



# Doing Business for Farmers

By KFP,

The result of seven-years experience with a successful social enterprise from a major FLD project, “Young Women Entrepreneur Development”



July 2015

Sok Somith with advice of Dr. Yang Saing Koma

Edited by Mr. John Gordon

## Acknowledgment

This document, “Doing Business for Farmers” has been developed from Farmer Livelihood Development’s (FLD) experience as they have travelled along firmly established pathway. For many years FLD has energised socially oriented business development to alleviate rural poverty in Cambodia. Changes in context, sustainability, and a reduction in external funding triggered the concept. FLD’s Management Committee then conducted a series of management meetings; heeding the advice of their Board of Directors:

Dr. Yang Saing Koma (Chairperson)

Her Excellency Bunchith Veansa

Mr. Tony Posnet

Mr. Chhum Sovanny

Khmer Farmer Products (KFP) was established in 2009 to sell produce and goods on behalf of FLD farmer beneficiaries. At the same time KFP provided direct and indirect technical support to farmers several areas, including: banana chip processing, wild honey collection, and vegetable production. Without the endurance of farmers in the development process, this preemptive, socially oriented business, KFP, would not have continued to function. For their participation, support and vision they have my grateful thanks.

Equally, I want to acknowledge the cooperation and positive and enthusiastic attitude of my FLD colleagues, past and present, who have made this happen. My gratitude is also due to the Board of Directors for their leadership, for sharing their ideas and experience, and for assisting with this document.

Phnom Penh, 17 July 2015



SOK Somith  
FLD Executive Director/Author

## Table of Contents

<b>Glossary</b> .....	3
<b>1. Introduction to KFP</b> .....	4
1.1 Origin .....	4
1.2 KFP branding .....	5
1.3 KFP Management Structure .....	5
<b>2. Farmers and their Businesses</b> .....	6
<b>3. Inculcating Entrepreneurship</b> .....	7
<b>4. Production and Quality Control</b> .....	8
4.1 Banana chips .....	8
4.2 Wild honey .....	11
4.3 Fresh and Safe Vegetables .....	12
<b>5. Market Linkage by KFP</b> .....	13
<b>6. Business Prospect for Farmers</b> .....	15
6.1 Banana chips .....	15
6.2 Wild honey .....	15
6.3 Fresh and Safe Vegetables .....	15
<b>7. Social Impacts</b> .....	16
7.1 Definition .....	16
7.2 Significant change stories .....	16
<b>8. Conclusion</b> .....	18

## Glossary

CAFCharity Aid Foundation

CPACCommunity Protected Area Committee

EEOYWExpansion of Employment Opportunities for Young Women

Doing Business for Farmers – KFP experience

Page 3

FLDFarmer Livelihood Development

GDPGross Domestic Product

ILOInternational Labor Organization

KFPKhmer Farmer Products

MAFFMinistry of Agriculture, Forestry, and Fisheries

NGONon-Governmental Organization

UNDPUnited Nations Development Programme

WCSWildlife Conservation Society

YWEDYoung Women Entrepreneur Development



KFP team visiting a member of a banana chip processor group

## 1. Introduction to KFP

### 1.1 Origin

Two special projects were the catalyst for KFP's establishment; Employment Opportunities for Young Women (EEOYW – 1 Feb 2007 to 28 Feb 2009) was the first, followed by, Young Women Entrepreneur Development (YWED – 1 Feb 2009 to 28 Feb 2013). Both were funded by the Charity Aid Foundation (CAF) Australia. They provided the impetus to develop a market for the goods that the young women produced through utilizing the vocational skills the EEOYW and YWED projects had taught

them. KFP was established began marketing and direct selling on 1 June 2009, selling around 10 different product lines to customers. Thus, KFP became a social enterprise by selling products made by FLD’s beneficiaries . . . a market oriented model that sustained the livelihood activities of poor farmers. KFP’s mission statement is: *“to be a profitable business for sustaining livelihoods of the FLD targeted communities”*.

**The brand, “Khmer Empire”**

A series of FLD staff and management meetings wanted a brand that suited the products that the rural people FLD supported had made and were sold by KFP. They chose **Khmer Empire**, because FLD’s farmer products represent both the strength and resurgence of a strong, proud and resourceful nation and people. There is one brand exception, ‘Ibis, wildlife friendly Malis Rice’. This is produced by FLD farmers but marketed under WCS’s special brand.

**1.2 KFP branding**

The Khmer Empire brand:

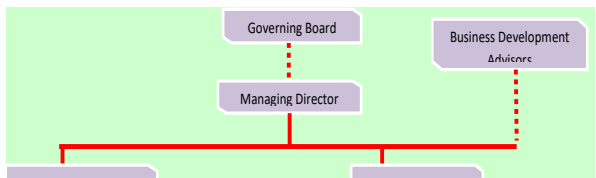
- Promotes products of Khmer origin – ‘Grown in Cambodia’, ‘Cambodian Made’
- Quality
- Their rural origin
- Reflects Khmer values – Nation, King, Religion
- Fits a wide range of products
- Is instantly recognizable as Khmer
- Relates to *all* Cambodians, and foreigners; whether in Cambodia or exported overseas

**Branded products**

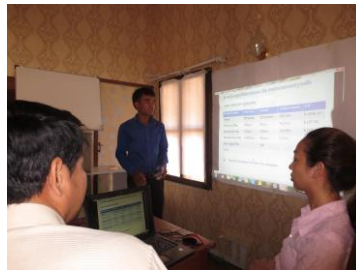
- Honey: labels on jars and bottles
- Baskets: tie-on labels
- Clothing: labels tied- or sewn-on
- Other sewing products: labels tied- or sewn-on
- Food snacks: stickers
- Vegetables – depending on the packaging: stickers or bags
- Mushrooms: as for vegetables
- Bamboo products e.g. furniture: tied-on labels
- Chickens and other meat: refrigerated, consumer-ready packages, bearing stickers.

**1.3 KFP Management Structure**

KFP has been managed by the Managing Director and guided by FLD’s Executive Director, who has advised the social enterprise since its inception, as it has not yet been supported by



A sales manager, a senior sales representative and sales representatives and assistants, and production and supply officers carry out KFP's operations. Package development workers, an administrator and accountant, cleaner and overnight guard, bring total staff to 12. All are enthusiastic and dedicated to delivering results based on the work plans of the three key products: banana chips, honey, and vegetables. After several years with FLD/KFP many of them are imbued with an NGO attitude, others have a business background. For a social enterprise that commercial experience adds value. A mixing of experience is essential to an efficient and profitable business that operated on behalf of FLD's farmer producers.



KFP staff presented their achievements at social business reviews in 2013 and 2014

## 2. Farmers and their Businesses

FLD defines people who eke out a living in remote areas through agriculture as 'farmers'. About 80% of Cambodia's population live in rural areas, and 70% depend on agriculture and natural resources (fisheries and forests) for their livelihoods. Agriculture dominates Cambodia's economy; accounting for 34% of its GDP and utilizing 60% of the total labor force. Around 90% of

Cambodia's poor live in rural areas, and over 40% of them face food insecurity. Another important statistic is that over 65% of Cambodia's women are farmers<sup>1</sup>.

In 2012, approximately 4,015 million ha were planted in major agricultural crops. Rice was dominant, with just less than three million hectares planted, and just over a million hectares (MAFF 2012) was in other crops. Individual farmers have limited land to grow food both for their own consumption and commercial, income generating activities. In addition, they are limited in both production skill and market access for their produce. They are also vulnerable to external pressures, including the consequences of climate change.

Asset inequality, particularly land ownership, along with tenure security problems, is major causes of poverty. Currently 55% of all rural households are land poor; either having no land or just enough for subsistence crops only. They are stuck in a cycle of poverty, unable to create a surplus to contribute to their economic growth.

These rural dwellers are limited to small income earning activities, using basic, land-based skills passed down through the generations: home gardening, small livestock raising, cattle rearing, low-tech food processing and making handcraft goods. In some areas, off-farm activities include trading in raw materials or semi-finished farm produce or sewing services and the like. All these complement their incomes.



Farmer businesses developed with technical assistance from FLD projects

### 3. Inculcating Entrepreneurship

Many farmers have limited skills that were passed on by their parents, and they, in turn, will do the same. In addition, most do not know how to calculate their production costs – confirmation of rural Cambodia's high illiteracy rate – nor do they possess marketing links and knowledge. Most work from dawn to dusk to earn even a slender income. This is especially so for

---

<sup>1</sup> Quoted from an updated report on 5 Feb 2014, Cambodia Agribusiness Development Facility  
Doing Business for Farmers – KFP experience

female farmers who also bear the core responsibility of housekeeping, on top of their farm work.

The term entrepreneur is unfamiliar to farmers, who think that businessmen or entrepreneurs create income through specialized production or the sale of goods or services, not farming. As always, farmers produce for household consumption, not products for which there is a market demand. If they do have a surplus it will be sold for cash to cover social activities, clothing, home improvements, medication, and schooling.

To reverse these traditions, over a six-year period two key FLD projects trained 2,192 young women in a wide range of vocational skills, including: livestock raising, home gardening, sewing, basket weaving, mudstone carving, mushroom growing, banana chip processing, hairdressing and makeup. For each of the young women, choosing a skill was based on several factors: (i) personal preference; (ii) a marketable or employable skill would provide income; (iii) availability of raw materials, including natural resources for handcrafts – weaving and sculpting in particular; (iv) market access; and (iv) parental support, allowing them to attend the *full* course, then seek finance so they could use their skill in a small business. All trainees who completed their courses, then trained in small business management and planning. The curriculum was an adaptation of the ILO’s ‘Start Your Business’ and ‘GET Ahead’ courses, specially designed to transfer basic business management to students with low literacy. The courses also promoted economic and social empowerment. They now had the opportunity to move on from their earlier survival activities to manage more productive and profitable businesses. They also gained networking skills, along with the confidence to rely on their own strengths and trust their own judgment.

A typical SKIL small business management training course for farmers in Bos Thom village, Sonikum, Siem Reap on 22 June 2015



## 4. Production and Quality Control

### 4.1 Banana chips

Once the young women completed their specific vocational skill course they were organized – with voluntary self-selection – into small business groups. These matched their skill type and were based near their homes. A total of 153 business groups were formed with a total membership of



845. One group of 16 young women agreed to work together in smaller group to process banana chips. This was in Borsedth district, Kompong Speu province. Each small group selected a leader-cum-representative to contact external customers and supporting institutions. They also received extra training in basic bookkeeping, financial education, facilitation, and group governance.

When the first group entered the market their banana chip sales were only 30kgs per month (5kgs per member), not enough to adequately supplement their living costs. Most abandoned the project and went to work in garment factories in Phnom Penh or returned to their normal farming activities, with the exception of one six-person group. They continued, even though their husbands didn't want them to and often interrupted their commitment to their new business. FLD's project team and KFP personnel visited them often to both encourage the women and convince their husbands that they should support their wives' new skills. At the same time KFP worked hard to develop a market for their banana chips in Phnom Penh. At times the women felt that it was hopeless to continue, especially when KFP were ordering just 30kgs of chips a month. However, they learned that it would take time before they earned a satisfactory income. Today, the group has markedly increased their supply, built a processing centre, and still receives regular technical support and market information from the KFP team.



The young women group's production and packaging center in Thlouk village, Borsedth district, Kompong Speu.

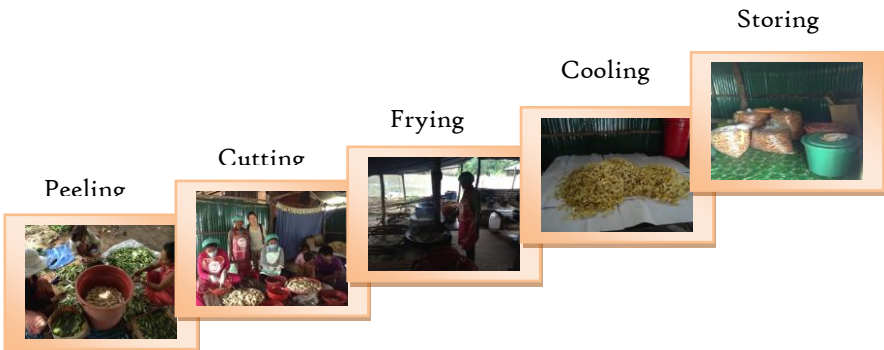
### *A case study: Mrs. Neth*

By 2012, Mrs. Neth, aged 33, married with 3 children, and living in Thlouk village, Svay Rampea commune, Borseth district, Kampong Speu had been producing banana chips for 5 years. With 15 other women Mrs Neth began processing chips in 2007, after training through the YWED project in Kampong Speu town. A six- member group was created and YWED provided them with basic utensils to begin processing banana chips to sell to KFP.

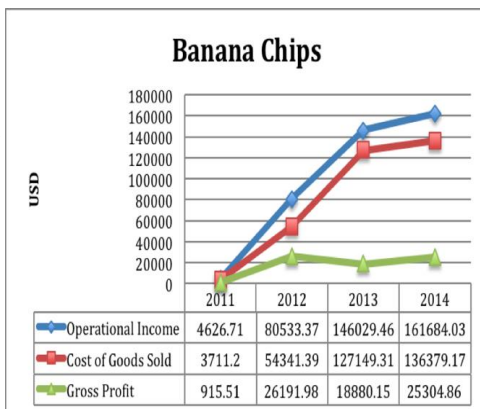


Starting with processing just 5kg of banana chips each per month, they wanted to increase their production and bought more materials. Since then the business has grown and currently produces over 3,000 kg per month by the whole group. This is sold to KFP, who pay USD2.75/kg. Also, 12-20 kg/month are sold to middlemen at USD 3.75/kg who sell the chips on the local market. In 2012, KFP sold a 21'378 kg of banana chips in various locations in Phnom Penh and in the provinces. After production costs, each woman in the group gets USD250 net a month. Mrs Neth plans to further expand her business in the future.

The group was split into six sub-groups within the same village and KFP monitors their production every quarter to ensure that their products meet all the acceptable standards of quality, hygiene, and worker sanitation. Monitoring includes the complete process: sourcing good raw bananas, peeling and cutting them, frying, cooling, packaging and storage, ready for delivery to KFP. In the second quarter of 2015, quality and hygiene standards were developed by expatriate volunteers to help the women comply with market requirements. They have also invested in upgrading their facilities.



As the chart shows, income from banana chip sales skyrocketed in 2012 and 2013, and was maintained in 2014. With that came a steep rise in the returns from sales. The gross profit led to an increase in rural employment and direct income for both the women processors and others in the market chain.



#### 4.2 Wild honey

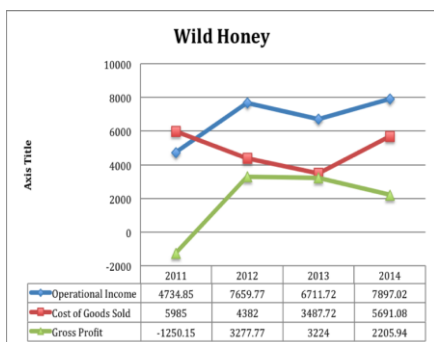
This is a pure natural wild honey collected by farmers living in villages near or inside protected forest areas. UNDP’s Small Grant Program funded a series of FLD initiatives from 2006 to 2007 including, ‘Supporting Biodiversity Conservation in the Northern Plains of Cambodia through Sustainable Agriculture and Eco-tourism.



This was alongside a project in Preah Vihear province: ‘Reducing Forest Clearance through Sustainable Management in Kulen Promtep Wildlife Sanctuary and Preah Vihear Protected Forest’. In partnership with the WCS, FLD implemented the “Civil Society and Pro-Poor Market Program”, financed by Asia Foundation during 2008 and 2009. This built on the initial achievements ignited by the UNDP’s earlier funding.

Those four projects gave over 500 farmers in seven villages the opportunity to learn several alternative livelihood skills: chicken raising, pig rearing, home gardening, fish culture, and traditional, sustainable honey collecting techniques. All this was designed to both increase their income and reduce any risk of over-exploiting natural resources in protected forests. Farmers were organized into smaller groups in their villages to monitor the quality of the collected honey, with constant backup from the Community Protected Area Committee (CPAC). KFP provided a tool to measure water level in the solvent honey; the market requires high quality honey with less than 23% water in the end product.

Farmers wanting to sell wild honey to KFP must accept a binding agreement to not take part in illegal logging, poaching, and land encroachment. They are paid a relatively higher price than what local traders offer, to compensate for adhering to the three key commitments in the agreement. CPAC's leaders were trained in small business management to help them develop a plan for buying honey from their members, then selling it to KFP on their behalf. CPAC now plays a greater role in monitoring farmers' compliance with the agreement.



The gross profit from wild honey was nil in 2011, but became positive from 2012 and has been steady in the last three years. KFP doesn't aggressively sell wild honey because it may affect the sustainability of bee populations, but does buy wild honey from Preah Vihear, where forest dependent communities produce



Training activities on sustainable techniques to collect wild honey held in Dangphlet village Chaep commune, Chaep district, Preah Vihear in 2009.

### 4.3 Fresh and Safe Vegetables

FLD introduced a pilot initiative in Siem Reap with finance from Japan's Kumamoto Himawari Foundation to help 135 rural farmers in three communes in Pouk and Svay Leu districts. The project identified interested farmers with experience in household-scale cropping to form a commune-based group to grow and supply fresh vegetables to KFP. The project team provided technical assistance in establishing commercial cropping units, and the farmers also received training in the basics of small business management. An interest free loan was provided to them for the first, four-month production cycle, enabling them to put their new skills into practice.

KFP's Siem Reap team made an initial vegetable order with a guaranteed price. In response, 38 group members established commercial farms and produced 22.3 tons of fresh and safe vegetables for the local market, earning 44,830,400 KHR (US\$11,207.60) in 2014. The guaranteed price was then removed, due to the unpredictability of the vegetable market in Siem Reap. A lack of quantity and supply irregularity has undermined KFP's efforts to keep the venture profitable. The farmers were encouraged to develop links with local traders to solve marketing issues for their produce.



Fresh vegetables produced by FLD's beneficiaries in Pouk district, Siem Reap

## 5. Market Linkage by KFP

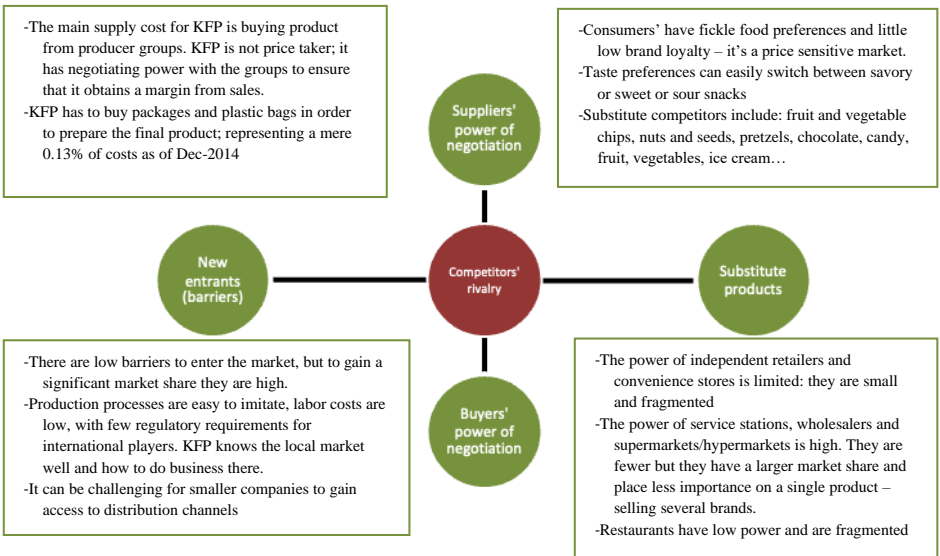
Before they encouraged mass production KFP carried out market research for each of banana chips, honey and fresh vegetables, to understand customer preference and, therefore, develop customer-focused production. Resources are limited in this competitive market, making marketing activity very necessary. KFP's key strategy is to focus on helping 'Cambodian farmers', with 'locally produced chips'; 'homemade products' with 'no additives', and 'fresh and safe vegetables'.

KFP's banana chips are sold through wholesalers in Phnom Penh and in targeted provincial towns. By June 2015 they had 36 active outlets in Phnom Penh, Kandal, Kompong Speu, Preah Sihanouk Ville, Siem Reap, Kompong Thom, and Kompong Chhnang. Each outlet orders at least two consignments a month, and the maximum monthly order is 500kgs.

KFP sells the honey through mini-marts, pharmacies and dealers in Phnom Penh and Siem Reap.

The fresh and safe vegetables were sold through wholesalers in Siem Reap and Battambang.

KFP's position in the market shows that there is room for the social enterprise in the snack market, despite competitor rivalry. Porter's Five Forces Analysis<sup>2</sup> has been utilized to analyze the opportunities and competitive advantages needed for success in the snack market, and also gauge whether there is room in the market for KFP to broaden its product range.



The analysis above shows the market's intense rivalry, and it's domination by diversified multi-national corporates. They benefit from economies of scale and have the financial clout to create mass-market advertising campaigns. Despite the many substitute products, sweet and savory snacks maintain a strong position in the market, thanks to low prices and different flavors.

Undoubtedly, the corporate marketing approach contributes to the prevalence of snacks over other products. KFP can benefit from their campaigns, but needs to focus on a niche as a specific marketing approach. Difference is essential to gaining an appreciable market share. KFP is a social enterprise. There are no large social enterprises in Cambodia. That is a KFP point of difference . . . a niche for KFP activity.

KFP sales activity in provincial towns



<sup>2</sup> This section is based on research of Maria Del Pilar Carrasco Lucena and D.

## 6. Business Prospect for Farmers

### 6.1 *Banana chips*

The chips have retained their market share, but processing is easily learned by farmers, especially rural women, meaning that learning the process does not require literacy. In addition, fresh banana supplies are more secure than other seasonal crops. They can be planted during both the wet and dry seasons, anywhere in their backyard or farm, nor is banana cultivation labor intensive. It doesn't require a lot of watering, and grows naturally in lower fertility soils.

Banana chips are popular with locals and foreign tourists alike, and consumed daily. It is anticipated that that demand will continue, though preferences and tastes may change. Therefore, KFP needs to carry out periodic market research, and develop strategies that serve low-income markets, i.e. rural school children. Other processed food products, such as KFP sweet potato chips would allow more consumer choices in the Cambodian snack market.

### 6.2 *Wild honey*

A scarce, non-timber forest product, pure wild honey has always been in local demand, which KFP markets as a precious and healthy product. As long as there are deforestation and forest degradation problems in Preah Vihear the honey supply will be markedly reduced. This avoids over exploitation of beehives, and helps sustain both the bee population and the livelihoods of those who harvest this valuable, natural product.

### 6.3 *Fresh and Safe Vegetables*

The demand for, and returns from, fresh and safe vegetables fluctuates markedly. Vegetables' short production cycle, substitute varieties, a lack of durability or short shelf life, create a pattern of erratic prices. Also, farmers have often been ambiguous about the real value of their goods and end up as price takers, not *price makers*.

FLD has worked with Siem Reap farmers, in Pouk, Svay Leu and Sonikom districts. Many of them lack access to a consistent water supply for small and medium scale irrigation in the dry season, and most of their cultivatable land is flooded in wet. This confines vegetable growing to the lucky few whose farms are near a natural or man-made water reservoir or those with an upland area they can cultivate.

## 7. Social Impacts

### 7.1 Definition

There is no clear understanding of the basis or character of a social enterprise defined by any of Cambodia's laws. But there are many good practices found in business models developed by NGO programs in Cambodia and other countries. An important feature of a social enterprise are the common and pivotal elements that define community ownership in establishing and running a business, production, processing, packaging, branding, marketing, benefit sharing, and creating an environmentally friendly business. As a result, many communities have engaged in and shared the responsibility of making and delivering their end product to customers. In return, they share benefits equal to their level of investment.

On 25 July 2013, FLD used its practices and broader perspective to consider and create a set of social principles... a framework to support rural, community-based enterprises:

- a. Investors can earn a minimum income
- b. Net income from the business benefits the community
- c. Provides financial viability for supporting social enterprises
- d. Supports existing local industries – micro and small enterprises
- e. Improves local productivity.
- f. Provides decent work and working conditions
- g. Promotes environmentally friendly agricultural practices and behavioral change
- h. Stimulates and develops relationships with local business partners, making it more than a client/patron connection
- i. Promotes social dialogue and gender neutrality in the community
- j. Improves the community's living conditions.

### 7.2 Significant change stories

In Kompong Speu province the banana chip project has directly created employment for over 100 people in Thlouk village, and has improved the income of over 500 people employed in a wide range of jobs, from transporters,



to wholesalers to retailers. Old women and village youths have transformed idle time into paid employment. Increased sales will mean more chip processing and provide more regular jobs in that area. KFP invested even more resources and effort during 2015 to make exactly that happen in 2016.

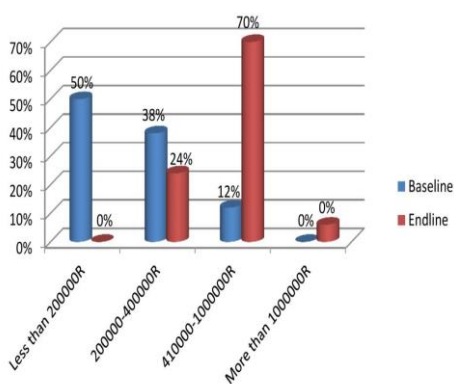
Honey provides temporary work to a few people in Preah Vihear province's forest dependent communities. In 2014 around 48 farmers sold collected wild honey to KFP through CAPC.

In Siem Reap 134 farmers created their own employment by growing fresh and safe vegetables on their land. Through the farm-to-plate chain, at least 100 people improved their income through trading the vegetables produced by the FLD-led farmers.

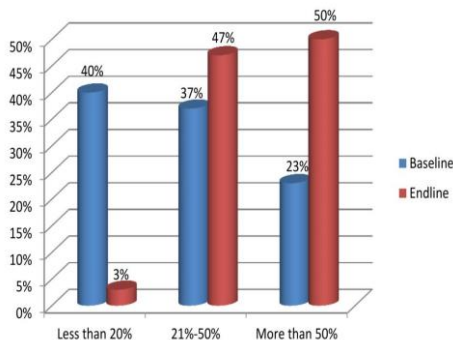


Photo was taken in Prey Yeang village, Prey Yeang commune, Pouk district, Siem Reap

The SKIL end-line report on the fresh and safe vegetable business showed that target farmer incomes increased at the higher end and decreased at the lower end. Farmers with monthly incomes between 410,000 to 1,000,000 riel rose from 12% in the baseline survey to 70% in the end-line survey. Those below 200,000 riel dropped between 50% to nothing, and in the 200,000 to 400,000 riel bracket they came down from 38% to 24%. No project participants claimed to earn more than 1,000,000 riel per month.

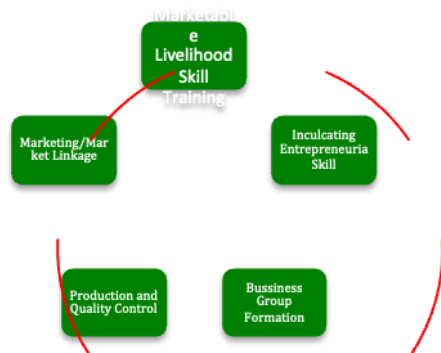


Those incomes came from various avenues, of which vegetable cultivation was one. Half those surveyed said that over 50% of their income was from vegetable growing, and 47% said that this activity added 21% to 50% onto their annual income.



## 8. Conclusion

The business model highlights the important sequence of steps needed to run a successful farmer business. This includes livelihood and vocational skills training, followed by entrepreneurial skills, then business group formation; production and quality control; marketing strategies and the development of market linkage. Between each of those steps, it is necessary to facilitate intensive support and revision to ensure that newly trained farmers have



sufficient time to apply and fine-tune their new skills.

KFP's experience shows that marketing is the most difficult activity for farmers to handle themselves. It requires market knowledge drawn from a broadly based perspective. This is where they fall behind. Also, to supervise each of them to do their own marketing costs too much in both time and money. When farmers do take on the marketing role they usually give up when troubleshooting becomes necessary, especially when there is no one they can ask for advice or technical assistance. By taking farmers' produce to customers on their behalf, KFP has played a crucial role in filling that gap, using knowledge accumulated during seven years experience, while learning several important lessons:

- ✚ A well-defined intervention strategy guides and motivates farmers to use the skills they have learnt. Their vision for the business means that they can cope with risks, but only when there is a profitable outcome. (+)
- ✚ The cost of creating their own business is relatively high; around USD500 to 850 per household. But some new projects may only cost USD280 or less, can have a greater social impact, and become sustainable. (-/+)
- ✚ When women establish a business, persuading their husbands to become part of the enterprise is often necessary. KFP always discusses gender issues with each new producer's family. A farm business cannot succeed without whole family support, especially that of the husband. (-/+)
- ✚ Producers are frequently consulted about pricing their produce to keep the business going, but have less flexibility when they are bargaining with input suppliers. (+/-)
- ✚ Both KFP's team and producer groups play a major role in each area. This leads to greater efficiency and effectiveness in meeting market requirements. (+)
- ✚ Creating interdependence is a sensible means of sustaining a farmer business and its capacity to respond to change. (+)
- ✚ Experience shows that in a social business the benefits are more equitably distributed among the stakeholders. (+)

It is noticeable that in working alongside farmers, adding a food processing activity means that there is a greater likelihood of the business succeeding. As over 80% of Cambodia's people live in rural areas *and* work in agriculture, food-processing skills have the greatest potential to expand the rural economic base. KFP should focus on supporting labor-intensive methods to expand the variety of processed snack foods that will reach the low-income market segment.