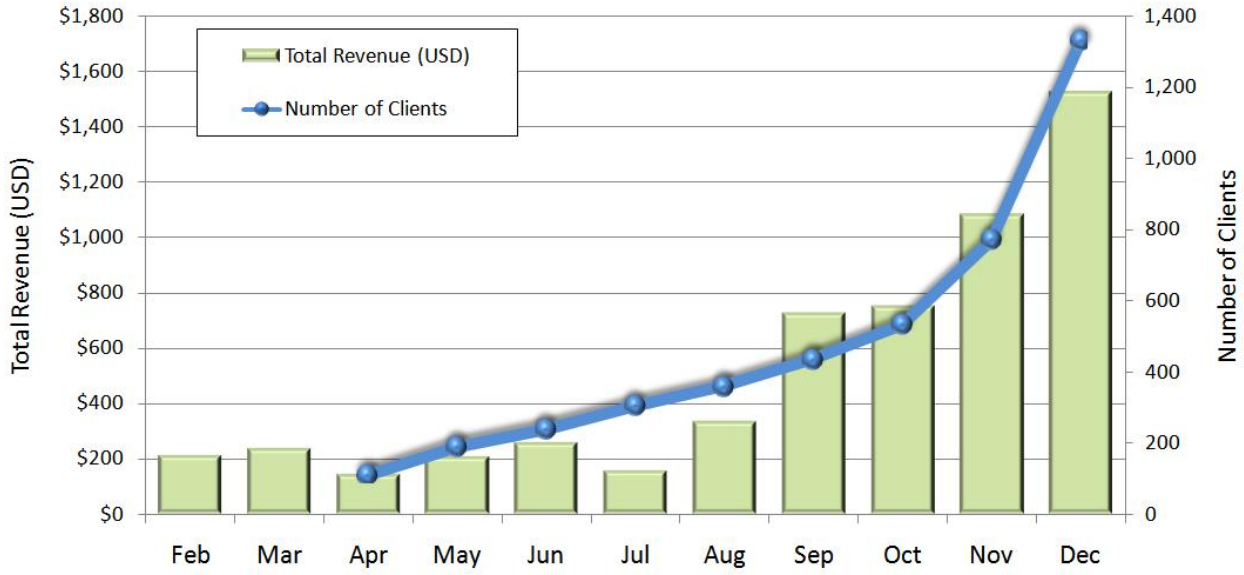
The pay-off from the wet season preparation is becoming apparent as we head into the main vegetable growing season. Between August and December, the number of farmer clients more than tripled from about 400 to 1,300 and total sales increased six-fold from about $250 in to $1,500.

The top performing FBAs are now earning $30-$60 per month in net income, a number that has been increasing month by month but which is still too low given the amount of work that FBAs do. For now, most FBAs are content with relatively low income because of the high value that they place on the training that they receive.

In December, the second cohort of 36 FBAs was selected and commenced training. Lessons learned from the recruitment of the first FBA cohort were incorporated in the selection of the second cohort. Early indications are that this has resulted in a stronger group of candidates and that training for them can start at a more advanced level.

FBAs are now represented in 60 communes in the two target provinces, servicing a potential farming population of around 150,000 households. The number of farmer clients and sales in upcoming months are expected to increase rapidly.

Table 1: Number of Clients and Total Revenue from 24 FBAs



2.2 Farmers

Anecdotal evidence suggests that farmer clients are having good success. The highest net return from a single three-month crop now stands at $164 from a 250 m² plot of bitter gourd ($0.66/m²). This result suggests that exceeding the net additional household income goal of $150 per year is quite achievable.

Baseline information is being collected from a random sampling of 10% of new FBA clients each quarter. A total of 75 baseline surveys have been conducted so far. Follow-up surveys with 30 of the early FBA clients will begin in January 2010, after which, IDE will be able to begin calculating average net income increases for farmers.

2.3 Franchise Enterprise

A number of franchise business systems are currently being developed and refined by IDE:

- FBA recruitment. Identify and attract candidates that have a high probability of success in the FBA role;
- FBA training. Intensive training program including practical agronomic, business, and sales skills. One day per week, 40 weeks per year. Training is the largest single investment required in the development of the FBA franchise;
- FBA Performance Review. Highlighting and sharing lessons from good practice; identifying performance problems early and working with under-performing FBAs;
- Sales Management. Ongoing support to motivate and equip FBAs to reach sales goals;
- Agronomic Support. FBAs have access to a telephone "hot line" for agronomic support from IDE agronomists and external resource people;
- Procurement. Identifying and sourcing the highest quality agricultural products available at the lowest possible price.
- Inventory Control. Forecasting stock requirements to ensure timely availability of products while minimizing storage space and time.
- Market Research. Exploring market opportunities for existing and new commodities;
- Technology Research. On-going assessment and development of new agricultural products, crop varieties, and growing practices.
- Quality Control. Monitoring product quality standards and quality of service provided by FBAs;
- Credit. Making credit available to FBAs and farmers.
- Promotion. Brand building and awareness raising through mass media, printed material, public events, etc.
- Financial. Policies and procedures for accounting, financial reporting, cash transactions, etc.
- Management Information. Processes for internal information collection, analysis, and reporting to facilitate timely management decisions.

A detailed market analysis of the local vegetable market has allowed IDE to start recommending crops with the highest demand and returns for each season. This work was completed in partnership with two other organizations in our target provinces (IVY and SNV). These organizations, plus two others (PADEK and CEDAC) have networks of farmers that are now linked with FBAs in their communes. The farmers are receiving the benefit of good quality advice and inputs, while the FBAs get rapid access to large numbers of clients.

2.4 Challenges

In general, the project is proceeding as expected and there have been no major surprises or obstacles. The challenges identified below are considered to be part of the normal development of the project:

- The FBAs' net monthly income must increase to more attractive levels. IDE is working with FBAs to expand their client base, increase the margins that they make on each product, and expand the range of products and services offered. An expanded product range will both increase revenue and even out seasonal sales variations. Purposeful "voice of customer" listening and market research will be required to identify the products and services to add.
- There is currently a large disparity between the bottom- and top-performing FBAs. The skills of weaker FBAs are being improved through ongoing sales training, cross-learning opportunities, and incentives. Ultimately, FBAs who continue to under-perform will need to be replaced with better-suited candidates.
- Training is the single largest cost incurred in scaling up the FBA model. For long-term sustainability it is important to bring this cost down over time.
- Some of the business systems are more complicated and require more development than others. Inventory control has been challenging and some products have not been in stock when needed.