

A HOW-TO GUIDE



# Moving Together to the Market

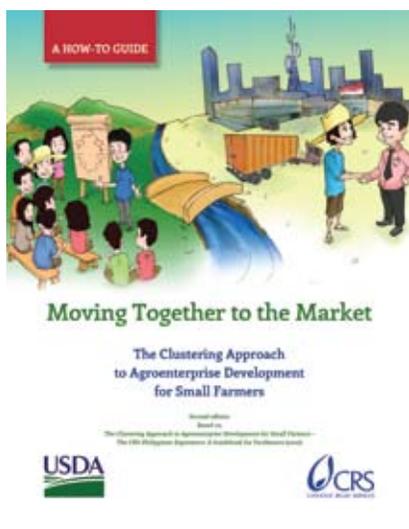
## The Clustering Approach to Agroenterprise Development for Small Farmers

Second edition

Based on

*The Clustering Approach to Agroenterprise Development for Small Farmers –  
The CRS-Philippines Experience. A Guidebook for Facilitators (2007)*





Cover illustration: Rico Magallona

**Catholic Relief Services (CRS)** is the official international humanitarian agency of the United States Catholic community. CRS works to ease suffering and uphold human dignity through programs in emergency response, HIV, health, agriculture, education, microfinance and peacebuilding. CRS provides assistance to people in need in 91 countries, without regard to race, religion or nationality.

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***Moving Together to the Market: The Clustering Approach to Agroenterprise Development for Small Farmers***

**ISBN 978-971-93973-2-8**

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# Foreword

**I**mproving smallholder agriculture is a vital part of any strategy that aims to reduce rural poverty in developing countries. Experience shows that increasing food production alone cannot move poor rural people permanently out of poverty. Investments in raising farm productivity must also be combined with approaches that build the business capacity of small farmers. The ability to combine productivity and profitability methods are therefore critical steps in a successful and more sustainable agricultural development strategy.

Over the past 10 years, CRS and our partners in the Philippines have embarked on a journey to work with traders, researchers, processors and small farmers to test and develop methods that help farmers to work more effectively together and build their marketing skills. We have found that working with rural communities in designing and implementing new income-generating agricultural enterprises is complex. This process takes time and dedication to be successful and sustainable.

The Agroenterprise Clustering Approach has proven to be a successful way of addressing rural poverty, as it provides the opportunity to

find ways to stimulate demand for technical and social innovations. This method is attractive to private and public sector investors as it helps to identify areas that require support from farmers, business managers, research, finance and local policy. When done well, the Clustering Approach to agroenterprise has led to real win-win situations whereby development organizations achieve their goals in contributing to the improvement of rural livelihoods, farmers establish sustainable marketing links with buyers, and businesses identify new sources of consistent supply.

This new guide from the CRS team entitled *Moving Together to the Market* is the latest and improved version of this successful methodology. The new guide provides a logical step-wise approach that helps both field agents and small farmers to learn new skills and build improved trading relationships with value-chain actors. This methodology was developed with the smallholder farming community to help farmers link to markets, and I would encourage anyone working in agroenterprise development to test this approach and provide us with their feedback.

Good luck, this is a journey worth taking!



**Shaun Ferris**

Director, CRS Agricultural Livelihoods Team

# Preface

This year, Catholic Relief Services renewed its commitment to agriculture programming worldwide with the release of our agency strategy *From Hope to Harvest*, elevating agriculture to a signature program area with a focus on serving the poor and marginalized. CRS recognizes the development potential that markets offer and seeks to help the rural poor adapt and succeed. As practitioners, we are creating new and innovative partnerships with the private sector and research agencies to prioritize the needs of the rural poor.

CRS Philippines' journey through agroenterprise programming started in 2004, and met its share of successes and failures during our first tests. Farming in the Philippines is fraught with risk, but opportunities abound for those who understand the market demand and how to meet it. In the Philippines, small farmers typically have limited information about markets, lack the production scale to meet demand, and have poor access to credit to finance inputs and processing. Even in productive areas, farmers often find themselves trapped in cyclical patterns of debt and are among the poorest of the poor.

The Agroenterprise Clustering Approach was developed with funding from the United States Department of Agriculture (USDA) Food for Progress (FFP), and our first guide was released in 2007. Since then, CRS has organized over 40,000 farmers in the Philippines to work in agroenterprise clusters

and serve a diverse range of local and institutional markets across the country.

*Moving Together to the Market* is designed for the practitioner as a "How-to Guide" for extension workers in the government, agribusiness, community organizers and NGO workers to train small farmers to meet market demand. The agroenterprise clustering methodology takes farmers on a journey through which they organize themselves and understand their market opportunities. It is a methodology tailored for small farmers to help them become entrepreneurs in any kind of crop and agricultural market that fits their situation. It recognizes that farmers live in a world of risk, and allows farmers themselves to determine what level of risk is appropriate for them.

The step-by-step approach offers a structured methodology for practitioners to lead farmers. The methodology requires patience and dedication on the part of the farmers and the organizer to follow each of the eight steps and ask critical questions at each point.

This guide demonstrates the process of openness to listen to the challenges encountered by farmers and determine how we can help them overcome those challenges. Above all, it reflects the dedication of CRS' agriculture staff and our partners in the Philippines to keep inquiring and asking how we can serve better.



**Joseph Curry**

Country Representative, CRS Philippines

# Messages



The US Department of Agriculture (USDA) is pleased to support Catholic Relief Services' Farmer Alliances for Resource Strengthening and Marketing (FARM) project through the USDA Food For Progress Program. The USDA Foreign Agricultural Service funded FARM project will benefit up to 32,000 small farmers by expanding public-private partnerships in microfinance, agribusiness, training and information technology. The USDA Food for Progress (FFP) program helps developing countries and emerging democracies introduce and expand free enterprise in the agricultural sector. USDA supports agricultural, economic or infrastructure development programs. Food for Progress has two principal objectives: to improve agricultural productivity and to expand trade of agricultural products. USDA first supported CRS in 2004 through an FFP grant for their Small Farms Marketing Program followed by a 2009 grant to expand this program to other areas.

We wish to congratulate CRS on putting together

A handwritten signature in black ink, appearing to read "Kelan Evans".

**Kelan Evans**  
Acting Agricultural Counselor

this second guide entitled *Moving Together to the Market: The Clustering Approach to Agroenterprise Development for Small Farmers*. The first book on agroenterprise development of CRS Philippines published in 2007 has been utilized by field practitioners in a number of institutions (including local government units, national government agencies, microfinance institutions, corporate foundations, non-government organizations, universities, farmers organizations, and faith-based organizations) to assist farmers to engage markets and benefit from active participation in the value chain.

We encourage more institutions to undertake or support agroenterprise development initiatives that benefit farmers. Given the Philippine Government's and academia's current support and commitment to capacity development for farmers and agroenterprise facilitators, we are confident that new business models promoting inclusive business growth to benefit small producers will continue to develop and be adopted.



I have always believed that our farmers need to become entrepreneurial in order for them to overcome poverty. They need to get connected directly to the market instead of just being producers who are prey to possible exploits of some unscrupulous middlemen who end up taking the bigger value of their products in the market.

It is for this reason that I think this agroenterprise development technology of Catholic Relief Services is nothing short of revolutionary. I saw how they assisted the farmers of San Jose, Nueva Ecija, to organize themselves to sell their onions to Jollibee. And the farmers told me how their lives had changed so much since they had learned

to sell their products directly to a big company. This is our vision for the farm sector and I congratulate CRS for putting this organizing technology in the public domain. This book is version 2.0 of the Agroenterprise Clustering Approach and it chronicles all the years of experience of CRS and its partners in giving life to agroenterprise development and making the lives of our poor farmers a little better.

I hope to see this book in the hands of our farmers' children serving as their operations manual in agricultural entrepreneurship. This will be the future of agriculture in our country and I thank CRS for making this important contribution to making this possible.

A handwritten signature in black ink, appearing to read "Francis N. Pangilinan".

**Francis N. Pangilinan**  
Secretary, Presidential Assistant for Food Security and Agricultural Modernization  
Office of the President

# Messages



On behalf of the Board of Trustees and staff of the Jollibee Group Foundation (JGF), our warmest congratulations to Catholic Relief Services on the publication of *Moving Together to the Market*. This guide is a significant milestone resulting from years of CRS work on agroenterprise development with various partners. CRS and the National Livelihood Development Corporation (NLDC) have been JGF's key partners in the Farmer Entrepreneurship Program (FEP) since 2008. Together, we aim to help increase the income of small farmers by linking them directly to the supply chain of institutional markets such as Jollibee Foods Corporation (JFC).

As the corporate social responsibility arm of JFC, our Foundation is guided by the principle of shared value – foremost is improving the economic and social conditions of local communities while enhancing the competitiveness

of the company. While we were eager to help small farmers to become suppliers of JFC, we were keenly aware of the challenges in working out such a business relationship which required a transformational, innovative and yet systematic approach. In the FEP experience, the Agroenterprise Clustering Approach was the key to helping farmers to build their agricultural and overall capacity to become more enterprising and competitive, thus leading to a significant increase in income. This approach also helped institutional markets like JFC to transact with farmers as reliable suppliers. Many other companies have joined us in the FEP and are now sourcing directly from small farmers for their vegetable material requirements. With the publication of this guide, we hope that many more business institutions will adopt the approach and join hands with us in helping more farmers in the Philippines.

A handwritten signature in black ink, appearing to read 'Grace Tan Caktiong'.

**Grace Tan Caktiong**

President, Jollibee Group Foundation, Philippines



I congratulate Catholic Relief Services for producing the second edition of this guide, which utilizes the Agroenterprise Clustering Approach for small farmers. Xavier University is committed to supporting and contributing to capacity development for farmers and agroenterprise facilitators in its continuing advocacy to

help develop new business models that promote inclusive business growth for small producers.

Following the Xavier University mission of forming men and women for others, it is my hope that more institutions will undertake efforts to support agroenterprise development initiatives for the benefit of farmers.

A handwritten signature in black ink, appearing to read 'Roberto C. Yap, SJ'.

**Roberto C. Yap, SJ**

President, Xavier University

# Messages



The experience of the Department of Agrarian Reform (DAR) and Catholic Relief Services in implementing the Agroenterprise Clustering Approach in eight agrarian reform communities (ARCs) has opened the doors for many new opportunities and innovative ways to address the pressing problems of agrarian reform beneficiaries (ARBs) and small farmers in terms of food security, poverty reduction and rural development.

The three-year project “Linking ARBs to Corporate Supply Chains” has yielded positive results, particularly in improving the productivity of awarded lands and increasing ARBs’ household income through market engagement and value-chain upgrading.

The initiative of CRS to document the enhancements in the AE Clustering Approach based on ongoing rich field application and packaging it into a How-to Guide is very timely. The guide will help development practitioners and farmer organizations to better understand and address key issues in market engagement. It will also help to enhance

their ability to initiate, plan, implement and monitor supportive activities for better transferability and scalability that will benefit a large number of farmers. The Clustering Approach is a model that serves as a building block for accelerated, sustainable, efficient use of land reform areas because it reorients ARBs towards treating farming as an enterprise. It is also useful in defining the roles that can be played by the private sector, government and development agencies to leverage each other’s assets toward achieving the goal of development.

Given the initial breakthroughs achieved by agrarian reform beneficiaries in agrarian reform communities, the DAR will continue to commit its support to assist ARBs to grow agroenterprises utilizing the time-tested AE Clustering Approach in existing program areas, and to expand project coverage to more agrarian reform areas nationwide. We will also endeavor to document innovations and small victories as this will serve as an inspiration and motivation in the DAR’s pursuit of sustainable agriculture and rural development.

**Virgilio de los Reyes**

Secretary, Department of Agrarian Reform



Congratulations to Catholic Relief Services for coming up with this second edition that puts the spotlight on valuable lessons and rich experiences gained from the actual implementation of agroenterprises by small farmers. This chronicles their journey and how they have overcome challenges and risen above obstacles.

We are confident that this edition will be as helpful

as the first one which proved to be a valuable resource for the NLDC in the implementation and expansion of its Community-Based Enterprise Development (CBED) projects. We hope these efforts will help various institutions better implement projects related to farmer entrepreneurship. Ultimately, this will benefit the farmers whom we are all committed to help.

**Gilda Pico**

Chairperson of the Board of Trustees, National Livelihood Development Corporation

# Reflections from the field

“In my work, I am one of those ‘seminarized,’ a term to describe my having gone through many trainings on value-chain development for small farmers. But it is only in the eight-step Clustering Approach that I am now equipped with a systematic flow of facilitation work that enabled us to guide farmers to be able to collectively market on their own.”

**Jose Pepe Romo**

Regional Marketing Officer, Department of Agrarian Reform  
Agroenterprise facilitator, DAR-CRS project, Linking ARBs to the Corporate Supply Chains

“The Clustering Approach is the most transformative process I have experienced for government technicians along with the farmers we are assisting. In less than a year since it was introduced in our community, our farmers quickly embraced it and progressed from suppliers of freshly harvested coffee berry to local traders, to Grade 1 coffee bean suppliers to Nestle.”

**Mariano Munoy**

Agriculture technician, Municipality of Maasim, Sarangani  
An SWG facilitator representing the local government, FARM project

“Many told us we were just dreaming when we attempted to market our onions directly to our country’s largest fast food company. The big traders told us it was a big challenge even for them. But thanks to the Farmer Entrepreneurship Program (FEP) that taught us the eight-step Clustering Approach, we too can dream big.”

**Arnold Dizon**

President, Kalasag Farmer Producers Cooperative,  
consistent supplier to Jollibee Food Corporation for five years

“Farmers have always been a risk to finance. But through the Clustering Approach, we are able to apply a systematic process of preparing farmers for group marketing. With marketing, farmers’ harvests are readily converted into sales, loans can be paid and savings built up. We are happy to now be able to help our farmer members in a way that also ensures that their co-member depositors’ hard-earned savings are safe.”

**Elena Limocon**

General Manager of Lamac Multipurpose Co-op, lead institution in the SWG, FEP program

“Bringing together various local institutions to effectively support farmers in marketing is a challenge in itself given our different organizational structures, programs, experiences and culture. I realize what made it possible and easier for us is already having a clear, guided, step-by-step approach for agroenterprise development that could immediately be adopted and innovated upon, and that quickly got us started in working together.”

**Erlinda Sayago**

Project coordinator, Kaanib Foundation, Impasugong, Bukidnon, local NGO partner of FARM project

# Acknowledgments

This guide is a product of the experiences and lessons of field facilitators using the Clustering Approach in various agroenterprise development projects of Catholic Relief Services' Philippines program. The guide was initiated in 2004 in a three-year project called the Small Farms Marketing Project implemented by CRS in Mindanao with fund support from the United States Department of Agriculture (USDA).

New knowledge and experiences were added in the succeeding two phases of USDA-assisted projects, namely, the Expanded Small Farms and Marketing Project (ESFMP) from 2008 to 2011, and the Farmer Alliances for Resource Strengthening and Marketing Project (FARM) from 2012 to 2014.

Since 2008, two ongoing CRS partnership programs have contributed to the enrichment of the approach: 1) the Farmer Entrepreneurship Program with Jollibee Group Foundation and the National Livelihood Development Corporation and 2) the Linking Agrarian Reform Beneficiaries to the Corporate Supply Chains project undertaken with the Department of Agrarian Reform and the Xavier University/Southeast Asia Rural Social Leadership Institute (XU-SEARSOLIN).

CRS Philippines is grateful for the support of the following organizations, institutions and individuals:

- USDA, for its sustained assistance over the past 10 years, which has given us the opportunity to develop, test and refine the Agroenterprise Clustering Approach
- Partner development organizations (Department of Agriculture, Department of Agrarian Reform, local governments, corporate foundations, NGOs, dioceses, microfinance institutions, academia) and the business sector that worked alongside CRS agroenterprise projects and contributed towards developing this guide
- Participating farmers whose knowledge and experiences are instrumental in identifying effective participatory processes for market-based support
- The writing team who identified learnings and best practices from CRS agroenterprise projects and gathered them into a practitioner's guide
- The review team for their valuable insights, guidance and encouragement
- Arielle Moinester, for her editing and assistance in organizing this guide to make it easily understood by readers unfamiliar with agroenterprise.

# Introduction

In 2007, CRS published a field facilitator guide entitled *The Clustering Approach to Agroenterprise Development for Small Farmers – The CRS-Philippines Experience* that spelled out market-driven strategies and processes for linking small farmers to markets.

Since its publication, the CRS Philippines guide has been utilized by field practitioners around the world. Specialists from a spectrum of disciplines, including university business schools, government agencies, corporations and microfinance institutions, have found such value in the guide's approach that they've adapted it to their needs and objectives.

Based on the broad-ranging and growing demand for training, consultation and guidance

in the CRS Philippines Agroenterprise Clustering Approach and the ongoing learning since 2007, key stakeholders came together in 2012 and decided it was time for CRS Philippines to publish a second, step-by-step guide with tools to enable practitioners to carry out the Clustering Approach on their own. This guide reflects those changes, as well as refinements to the Clustering Approach based on ongoing field learning since the 2007 edition.

This second edition was produced to encourage and assist institutions interested in undertaking or supporting agroenterprise development of small farmers with the aim of transferability and scalability.

## PURPOSE

The two primary purposes of the guide's second edition are to:

- **Guide the facilitator to learn** about market-oriented farming and agroenterprise development. The guide is designed with step-by-step explanations of the Agroenterprise Clustering Approach and "how-to" learning that can be directly put into action by field practitioners.
- **Equip the facilitator with tools to guide farmers** through the process of learning about market preparation and engagement, and through the organization of their group marketing enterprise. The guide links every step with the practical tools facilitators use to carry out each activity with farmers and project stakeholders.

## HOW TO GET STARTED

The Clustering Approach has at its core the key strategy of building partnerships among local institutions to coordinate their development interventions to most effectively support farmers to overcome barriers to market engagement and profitable farming.

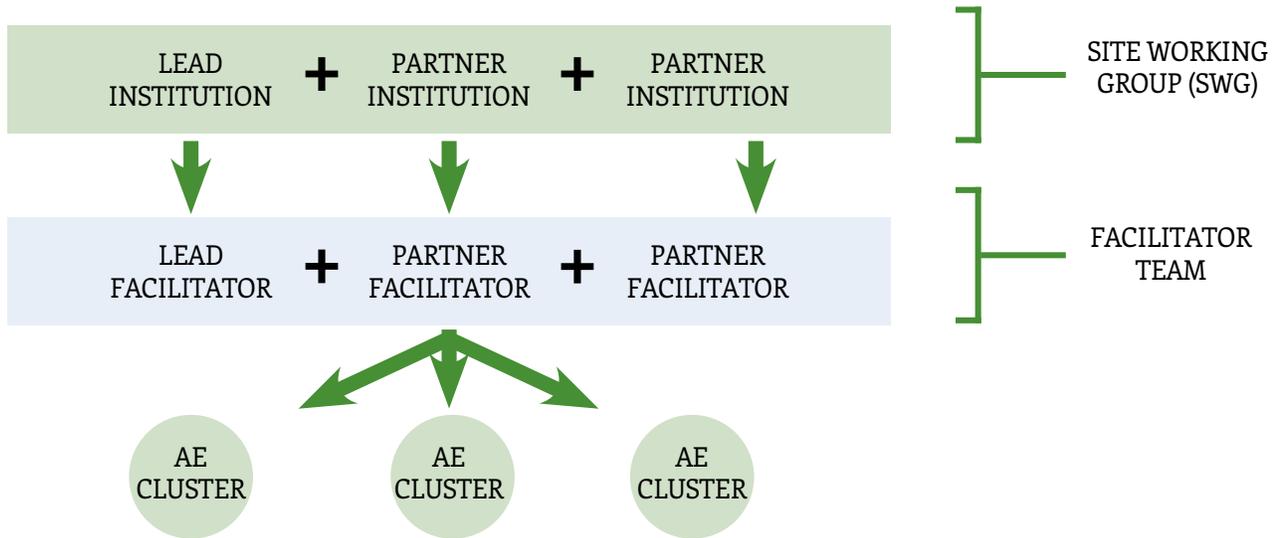
A **lead institution** initiates the process by organizing local institutions that are willing to provide a base of complementary support to catalyze and assist the agroenterprise development process with farmers in the area. The lead institution and its partners can include service providers such as local government units (LGUs), national government agencies (NGAs), microfinance institutions (MFIs), non-governmental

organizations (NGOs), corporate foundations, faith-based organizations, colleges and universities and farmers' cooperatives or associations. The lead institution then invites these partner institutions to form a local resource network called the **Site Working Group (SWG)** (Figure 1).

A primary purpose of the SWG is to provide farmers access to a range of support services that will be required to help them overcome their financing, infrastructure, technological and other constraints as they transition from selling as individual farmers to planning and working together as a commercial, business organization.

FIG 01

Agroenterprise clustering implementation structure



All SWG members appoint facilitators who will be in the field working with the farmers and guiding them through the agroenterprise development process. Among the facilitators, the lead institution's main facilitator is called the "Lead Facilitator" and the partner institutions' facilitators are called "Partner Facilitators." Together they form the **Facilitator Team** (Figure 1). Some examples of possible Facilitator Team members include a municipal agriculture officer, agricultural technologist, community development worker, field extension agent, marketing officer, staff of these service providers or a farmer leader.

The Facilitator Team carries out the Clustering Approach with farmers who are supported to organize themselves into small groups called **Agroenterprise**

**(AE) Clusters** (Figure 1). The cluster unit forms the foundational unit that the Facilitator Team uses to guide the agroenterprise learning process wherein organized farmers are able to discuss, make decisions and work together. Through clusters, facilitators can also engage farmers in meetings and reflection sessions that generate practical learning on market-oriented farming and group marketing business.

In going through this learning process, farmers develop an understanding of business; appreciating market opportunities and recognizing risks. These skills allow AE clusters to adjust to constantly changing conditions in the dynamic world of markets and to sustain business relationships with various market actors.

# How to use the guide

## USERS

This guide is intended for **field facilitators of institutions that provide market-based assistance to farmers** to help them earn higher incomes.

These facilitators, known as the Facilitator Team, work directly with farmers to carry out the Agroenterprise Clustering Approach.

## THIS GUIDE HAS TWO PARTS:

- **Part I** provides an introduction to agroenterprise and **describes the eight-step Agroenterprise Clustering Approach** that guides facilitators in assisting farmers to engage with markets.
- **Part II** gives facilitators the **tools to carry out** each step's activities with farmers, engaging them to participate and learn throughout. Each toolkit guides users through either **(a)** an exercise or **(b)** a meeting. Each toolkit explains the intended users, the toolkit description, expected outputs, preparation and materials needed, time for carrying it out and the suggested process. For some toolkits, examples are presented.<sup>1</sup>

Facilitators are encouraged to **read Part I** in order to understand the principles of the eight-step Agroenterprise Clustering Approach and **continually refer to the tools in Part II** in order to better

understand the practical applications. It is important that **facilitators practice using the tools with other facilitators BEFORE applying them** directly with farmers in the field.

For the ease of the practitioner, icons throughout the text are used to flag certain types of information as follows:

### Part I:

<p>MEETINGS</p> 	<p>LESSONS LEARNED</p> 	<p>DOCUMENT FROM PREVIOUS STEPS</p> 	<p>REGULARLY PERFORMED ACTIVITY</p> 
-----------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------

### Part II:

<p>INTENDED USERS</p> 	<p>DESCRIPTION</p> 	<p>EXPECTED OUTPUT</p> 	<p>PREPARATION</p> 	<p>MATERIALS</p> 	<p>TIME NEEDED</p> 	<p>PARTICIPANTS</p> 	<p>SUGGESTED PROCESS</p> 
-----------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------

1. The examples and illustrations relate to the Philippines. If applied in another country, the materials and examples may need to be adjusted to suit the country's own situation and context.

## THE AGROENTERPRISE CLUSTERING APPROACH IS A LOGICAL FLOW OF EIGHT STEPS

The Agroenterprise Clustering Approach is organized as a sequence of eight steps that farmers go through in a “**learning by doing**” manner. In carrying out each activity, the facilitator actively involves farmers in every step, always keeping in mind that:

- The facilitator’s role is not to do the actual marketing, but to teach the farmers how to do it themselves.
- Farmers who learn the agroenterprise process as they go through the eight-step AE Clustering Approach will be able to use this approach on their own after one or two cropping seasons. This is the ultimate measure of success and sustainability of the eight-step AE Clustering Approach.

## NEED FOR FLEXIBILITY

The facilitator is advised to conduct all eight steps of the approach during the first production cycle/season. It is important to note, however, that in the course of agroenterprise development work with farmers, facilitators will often meet situations that

require adaptation of certain activities. The user of this guide is therefore encouraged to be flexible in conducting the activities under each step according to the needs, capacities and resources of the farmers and the development institutions supporting them.

# I. BACKGROUND

## AN INTRODUCTION TO AGROENTERPRISE

### Farmer organization leads to more profitable farming

As much as big buyers might want to buy directly from farmers, they often decide to procure from traders who they know can reliably consolidate high quality product supply at competitive prices. Small farmers' inability to supply large volumes of products often means that they are limited to small traders or their agents who aggregate for big buyers. This logistical challenge also means that farmers continue to only have access to **limited sale prices and value-addition opportunities** in their attempt to capture more value from their crops.

Small farmers who are organized benefit from **economies of scale** (i.e. lower cost with bigger scale and more efficient operation), allowing them to consolidate more product to sell to buyers, access business development services (BDS) and more efficiently interact with buyers.

### Active market engagement leads to more profitable farming

Small farmers generally sell their produce to traditional traders and have no option but to accept the prices offered by these traders. As agricultural products flow through the market chain towards consumers and increase in value, farmers are often not able to share

### AGROENTERPRISE

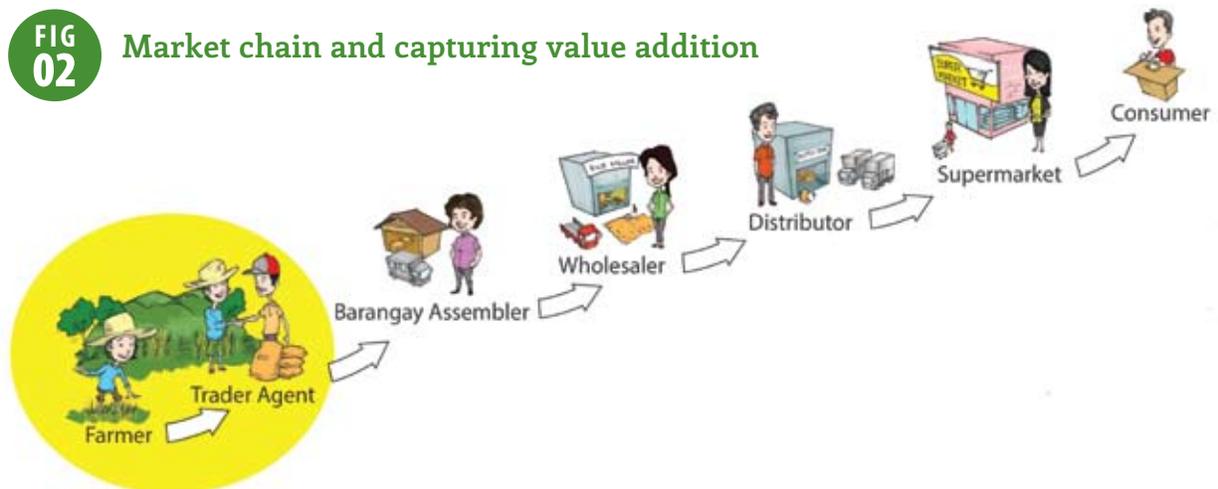
The term "**agroenterprise**" refers to the **business of organized farmers** that actively work with market actors, **having relationships with buyers** of their products and **business service providers** that support the movement of their products in the market chain at a profit.

in this value addition because they are not actively involved in the latter activities in the market chain. Unless farmers can become more engaged higher up the market chain, the prospect of farming becoming a dependable source of income is unlikely.

Given the importance of market engagement for profitable farming, there is growing recognition among development service providers, both government and private, that it is no longer enough to just extend support in improving farm production. Supporting farmers to increase their household incomes requires that farmers also gain access to the skills and resources to engage more strategically in the marketing of their agricultural products.

**Agroenterprise activities support farmers to move up the market chain and capture more value for their crops, thereby raising farm incomes** (Figure 2).

**FIG 02** Market chain and capturing value addition



### Expanding development to include market-based assistance

The agroenterprise approach is a means to expand development support beyond farm production to include market-based assistance. Farm production assistance that is traditionally extended by development organizations is still important. Under the agroenterprise approach, farm production assistance can be combined with a **focus on how management of the farm can be done in a business-like way so that its products are competitive** in the market and more profitable for the farmer. This means that farm technologies are assessed and adopted not only

based on increasing yields, but in response to market opportunities and requirements, leading to greater and more resilient incomes.

### Identifying farmers' constraints to market engagement

The work to assist farmers to improve their market engagement is not as simple as just helping them find new buyers or to transport their products. It is much more than these activities.

Improving smallholder market engagement requires a wider analysis of a market chain where farmers are “excluded” or not competitive because of various constraints.

### Common constraints to farmers' ability to be competitive market actors and attractive business partners include (Figure 3):

- Access to affordable capital
- Access to market information
- Business skills
- Infrastructure support for production and postharvest management
- Organizational support

FIG  
03

### Identifying farmers' constraints to market engagement



## AGROENTERPRISE CLUSTERING APPROACH

### Market-based capacity-building through the AE Clustering Approach

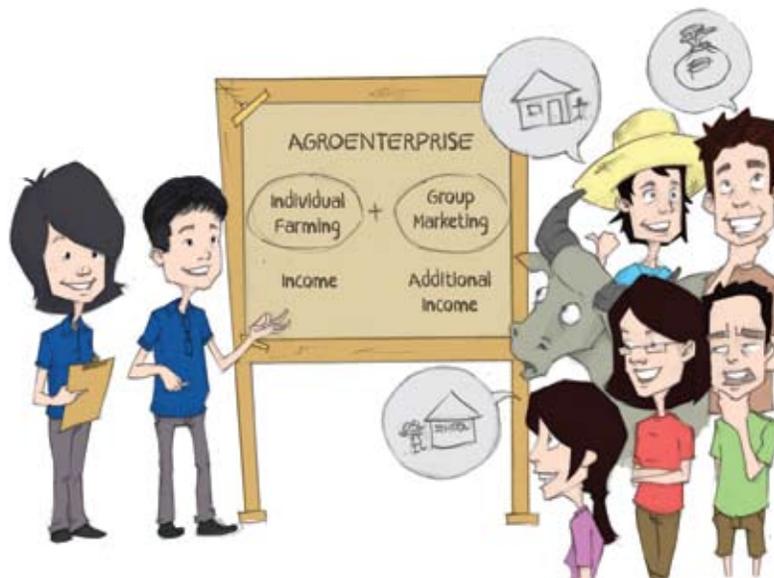
Helping farmers to access greater value in the market chain involves assisting them to build their capacities to address constraints in their market engagement. In order to address these constraints, farmers must shift their mindset, skills, knowledge, farming practices and the way they are organized for business.

Increasing farmers' access to profitable market engagement also requires an **enabling environment of support coming from various institutions** like the local government units, microfinance institutions, NGOs and academia, all organized together as a Site Working Group. The SWG can then assist farmers to overcome the identified constraints.

### Innovation of farmers organizing into clusters

The CRS Philippines agroenterprise approach is called "clustering" because of the main innovation of organizing farmers into in-situ, sub-village or village-based small groups called **clusters**.<sup>2</sup> This approach builds on the "territorial approach" developed by the International Center for Tropical Agriculture (CIAT) as part of its agroenterprise stepwise strategy that addresses partnership formation, enterprise design and strengthening of business support services within a given geographical area. Clusters strengthen farmer learning through the group learning model and provide farmers with the group foundation to carry out business planning and implementation (Figure 4).

**FIG 04** Objective of agroenterprise development support for farmers



In small **groups of 10 to 15 members**, the clusters' roles are to:

- Serve as **effective product supply units**, comprising the "building blocks" of agricultural product consolidation for marketing activities
- Act as channels to **cascade information** to each member to improve farmers' access to market information
- Facilitate **consultation in decision-making** critical to motivate farmers to adjust their farming practices to keep pace with constantly changing market conditions
- Enable farmers to work together to organize their farm production, coordinate with one another to bring a promised **consolidated supply** to an agreed market
- Facilitate **quick responses** to buyers' feedback on every product delivery or supply

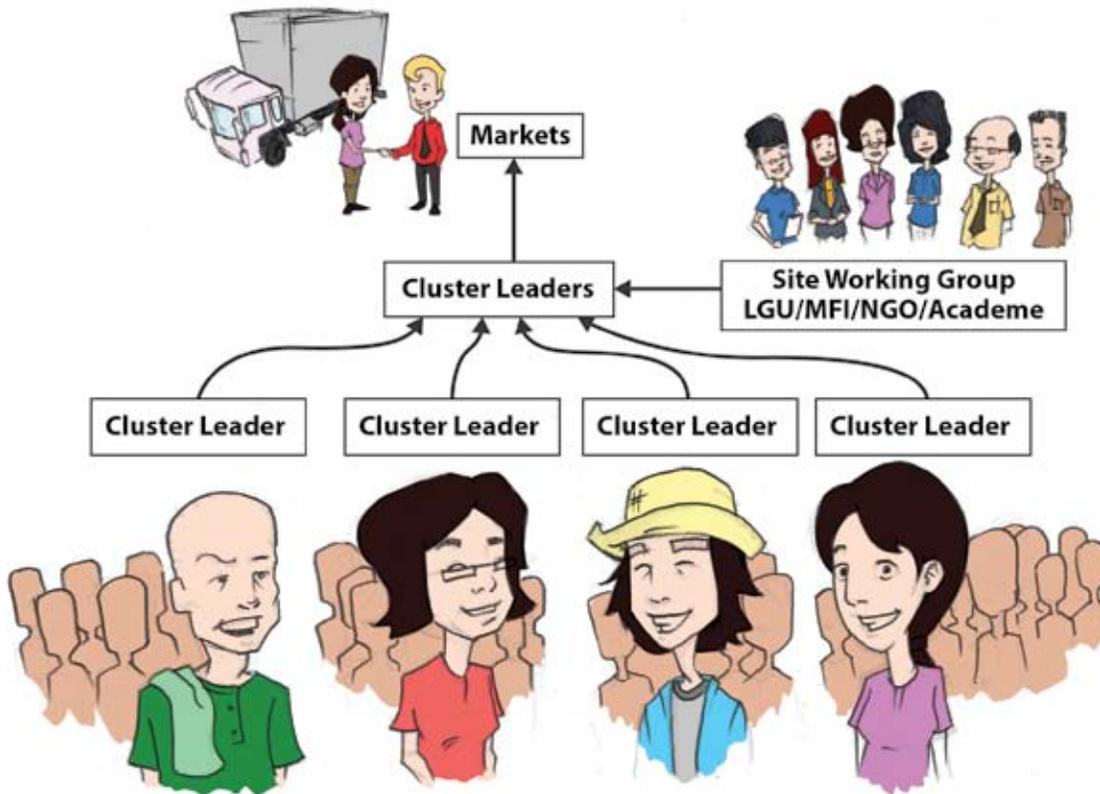
2. "Village" in the Philippine context refers to the *barangay*.

Individual clusters, when taken together as a group, can constitute the foundation of a cohesive business organization such as a cooperative that enables farmers to efficiently access credit, procure inputs, negotiate with buyers and business service providers, enter into business arrangements

and work with government agencies. In order to facilitate this market engagement, each cluster elects a Cluster Leader. Cluster Leaders participate in the SWG and represent their clusters in market assessments, negotiations and decision-making (Figure 5).

**FIG 05**

### Basic structure of the Agroenterprise Clustering Approach



## BENEFITS OF CLUSTERING

The benefits of clustering extend not just to farmers, but also to all market actors, including buyers, business development service (BDS) providers and development service institutions.

### Benefits to farmers

- Better **market access** and greater bargaining power
- **Lower cost** of doing business with economies of scale
- Increased income as a result of attaining **higher prices, reduced postharvest losses** and higher product recovery in market interactions, assured or more stable markets
- Better relations among producers in working and in **helping one another**
- Improved, unified image in the **business community**
- **Organized** way of relating to resource providers, e.g. government, non-governmental organizations, capital providers and business groups

### Benefits to buyers and BDS providers

Buyers and BDS providers are particular about quantity, quality and delivery reliability. By transacting with clusters, they can benefit from clustering in the following ways:

- Increased capacity of clusters to meet buyers' and BDS providers' **procurement requirements**
- Organizational structure for more **efficient transaction** with buyers and BDS providers
- **Traceability** of product sources through product labeling of clusters and farmers
- Assurance of a **steady supply** of product volume and quality at a reasonable price
- Faster communication of market feedback or preferences for **quick response** or adjustments

### Benefits to development service institutions

- **More efficient utilization** of project resources and services
- Wider project **coverage**
- Enhanced farm productivity support with the **market-based** assistance
- Opportunity to build equity of farmers for **sustainability**

## II. THE EIGHT-STEP CLUSTERING APPROACH TO AGROENTERPRISE DEVELOPMENT

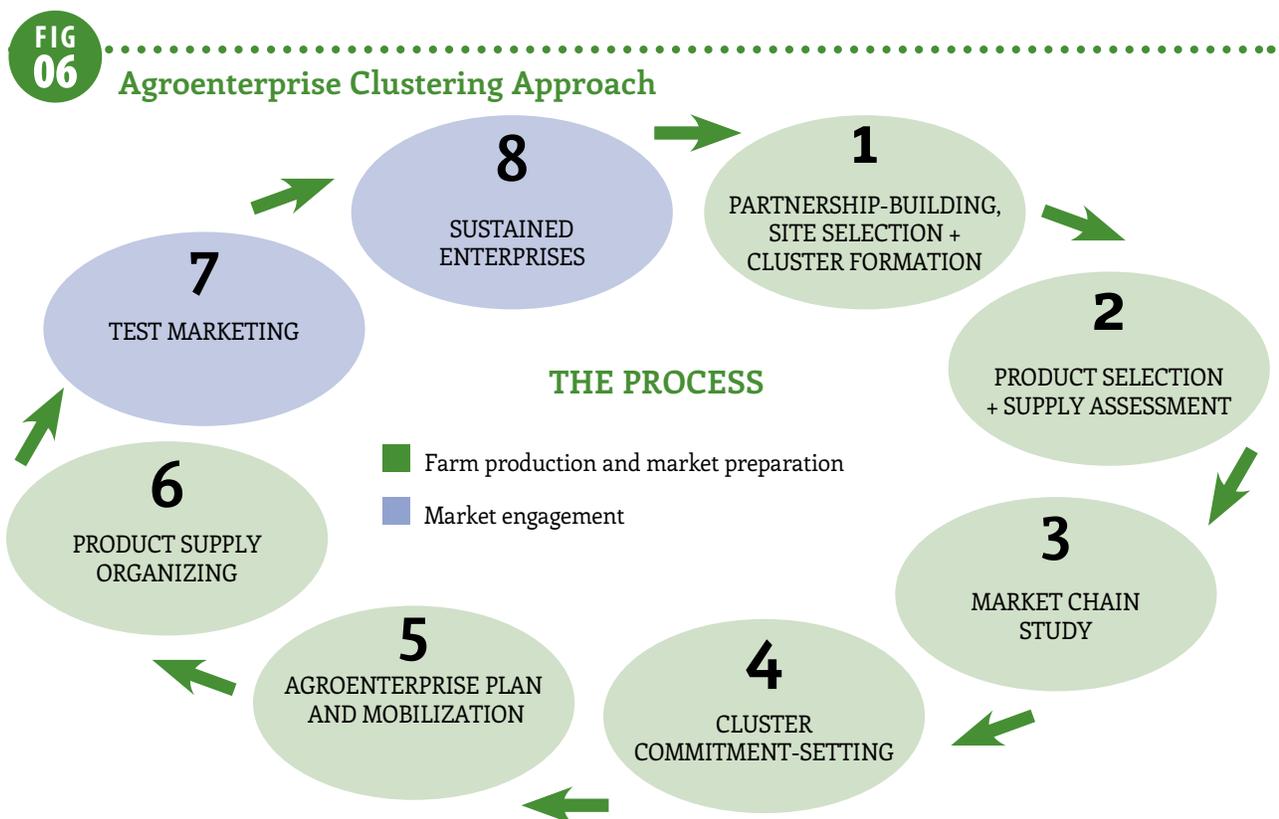
The Agroenterprise Clustering Approach is designed as a sequence of eight steps, each step with a set of activities and tools that guide the facilitator to accompany farmers in farm management improvements, market preparation, actual market engagement and setting up

agroenterprises or marketing businesses. It is a stepwise process in which the results of each step serve as the starting point for the activities in the succeeding step. The Clustering Approach has no specific product focus and can be **applied to a wide variety of products**.

### STEPWISE PROCESS FOR MARKET ENGAGEMENT

The eight steps involve six of farm production and market preparation, and two of market engagement (Figure 6):

- **Steps 1 to 6** comprise the activities for the **market-oriented farm production and market preparation**, with the critical first step focusing on partnership-building among institutions that can support farmers in their agroenterprise.
- **Steps 7 to 8** make up the actual **market engagement**, starting with test marketing and developed further into sustained enterprises.



Each step of the Clustering Approach is associated with a timeframe, key outputs and meetings for facilitating activities (Figure 7).

**FIG 07** Agroenterprise clustering steps with timeframe, description, key outputs and meetings

Step	Timeframe	Description as farmers' process	Checklist of key outputs	Meetings
<b>Step 1:</b> Partnership-building, site selection, and cluster formation	2 to 4 weeks	<i>Getting ourselves organized with our network of support from local institutions</i>	<ul style="list-style-type: none"> <li>• Project site</li> <li>• Site Working Group (SWG) members and facilitators</li> <li>• Basic clusters</li> <li>• Cluster profile</li> <li>• Local Research Team (LRT)</li> </ul>	<ul style="list-style-type: none"> <li>• SWG formation</li> <li>• Cluster formation and cluster leader selection</li> <li>• Cluster profiling</li> </ul>
<b>Step 2:</b> Product Selection and Supply Assessment (PSSA)	2 to 4 weeks	<i>Deciding on our product(s) and knowing our product supply capacity</i>	<ul style="list-style-type: none"> <li>• Selected product(s)</li> <li>• Production module (guide, costs and returns, financing plan)</li> <li>• Cluster Supply Plan</li> </ul>	<ul style="list-style-type: none"> <li>• LRT planning for PSSA</li> <li>• Product selection</li> <li>• Production module decision and preliminary cluster supply planning</li> </ul>
<b>Step 3:</b> Market Chain Study (MCS)	2 to 4 weeks	<i>Understanding our market opportunities and challenges, and deciding on our business objective</i>	<ul style="list-style-type: none"> <li>• Market visits</li> <li>• Interview of buyers and business service providers</li> <li>• Decision on the target buyers</li> <li>• Marketing projections and agroenterprise objective</li> </ul>	<ul style="list-style-type: none"> <li>• MCS planning</li> <li>• MCS information consolidation and report preparation</li> </ul>
<b>Step 4:</b> Cluster commitment-setting	2 to 4 weeks	<i>Committing to work together and to organize for group marketing</i>	<ul style="list-style-type: none"> <li>• LRT presentation of results</li> <li>• Cluster commitments</li> <li>• Cluster policies and agreement</li> <li>• Cluster set of leaders</li> <li>• Formal organization (if needed)</li> </ul>	<ul style="list-style-type: none"> <li>• Presentation of AE objective and commitment-setting</li> </ul>
<b>Step 5:</b> AE Plan and mobilization	2 to 4 weeks	<i>Formulating our AE Plan and putting it into action</i>	<ul style="list-style-type: none"> <li>• Completed agroenterprise plan</li> <li>• Business action schedules</li> </ul>	<ul style="list-style-type: none"> <li>• AE planning and business action scheduling</li> </ul>
<b>Step 6:</b> Product supply organizing	Depends on crop, product	<i>Ensuring that our product supply matches our agreed marketing targets as set in our agroenterprise plan</i>	<ul style="list-style-type: none"> <li>• Actual agricultural production</li> <li>• Cluster field monitoring report</li> <li>• Completed product supply forecast</li> </ul>	<ul style="list-style-type: none"> <li>• Cluster Supply Plan review and field monitoring procedures</li> <li>• Product supply forecasting</li> </ul>
<b>Step 7:</b> Test marketing	Depends on crop, product	<i>Implementing our AE Plan and undertaking test marketing</i>	<ul style="list-style-type: none"> <li>• Market negotiations</li> <li>• Test marketing (at least three deliveries)</li> <li>• Test marketing assessments</li> <li>• Adjustment to the AE Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Test marketing preparation</li> <li>• Test marketing assessments</li> <li>• Cluster Assessment of Readiness for Step 8</li> </ul>
<b>Step 8:</b> Sustained enterprises	Ongoing	<i>Moving forward with improvements and systems to build our agroenterprise</i>	<ul style="list-style-type: none"> <li>• Ongoing marketing activities</li> <li>• Scaling up (more farmers, new products, or new markets)</li> <li>• Installed procedures for checking agroenterprise progress</li> </ul>	<ul style="list-style-type: none"> <li>• AE planning for next level</li> <li>• Agroenterprise progress check</li> </ul>

### Farmers take responsibility for their agroenterprise

The Clustering Approach is a simple process that farmers can follow on their own after they've been supported through it for one to two seasons. It is **critical** that farmers understand the agroenterprise process themselves and that they **take responsibility** for the process in order to achieve the intended results. The key to long-term agroenterprise success is the organization of farmers who learn self- and group-management, take responsibility and directly exercise control of their agroenterprise. Enabling farmers to take responsibility for their own agroenterprise is one of the most important roles of facilitators.

### The key roles of the agroenterprise facilitator

The overarching role of the agroenterprise facilitator is to accompany farmers through the eight steps of the Clustering Approach and to ensure that farmers participate in group activities, share their experiences to support the group learning process and take responsibility for their agroenterprise.

The facilitator also establishes a supportive environment for agroenterprise through linkages with various institutions and private sector actors that provide the farmers with services and market linkage opportunities (Figure 8).

FIG  
08

### Roles of the agroenterprise facilitators



Site Working Group meeting



Market study



Agroenterprise orientation,  
training and reflection



Test marketing

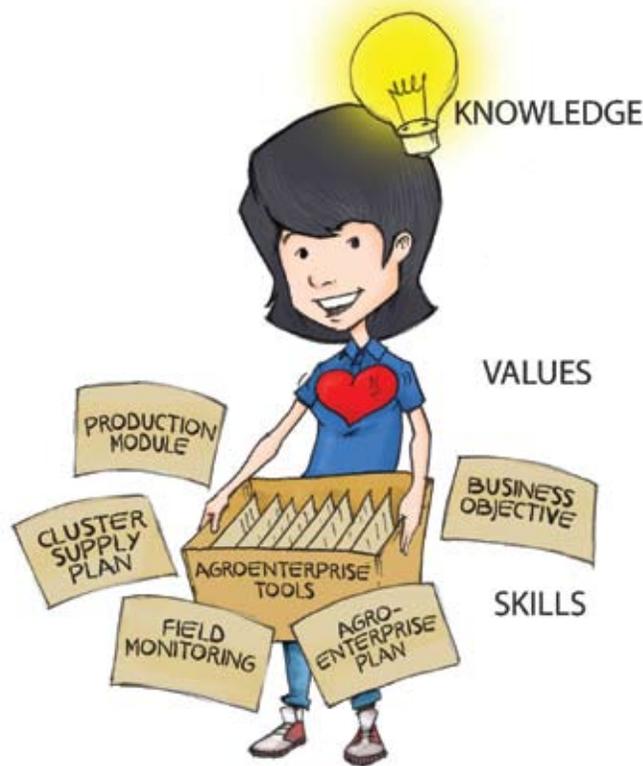
The facilitator's focus is to **make agroenterprise learning easy and practical** for the farmers so they will be able to do the marketing themselves. The facilitator presents the approach to the

farmers as their "**journey of eight steps**" that helps them to travel together down a path to actively participate in the market and achieve sustainable income growth.

To perform their roles well, facilitators need to embody **three critical qualities** (Figure 9).

- **Knowledge** of agroenterprise and an appreciation of market-oriented farming.
- **Values** like commitment and interest in supporting farmers to strengthen their livelihoods, self-discipline to go through the rigors of business learning, sensitivity to the needs of farmers and other stakeholders, openness to different opinions, dedication to ongoing learning and dynamism.
- **Skills** in farmers' experiential learning processes as they undertake the activities in the eight-step Agroenterprise Clustering Approach.

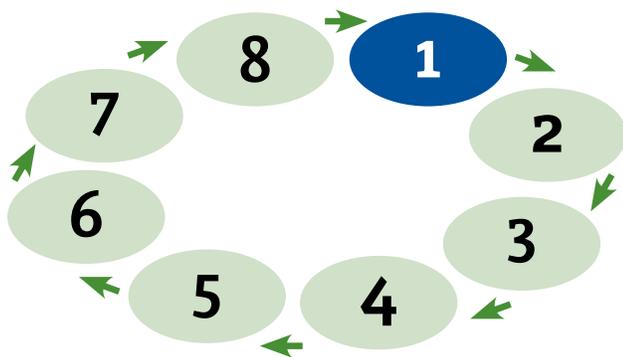
**FIG 09** Knowledge, values and skills of a facilitator



It is a bonus if the facilitator has some business background, but it is not a prerequisite for performing the role well. Of the three qualities of the facilitator, **values** are the most important

because his/her motivation determines dedication to **continued learning and applying knowledge and skills to support farmers** in the agroenterprise process.

# Step 1: Partnership-building, site selection and cluster formation



By the end of Step 1, the Lead Facilitator will have:

- Organized a **Site Working Group (SWG)** and elicited the commitment of other local stakeholders in the selected project site to support the agroenterprise process
- Established a team of facilitators from partner institutions and coordinated them to:
  - Conduct a farmers' meeting to **introduce the agroenterprise process**
  - Form the basic clusters**, each with a Cluster Leader, and gather the Cluster Member Profiles

## OVERVIEW

The Clustering Approach begins with the Lead Facilitator organizing local **partner institutions** that are willing to provide the base of support to catalyze and assist the agroenterprise development process with the farmers. These institutions form a local resource network called the **Site Working Group**. Each partner institution designates a staff person to act as a **Partner Facilitator** and join the Lead Facilitator to together form the **Facilitator Team**.

SWG members develop the **site selection**

**criteria** and identify the particular project site accordingly. The Facilitator Team then undertakes a **quick site appraisal** to gather information for joint assessment of the site and its farming community.

The Facilitator Team proceeds to mobilize farmers to form small groups, or clusters, with identified Cluster Leaders in the selected site. The Cluster Leaders become part of the SWG membership so the farmers are represented. Together with Cluster Leaders, the Facilitator Team gathers the **Cluster Profile**.

### 1.1 THE SITE WORKING GROUP

Rarely can one institution provide all the required assistance needed by farmers. Thus, it is important to build a local network of stakeholders in the project site to leverage existing local resources

for collaborative agroenterprise project support. This local **partnership of self-motivated institutions** is called the **Site Working Group** (Figure 10).

**FIG 10**

## Site Working Group composition and roles



### SITE WORKING GROUP FORMATION

(Toolkit 1.1 Meeting Guide: Site Working Group)



SWG formation is initiated by the lead institution, which acts as the anchor and coordinator of the SWG activities. The lead institution organizes a meeting and invites other local institutions with the following objectives:

- **Introducing** agroenterprise and the Clustering Approach
- **Drawing out support** that they can extend to help catalyze the agroenterprise development process in the community
- **Inviting them to be SWG members** and explaining SWG roles and responsibilities

An institution's membership in an SWG requires that the institution designate at least one representative who can consistently join the regular meetings (usually every quarter) and who can make decisions regarding the institution's support. These representatives are the **SWG members**.

SWG membership also requires that each SWG member assign a staff person who can take up the role of a **Partner Facilitator**. Take, for example, the

Municipal Agriculture Head of the local government who is an SWG member representing the local government unit. The Municipal Agriculture Head would assign a staff person who can serve as a Partner Facilitator. Often, this staff person is a technician already servicing the project site. The Partner Facilitators work together as a **Facilitator Team** to directly assist the farmers, coordinated by the Lead Facilitator.

Membership in the SWG brings the benefit to each member institution of having a more effective development service in the community resulting from the synergy of different institutions reinforcing one another's support to the farmers. From time to time, the SWG members can invite particular institutions (e.g. a seed company) or people (e.g. a marketing practitioner) to be resource persons to help respond to a need or an opportunity that the SWG would like to address.

Once farmer clusters are formed, the SWG membership will be expanded to include Cluster Leaders that represent the smallholder farmers so that farmers are directly represented in the SWG decisions.

The **SWG membership** can range from six to 12 members, at least **one-third of whom are farmer Cluster Leaders**. (Later in Step 1, Cluster Leaders are chosen by the cluster members to represent them for a given year).

### LESSON LEARNED: IMPORTANCE OF LOCAL PARTNERSHIPS

Experience has shown that when projects engage a Site Working Group structure rather than just a lead institution extending support independently, these projects achieve their agroenterprise goals much more easily, more efficiently in terms of time and money and more sustainably.



### LESSON LEARNED: FARMER PARTICIPATION IN SWGs

Farmer leaders' representation in the SWG ensures that farmers are actively involved in decisions about how their agroenterprise will be developed and supported.



## SWG PARTICIPATION COMMITMENT AND MONTHLY MEETINGS

Since the needed support from the SWG members will be long-term (i.e. no less than a year, or two cropping seasons), it may be helpful to put the **SWG partnership in writing** by preparing a simple memorandum of understanding (MOU) among the SWG members that specifies the role of each partner.

**Periodic SWG meetings** (usually every quarter) will keep SWG members updated and actively

involved in the project its activities. It is important that SWG meetings are documented so that the SWG member institutions are always updated. The **meeting documentation** may be handled on a rotational basis by staff coming from the SWG partner institutions. The Facilitator Team meets more often, usually every month, during the process of supporting farmers through the Clustering Approach.

## 1.2 SITE SELECTION

In many cases, sites for the agroenterprise endeavor are pre-identified from among the lead institution's existing project sites. The site can be defined at the level of a sub-village, village, municipality or a group/combination of each.

- Responsive local government unit (LGU)
- Presence of potential partner development institutions with related projects on agriculture, natural resource management or community development
- Willing small farmers<sup>3</sup>
- Farm products that can be consolidated for marketing
- Favorable social conditions (peace and order, community awareness, etc.)

In case the site is not pre-selected, site selection criteria are particularly helpful. The SWG agrees on the **site selection criteria** for the agroenterprise project based on the characteristics of an enabling environment. Such characteristics may include:

## 1.3 QUICK SITE APPRAISAL BY FACILITATOR TEAM

*(Toolkit 1.2 Activity Guide: Quick site appraisal by Facilitator Team)*

In order to understand the local context for an agroenterprise project, the Facilitator Team undertakes a quick site appraisal. This study should not take more than a week, and is done as a starting point for the Facilitator Team to have a **common assessment prior to working with the community**.

As a first activity of the Facilitator Team, the appraisal provides a good **opportunity to build**

**rapport for their shared work** as a team of field facilitators directly working with the farmers.

The site appraisal will gather three categories of information that provide basic understanding of the project site and community. It is suggested that the Facilitator Team have a meeting to discuss the activity, go through the tools, and then divide up the tasks for information-gathering to make the process more efficient.

**Three categories of information** and the suggested responsible facilitator are as follows:

- **Physical resources and agricultural information** – Partner Facilitator from the LGU
- **Social context – farmers' organization and development programs** – Academia or NGO facilitator
- **Markets, financing and business service providers** – Microfinance institution or NGO facilitator

Much of the information to collect may already be available from the institutions' work in the area. The information can also be gathered through **key informant interviews** (KIIs) with extension workers, farmers, business service providers and knowledgeable individuals in the locality.

The Facilitator Team gathers the information assigned by using a site appraisal form. The three completed site appraisal forms, one to cover each category of information enumerated above, become part of the information to be used in the analysis of product supply capacity in Step 2 and in the Market Chain Study in Step 3.

3. The definition of small farmer will vary according to the location and project objectives. For CRS Philippines, small farmers are defined as those cultivating on farms that are smaller than three hectares.

## 1.4 CLUSTER FORMATION

(Toolkit 1.3 Meeting Guide: Cluster formation)

After the site appraisal, the Facilitator Team will already have an idea of the farmers (either organized or unorganized) who can be potential participants in the agroenterprise project as well as the existing development programs for them. The Facilitator Team can then begin the process of working with the farmers in the community.

The Facilitator Team draws up a list of participating farmers for the agroenterprise in consultation with farmer leaders in the community, local government technicians and staff of the lead institution. The **AE participation criteria** used to select farmers to participate in the initial cluster formation activities can include the following:

- Is a small farmer (i.e. cultivating in farm areas that are three hectares or less)
- Has a farm, either owned or leased, that is predominantly family operated
- Is willing to consolidate some portion of their crop for group marketing
- Is willing to work in a group
- Is respected in the community

### THE STARTING POINT FOR CLUSTER FORMATION: NEW GROUPS OR EXISTING FARMER ORGANIZATIONS?

Where possible, the **Facilitator Team works with existing farmer groups or organizations** in order to build on existing local resources and skills, structures and systems. For example, a farmers' cooperative can access its member base to join the clusters. Likewise, an MFI can leverage its existing clients in a given area who are potential project participants to participate as cluster members.

There may be cases when it is necessary to form new groups. This happens when there are no viable groups in the community, or the existing groups have serious governance problems (i.e. weak leadership, lack of records or poor financial management) that make it practical to start fresh with a new group.

The recommended process for working with an existing organization or a new organization is as follows (Figure 11):

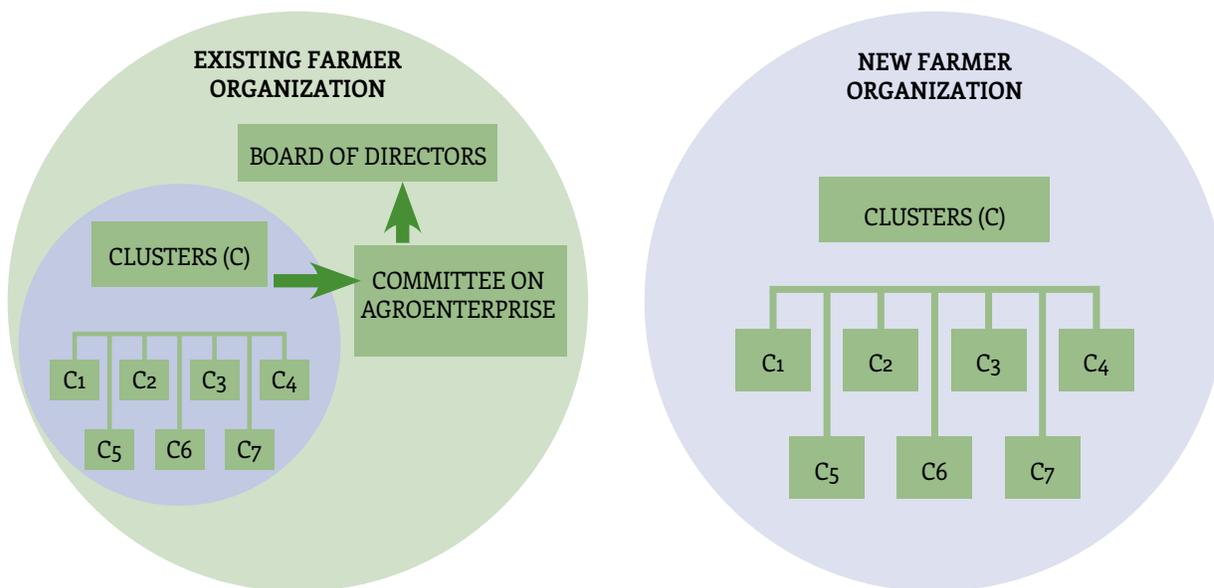
- **Existing farmer organization** – Generally an existing farmer organization has a management structure and board of directors. To engage the clustering strategy, it is suggested that a "Committee on Agroenterprise" be created in the organization, comprised of representatives from the elected Cluster Leaders who directly interact with the board and represent the cluster farmers.
- **New farmer organization** – The structure of a new organization includes multiple clusters working together with Cluster Leaders representing them to interact with buyers and market actors.

It is advisable to seek information from local governments' agricultural technicians to inform the decision of whether it is best to work through an existing

group or create a new group for the cluster formation. Often these technicians are very knowledgeable about farmers and organizations in their areas.

FIG 11

Two options for cluster formation



## INTRODUCING AGROENTERPRISE TO FARMERS: KEY MESSAGES



To start the process of cluster formation, the Facilitator Team conducts a meeting with identified farmers during which the agroenterprise approach and the planned project are introduced.

In the **farmers' meeting**, the Facilitator Team presents these **key messages** on the agroenterprise approach and the project:

- Agroenterprise is about **market-oriented** farm production and **collective marketing**
- Those interested in joining the agroenterprise **must join a group (cluster)**
- Success requires that the farmers participate actively by allocating time for meetings and trainings, and exerting efforts to consolidate their products and **take responsibility** for putting in resources needed to invest together
- The key to the success of an agroenterprise depends on the **self-reliance** of the farmers
- The role of the Facilitator Team is to **guide and empower** the farmers so they can do the marketing themselves

### LESSON LEARNED: SETTING FARMER EXPECTATIONS AT THE BEGINNING

It is important that the facilitator makes clear during the first meeting that agroenterprise is for farmers who are willing to think in a business-like way by not depending on dole-out assistance. This is important so that farmers will not have unrealistic expectations of charitable assistance that will not be provided.



## CLUSTER MEMBERSHIP SELECTION AND INITIAL ORGANIZATION

It is best that farmers **self-select** and not be appointed to join certain clusters. Self-selection facilitates faster learning and the building of trust since farmers are making their own choice based on relationships and knowledge of one another.

The basic objective during the first stage of cluster formation is that farmers start to think about how they

can work together for collective marketing. At this point, they just need to **(a) choose a Cluster Leader** and **(b) agree on a regular monthly meeting**. In time, they will participate in business training and activities and transition into more business-like groups in Step 4 (Cluster commitment-setting) that require further commitment and accountability from members.

### CHOOSING THE CLUSTER LEADERS

Each cluster elects its Cluster Leader. **Selection standards** for leaders, both women and men, may include, but are not limited to, the following characteristics:

- An active small farmer
- Respected in the community, though not necessarily the biggest or wealthiest producer
- Aware and concerned about community issues and needs
- Believes in the value of consensus and organization
- A good communicator and good listener, well-spoken and open to ideas
- Demonstrated leadership in other groups or organizations

The Facilitator Team is advised to encourage women to participate in Cluster Leader selection and to run as Cluster Leaders themselves. A reasonable target is that at least **30% of clusters have women leaders**.

Clusters with women leaders have been found to have more women producer participation and to lead to more leadership roles for elected women Cluster Leaders in their communities.

#### LESSON LEARNED: WOMEN IN CLUSTER DECISION-MAKING

Very often, women are responsible for value-addition activities, yet they are commonly excluded from clusters' decision-making about marketing because of exclusive attitudes and leadership. This exclusion will not change unless facilitators consciously support women's leadership and inclusion. Facilitators are also encouraged to create agroenterprise targets for the percentage of female cluster members and leaders.



## 1.5 CLUSTER MEMBER PROFILING

*(Toolkit 1.4 Meeting Guide: Cluster Member Profile)*



The Facilitator Team organizes the newly chosen Cluster Leaders to conduct interviews of their cluster members to come up with a Cluster Member Profile. This **profile is best formulated during a cluster meeting** when the members are gathered. The profile includes: **(a)** Personal and household information **(b)** Farming and farm products **(c)** Credit sources **(d)** Market and marketing practices

The Facilitator Team then compiles the Cluster Member Profile by cluster and summarizes them using the **Cluster Member Profile Summary** as

provided in Tool 1.4. This summary, together with the Site Appraisal Forms, will be useful in Step 2 for the Product Supply Assessment.

## 1.6 LOCAL RESEARCH TEAM FORMATION

After the Cluster Profile has been formulated, the Facilitator Team supports the clusters to select two farmer representatives to participate in a Local Research Team (LRT), which will be responsible for **gathering information for business development in Steps 2 and 3**.

Preferably, the two selected farmers are those who have good relations with the community, can communicate well, are willing to commit time and effort to gathering reliable information and are able to report back to their clusters.

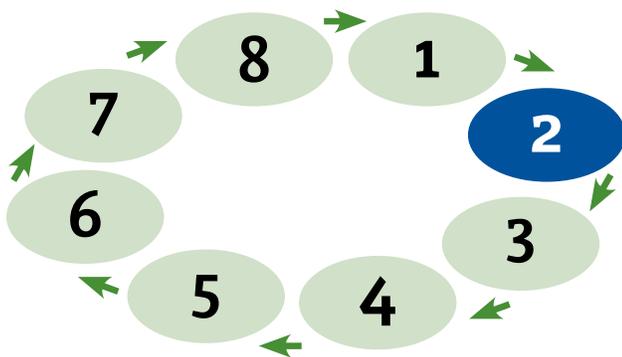
The LRT will gather and organize information needed for business planning, including assessment of farming conditions and product supply capacity (Step 2) and identification and evaluation of market choices (Step 3). Some of this information will also be taken from the site appraisal and the Cluster Member Profiling in Step 1.

The LRT is responsible for presenting all collected business planning information back to the SWG members so they can best support the clusters in the AE process, as well as to all the farmers for cluster decision-making (Step 4).

# Step 2: Product Selection and Supply Assessment



By the end of Step 2, the Local Research Team (LRT) will have guided the clusters to:



- **Select their product** for collective marketing
- Come up with the agreed **Production Module** for the selected product
- Prepare a preliminary **Cluster Supply Plan**

## OVERVIEW

The Product Selection and Supply Assessment (PSSA) is the process of gathering information on farmers' production and marketing conditions to determine the **cluster's capacity to supply** selected products for the market. Critical PSSA information includes:

- Farming practices for the selected crop
- Production costs and returns
- Financers and financing practices
- Buyers and buying practices



The Lead Facilitator convenes a meeting with the Facilitator Team and LRT to discuss the activities in Step 2. These involve facilitating clusters to carry out the PSSA, agree on a

**Production Module** and formulate a **Cluster Supply Plan**. Clusters will be able to choose more than one

product. For each product, a Production Module and Cluster Supply Plan will be developed separately.

Part of the PSSA information was already gathered in Step 1 when the Facilitator Team conducted the quick site appraisal and the Cluster Member Profile.

## 2.1 PRODUCT SELECTION: WHICH AGRICULTURAL PRODUCT SHOULD THE AGROENTERPRISE CHOOSE?

(Toolkit 2.1 Meeting Guide: Product selection)



In Step 2, the LRT convenes a meeting with cluster members to initially select the products they will focus on for their agroenterprise activities. There are multiple ways to approach this process depending on the context of the cluster and the project.

### IF THE PRODUCT IS PRE-SELECTED

In some cases, the product has already been pre-selected based on a market opportunity and the project design. Whether the pre-selected product is new or not, the Facilitator Team holds the product selection meeting with cluster farmers to finalize the choice. If the product is new, farmers evaluate the new product choice with the **four evaluation criteria for pre-selected new products** before finalizing (Figure 12):

- **Market** – Is there a definite market?
- **Production capacity** – Can we produce it with the resources we have?
- **Profitability** – Will we earn an income and is it worth it for us?
- **Sustainability** – Will we be able to continue to produce and market even after project support ends?

Farmers must have a positive response to *all four questions* in order to proceed with the new pre-selected product.

FIG  
12

Four evaluation criteria for new product selection



## IF PRODUCT IS NOT PRE-SELECTED

If the product is not pre-selected, then the Facilitator Team and cluster members hold the product selection meeting to look at the Top 5 products that cluster members have grown and marketed as identified in their Cluster Member Profiles. The Facilitator Team then guides the cluster farmers to **rank the Top 5 products** to narrow down the **choice to one to two products** for agroenterprise development. The criteria on which the **products are ranked** could include:

- Which crop is **grown most** by farmers in the community that could be sold more for income and not negatively impact availability of food for families?
- Which product has given the farmers the **highest income**?
- Which product has been relatively **easier to market** due to demand from existing, local buyers?

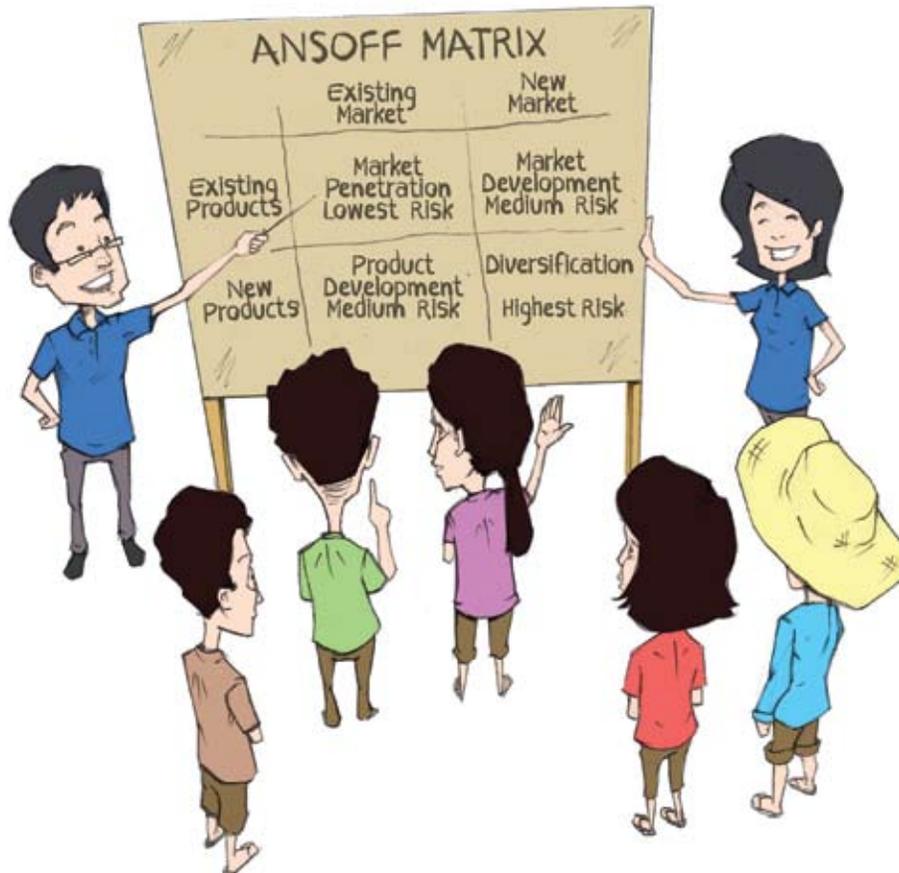
## CONSIDERING RISK FACTORS IN MARKET OPPORTUNITIES

While **market opportunity** is an important consideration in product selection, equally important are the **possible risks** farmers face. For this reason, the LRT also studies the risks that farmers confront in

new market opportunities. These risks could include adverse weather conditions, unavailable farm inputs, pest and disease infestation, fluctuating price behavior or stringent product quality requirements.

FIG  
13

Facilitator explaining the Ansoff Matrix in a product selection meeting



Before deciding on the product and the markets, it is best that the LRT consults the cluster in the product selection meeting not only about the **market opportunities** but also the **risks** since the cluster members will be the ones who can decide on the degree of risk that they can take. The LRT can use the **product-market matrix** developed by Ansoff as a guide, engaging the clusters in a meeting to discuss opportunities and risks before they decide (Figure 13).

After one cropping season, as the clusters become more confident from doing well through successful marketing experiences and become more comfortable with risk, **clusters can “upgrade”** to a medium-risk enterprise. This can include working with an **existing product and engaging a new market**, or choosing a **new product with an existing market** with which they are familiar.

### LESSON LEARNED: START WITH LOW-RISK MARKETS TO BUILD CONFIDENCE

For vulnerable farmers who cannot afford to take additional economic risks, the facilitator guides them to connect to markets with low risk, which are often the local, traditional buyers. Returns with local, traditional buyers may be lower, but choosing simpler marketing activities that they are comfortable with will increase their chances of success. This may be a prerequisite for them to become more confident and take on higher risks with higher-value markets in the future.



In most cases, **opportunities for high income correspond to new products or new markets**, and they also pose higher risks for farmers. The choice to pursue new products or markets depends on the capacity of the farmers to absorb risks. **Risk can be reduced** with new products or new markets when:

- The clusters seek assistance from a **specialist** knowledgeable about the production technology for the new product
- There is help from a **business advisor** with linkage to the new market
- There is a **“friendly market”** that is supportive of small farmers
- Farmers are **well organized** and have initial experience with marketing

With the completion of the Ansoff Matrix exercise and the consideration of risk factors in market opportunities, the LRT is able to finalize the product selection process. The LRT may want to consult knowledgeable people for further technical advice, for example, agricultural technicians for production information or business people for market information, especially on potential markets within

and outside of the project site. Engaging technical support will help the LRT to thoroughly evaluate the products selected by the farmers.

It is possible for clusters to select **multiple products**. In this case, clusters conduct the steps below separately for each selected product, including determining the Production Module, Cluster Supply Plan and Market Assessment.

## 2.2 CREATING A PRODUCTION MODULE

(Toolkit 2.2 Activity Guide: Production Module key informant interviews)

(Toolkit 2.3 Meeting Guide: The Production Module)

### WHAT IS A PRODUCTION MODULE?

A Production Module is a standard unit of measure in farm production that is agreed upon by the cluster as their **guide to create standardized units of production** across cluster members and ensure efficient, reliable production.

The Production Module is the common language between all cluster members, partners and business actors in that it provides a standard for all discussions about supply, costs and returns, and financing (Figure 14).

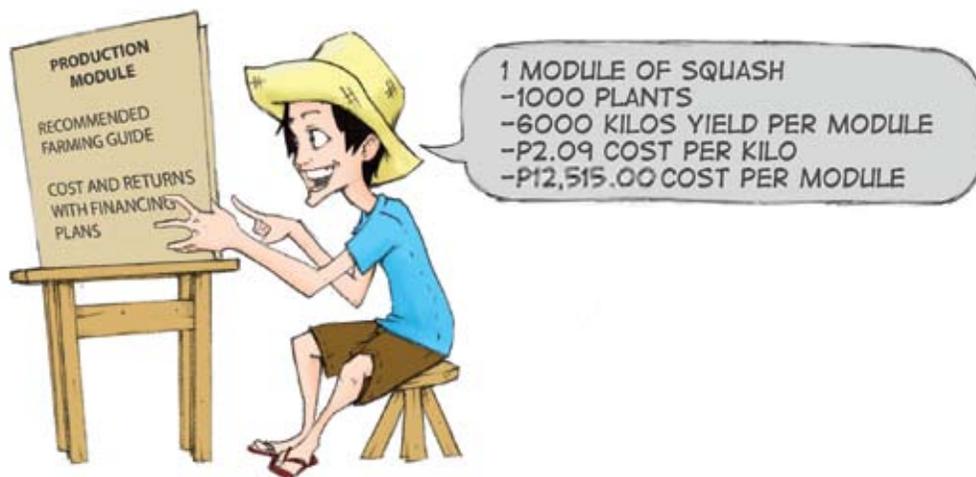
#### LESSON LEARNED: STUDY AND MASTER THE PRODUCTION MODULE

The Production Module contains the plan that guides each cluster member in **(a)** how to produce the cluster's selected product and **(b)** how to ensure the production generates income after deducting costs. How well the cluster can consolidate marketable products depends on the each farmer's ability to follow the Production Module. Thus, the facilitators must encourage farmers to study and master their Production Module; this is the foundation for the rest of the tools and outputs in the eight-step AE Clustering Approach.



FIG  
14

#### Production Module contents



There are two parts to the Production Module:

- **Part I** – Recommended farming practices
- **Part II** – Production costs and returns with financing plan

The Production Module is designed around a chosen unit that is the minimum scale of production for each crop that makes it economically worthwhile for a family

to venture into that product with the cluster. Production Module units can be an area of land, a count of plants or trees or a unit of product packaging (Figure 15).

**FIG 15**

**Consolidated Production Module example**

Module description	Crop	Production Module
Count of trees	Coffee	500 trees
Area	Rice	1 hectare
Unit of seed packaging	Bulb onion	1 can (430 grams)
Count of plants	Squash	1,000 plants

**HOW TO DEVELOP A PRODUCTION MODULE**

A Production Module is **developed by studying the best practices of strong producers** in the community that the other farmers can adopt or learn from in order to improve their own practices. The LRT conducts a study of best practices by undertaking **key informant**

**interviews with at least three farmers who are strong producers.** Good farm production can be measured as high yields (including resilience to climatic, pest and other shocks to the farm) and strong returns on investments (cost and return).

**FIG 16**

**Production Module sample: Recommended farming practices**

Product: Squash  
 Location: Bakiidno  
 Date: March 2013

Module Description: 1000 plants  
 Area: 3,500 m<sup>2</sup>  
 Planting Distance: (1m x 3)

DAYS	ACTIVITIES	LABOR	REQUIREMENTS	
			non-sprayable	sprayable
-14	Plowing	2mad		
-7	Harrowing	1mad		
0	Furrowing	0.5mad		
0	Fertilizing - 1st	2md	10 sacks	
0	Planting	1md	1 can seeds	
7	Spraying - 1st	0.5md		* 1 sprayload
21	Hilling up	0.5md		
21	Weeding - 1st	1md		
21	Fertilizing - 2nd	0.5md	12kg 16-20-0	
25	Spraying - 2nd	1md		** 2 sprayloads
28	Vine Arrangement	0.5md		
50	Weeding - 2nd	2md		
50	Fertilizing - 3rd	1md	13kg 16-20-0 & 10kg 0-0-60	
50	Spraying - 3rd	1md		** 3 sprayloads
90	Harvesting	3md	sacks for packaging	
	Sorting, packing, hauling	2md		

NOTE: on yield - 1000 hills, yield levels - 4kg/hill, 6kg/hill, 8per/hill  
 a) mad - man animal day  
 b) md - man day  
 c) spray only when needed (occurrence of pest & disease)  
 d) vine arrangement - arrange fruits in proper position, place rice straw beneath the fruits

\* - chicken manure (dried)  
 \*\* - insecticide, fungicide, spraying



The LRT analyzes the KII findings, and then comes up with a suggested Production Module to present to the cluster using a form to make it easily understood by the farmers. The LRT presents the proposed Production Module for discussion with the cluster members for decision by consensus. Samples of the two parts of the Production Module are presented in Figure 16 and Figure 17.

**FIG  
17**

### Production Module sample: Costs and returns with financing plan

Product: Squash      Module description: 1,000 plants  
 Location: Bukidnon      Area: 3,500 square meters  
 Date: March 2013      Planting distance: 1 meter x 3

#### PRODUCTON COST WITH FINANCING PLAN

Particulars	Measure	Qty	Unit	Amount	Rate Per Plant	FINANCED	Farmer's Counterpart
<b>I. ACTIVITY/LABOR &amp; SERVICES</b>							
a. Land preparation							
1. Plowing	mad	2.0	300.00	600.00			600.00
2. Harrowing	mad	1.0	300.00	300.00			300.00
3. Furrowing	mad	0.5	300.00	150.00			150.00
b. Planting	md	2.0	200.00	400.00			400.00
c. Fertilization							
1. Basal	md	1.0	200.00	200.00			200.00
2. Sidedress (2 times)	md	1.5	200.00	300.00			300.00
d. Spraying (3 times)	md	2.5	200.00	500.00			500.00
e. Weeding (2 times)	md	3.0	200.00	600.00			600.00
f. Hilling Up	mad	0.5	300.00	150.00			150.00
g. Harvesting	md	3.0	200.00	600.00		600.00	
h. Sorting, packing and hauling	md	2.0	200.00	400.00		400.00	
<b>Sub-Total</b>				<b>4,200.00</b>	<b>4.20</b>	<b>1000.00</b>	<b>3,200.00</b>
<b>II. MATERIALS</b>							
a. Seed (Suprema)							
	can	0.5	1,650.00	825.00		825.00	
b. Fertilizers							
1. Chicken manure	sack	10.0	80.00	800.00		800.00	
2. 16-20-0	sack	0.5	1,100.00	550.00		550.00	
3. Muriate of potash (0-0-60)	bag	0.2	1,300.00	260.00		260.00	
d. Insecticide & Fungicides							
1. Insecticide	pack	0.2	600.00	120.00		120.00	
2. Fungicide -	kilogram	0.2	450.00	90.00		90.00	
3. Sticker/Spreader -	liter	0.1	700.00	70.00		70.00	
d. Others							
1. Sacks	pieces	100.00	8.00	800.00		800.00	
<b>Sub-Total</b>				<b>3,515.00</b>	<b>3.52</b>	<b>3,515.00</b>	
<b>III. OTHER COST</b>							
Transport (farm to buyer)	P0.50/kg	6,000	0.50	3,000.00			
Coop - market facilitation fee (5% of sale)	P0.20/kg	6,000	0.20	1,200.00			
Loan interest (principal: P5,000)*	12% (for 4 months)	5,000		600.00			
<b>Sub-Total</b>				<b>4,800.00</b>	<b>4.80</b>		
<b>TOTAL</b>				<b>12,515.00</b>	<b>12.52</b>	<b>4,515.00</b>	<b>3,200.00</b>

\* interest at 2% per month for 4 months plus 3% service charge

#### Breakeven Cost and Breakeven Volume

Particulars	Amount
a. Total production cost	12,515.00
b. Yield (kg) (yield per plant X no. of plant)	6,000.00
c. Break-even cost (pesos) (a/b)	2.09
d. Breakeven yield (kg) (a/e)	2,275.00
e. Selling price	5.50
Average Yield (Yield/plant)	6

#### Cost and Returns (3 yield levels)

Yield level	Average Amount	Low Amount	High Amount
Sales	33,000.00	12,000.00	38,500.00
Cost	12,515.00	12,115.00	12,915.00
Net Income	20,485.00	-115.00	25,585.00
Add: Labor	3,200.00	3,200.00	3,200.00
<b>Cash Income</b>	<b>23,685.00</b>	<b>3,085.00</b>	<b>28,785.00</b>
Yield (kg)	6,000.00	3,000.00	7,000.00
Price (Per kg)	5.50	4.00	5.50

Note: assumptions can be 3 yield levels or 3 price levels



Throughout the agricultural year, clusters **constantly review the Production Module and improve** it to increase profitability and efficiency. Such improvements could include, for example, incorporating new technologies that lower unit production costs through higher yield, lower input cost, reduced labor, higher quality or reduced postharvest losses.

Cluster members can assess if any members got better returns than those reflected in the Production Module. If so, what did they do differently? Did they achieve higher yields or lower costs? How can the Production Module be improved so that all cluster members can achieve these results? This ongoing evaluation and refinement of the Production Module is critical for farmers to remain market competitive.

If the **product is new**, it is recommended that the Facilitator Team supports the clusters during the first production season of a new crop with procurement of inputs and production technology.

The first season for a new crop is used to **verify the Production Module** and refine it before adopting it on a commercial scale (i.e. bigger production areas or levels or more farmers).

Usually farmers start with a commitment to produce one module, which is the minimum commitment to participate in the cluster. Members can take on more modules depending on the policies and decisions of each cluster. For example, new members start with one module and this can be increased over time, depending on experience and participation in the cluster activities.

## 2.3 THE CLUSTER SUPPLY PLAN

*(Toolkit 2.4 Meeting Guide: Cluster Supply Plan)*

Buyers often prefer to procure agricultural products from traders due to perceptions of traders being more reliable suppliers, having larger quantities and transacting with lower costs like transportation.

The challenge for smallholders marketing directly to buyers is how **farmers can successfully consolidate quality products at the right time**. The Cluster Supply Plan helps farmers to address this exact challenge.



In order to create the Cluster Supply Plan, the LRT conducts a meeting and facilitates farmers to complete a table that lists the following information for each cluster member:

- Number of Production Modules
- Expected yield
- Percentage of their product that they will commit to collective marketing
- Their schedules of supply of when they plan to harvest each module

When it is completed, the Cluster Supply Plan can then tell the cluster the **total quantity** of the product that the cluster is capable of producing and consolidating for their collective marketing (Figure 18).

Completed Cluster Supply Plan sample

Barangay: 1  
 Municipality: 1  
 Province: Bukidnon

No. of Clusters: 2  
 No. of Farmers: 22

Product: Squash  
 Module (description): 1,000 plants  
 Yield/module: 6,000 kg

Suppliers LAST NAME	No. of Modules	Expected Yield (kg)	Committed Yield, 50% (kg)	Month (May)				Month (June)				Signature*
				Wk 1	Wk 2	Wk 3	Wk 4	Wk 1	Wk 2	Wk 3	Wk 4	
<b>CLUSTER-1</b>												
1 Farmer 1	2	12,000	6,000	3,000					3,000			Signed
2 Farmer 2	2	12,000	6,000	3,000					3,000			Signed
3 Farmer 3	2	12,000	6,000		3,000					3,000		Signed
4 Farmer 4	2	12,000	6,000		3,000					3,000		Signed
5 Farmer 5	2	12,000	6,000			3,000					3,000	Signed
6 Farmer 6	2	12,000	6,000			3,000					3,000	Signed
7 Farmer 7	1	6,000	3,000				3,000					Signed
8 Farmer 8	1	6,000	3,000				3,000					Signed
9 Farmer 9	1	6,000	3,000					3,000				Signed
10 Farmer 10	1	6,000	3,000					3,000				Signed
<b>Sub-Total</b>	<b>16</b>	<b>96,000</b>	<b>48,000</b>	<b>6,000</b>								
<b>CLUSTER-2</b>												
1 Farmer 1	2	12,000	6,000	3,000						3,000		Signed
2 Farmer 2	2	12,000	6,000	3,000					3,000			Signed
3 Farmer 3	2	12,000	6,000		3,000					3,000		Signed
4 Farmer 4	2	12,000	6,000		3,000					3,000		Signed
5 Farmer 5	1	6,000	3,000			3,000						Signed
6 Farmer 6	1	6,000	3,000			3,000						Signed
7 Farmer 7	1	6,000	3,000				3,000					Signed
8 Farmer 8	1	6,000	3,000				3,000					Signed
9 Farmer 9	1	6,000	3,000					3,000				Signed
10 Farmer 10	1	6,000	3,000					3,000				Signed
11 Farmer 10	1	6,000	3,000						3,000			Signed
12 Farmer 10	1	6,000	3,000						3,000			Signed
<b>Sub-Total</b>	<b>16</b>	<b>96,000</b>	<b>48,000</b>	<b>6,000</b>								
<b>Total Supply</b>	<b>32</b>	<b>192,000</b>	<b>96,000</b>	<b>12,000</b>								

\* Harvest is 3 months after planting

\* By affixing our signatures, we are willing to participate the marketing program of the clusters and commit to attend all activities of the cluster, provide more products

**DETERMINING THE PRODUCT PERCENTAGE OF THE PRODUCTION MODULE FOR EACH FARMER COMMITMENT**

Based on the agreed Production Module, cluster members determine the appropriate percentage of the module that each member should commit to cluster marketing, along with the schedules for supply.

What is the appropriate percentage of a Production Module that members should commit to for cluster marketing? The minimum product quantity that cluster members should commit to is the quantity sufficient to cover any loans taken to cover the production. **This is the assurance to the financing institution that, at a minimum, what the cluster consolidates will be enough for the loan payment.**

In the case that a farmer does not take a loan and repayment is not a consideration, the minimum product quantity for cluster consolidation can also be the targeted quantity needed to match the product promised to the market. In certain instances, the buyer sets the volume to be consolidated based on a regular supply requirement for a certain period of time.

Besides these two considerations (loan payment and buyer requirements), what has to be ensured is

that the **cluster supply to the intended buyers is in economical quantities** (e.g. by truckload or jeepload) so that the logistics cost to move the product from the farms to the buyers will not eat into marketing income or result in a loss. The logistics cost will also be evaluated by the LRT carrying out the Market Chain Study (Step 3).

If the marketed product is a food crop that the farmers depend on for household food security, cluster members should also take care not to over-commit to selling a quantity that might jeopardize their food security. In the case of a food crop, **only the family's food surplus is consolidated for marketing.**

It is preferable for the cluster to set a **standard percentage** for all members to commit to collective marketing. A common practice is for all cluster members to start with committing 10% of their Production Module to get the collective marketing started and then increasing it to 50% the following season when they are more comfortable with the agroenterprise.

## PRELIMINARY CLUSTER SUPPLY PLAN

The Cluster Supply Plan at this stage is a preliminary plan. The validation of this quantity, as well as the supply schedules based on the target market requirements and economical moves of product delivery, will be done after Step 3 (Market Chain Study) is completed.

**When the target markets are identified in Step 3, it will be time to finalize the Cluster Supply Plan**, including Planting and Harvest Calendars (for cash crops) or Harvest Calendars (for permanent crops), as well as the storage and transportation options. Planting and Harvest Calendars are explained further in Step 6 (Product supply organizing).

### LESSON LEARNED: POST THE CLUSTER SUPPLY PLAN PUBLICLY

Posting the Cluster Supply Plan on flipchart paper in a public place is a great way to remind cluster members of their commitment and encourage early identification of any problems with meeting the commitment should they arise.



## MANAGING THE ISSUE OF POLE-VAULTING

Smallholder farmers have been known to **default on their promise to deliver** to institutional markets when the demand for their produce from traders operating at the traders' spot market results in price offers higher than that set in the supply agreement. This practice is called **pole-vaulting (or side-selling)** and the resulting inability of farmer clusters to deliver products reliably and consistently over a period of time has been viewed by institutional buyers as a **risk to buying from smallholder farmers**.

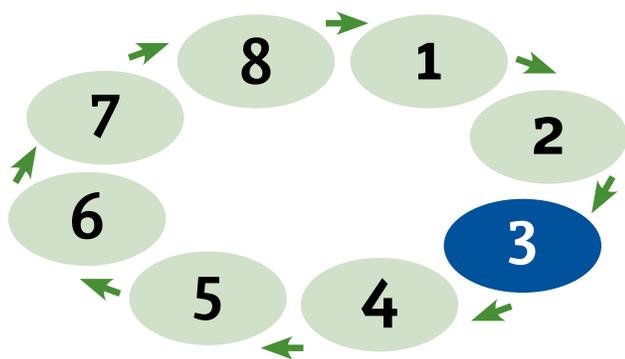
Traders will remain a major market for smallholder farmers because not all of their product will always pass the quality requirements of institutional buyers, or smallholders may have outstanding loans from traders. Facilitators are encouraged to support cluster members to engage both their existing trader relationships and new institutional buyers in order to take advantage

of the rewards and mitigate risks of each type of relationship (see Step 3.2 for more information).

Experience has shown that it is better to **plan for a certain percentage of pole-vaulting among cluster members**, and this flexibility in the production plan will avoid tensions and problems of trust when a cluster member side-sells. Supporting cluster members to commit only a portion of their harvest to collective marketing is a practical way to manage the issue of pole-vaulting. The portion can potentially be increased in later seasons.

Even while recognizing the realities of pole-vaulting, participation in clusters must be understood by the Facilitator Team and farmers to come with a strong expectation that the cluster member will have an **unwavering commitment** to observing promises in the Cluster Supply Plan.

# Step 3: Market Chain Study



**By the end of Step 3, the LRT will have:**

- Conducted **market visits** and interviews of buyers and business development service (BDS) providers
- Consolidated the **MCS information**
- **Analyzed** the Product Selection and Supply Assessment and Market Chain Study (MCS) information, and formulated an **Agroenterprise Objective** for presenting to the clusters

## OVERVIEW

A Market Chain Study (MCS) is a process to gather **information on the market actors** (both buyers and BDS providers), their marketing activities, costs and margins, and constraints and opportunities related to the movement of the selected product. The MCS starts with the farmers and ends with the intended final consumers.

The MCS information will **help farmers fully understand their market choices** and decide which market(s) to enter, the kind of marketing relationships to establish and the value-addition activities to undertake to earn more income.

The Local Research Team that formed in Step 2 now conducts the MCS. The LRT gathers

information mainly through **semi-structured informal interviews of market actors**, also called key informant interviews, in various stages of the market chain, supported by **direct observation** and a review of **historical price information**.

The MCS concludes with the **LRT preparing a presentation** that aligns the Cluster Supply Plan (Step 2) with market opportunities for value addition and sales to the intended buyers (Step 3). This leads to **formulation of an Agroenterprise Objective**, which is the business objective for collective marketing. The LRT farmer representatives deliver the presentation to clusters for validation during the cluster commitment-setting in Step 4.

### 3.1 MARKET CHAINS AND VALUE CHAINS: THE FOUNDATION OF AGROENTERPRISE DEVELOPMENT

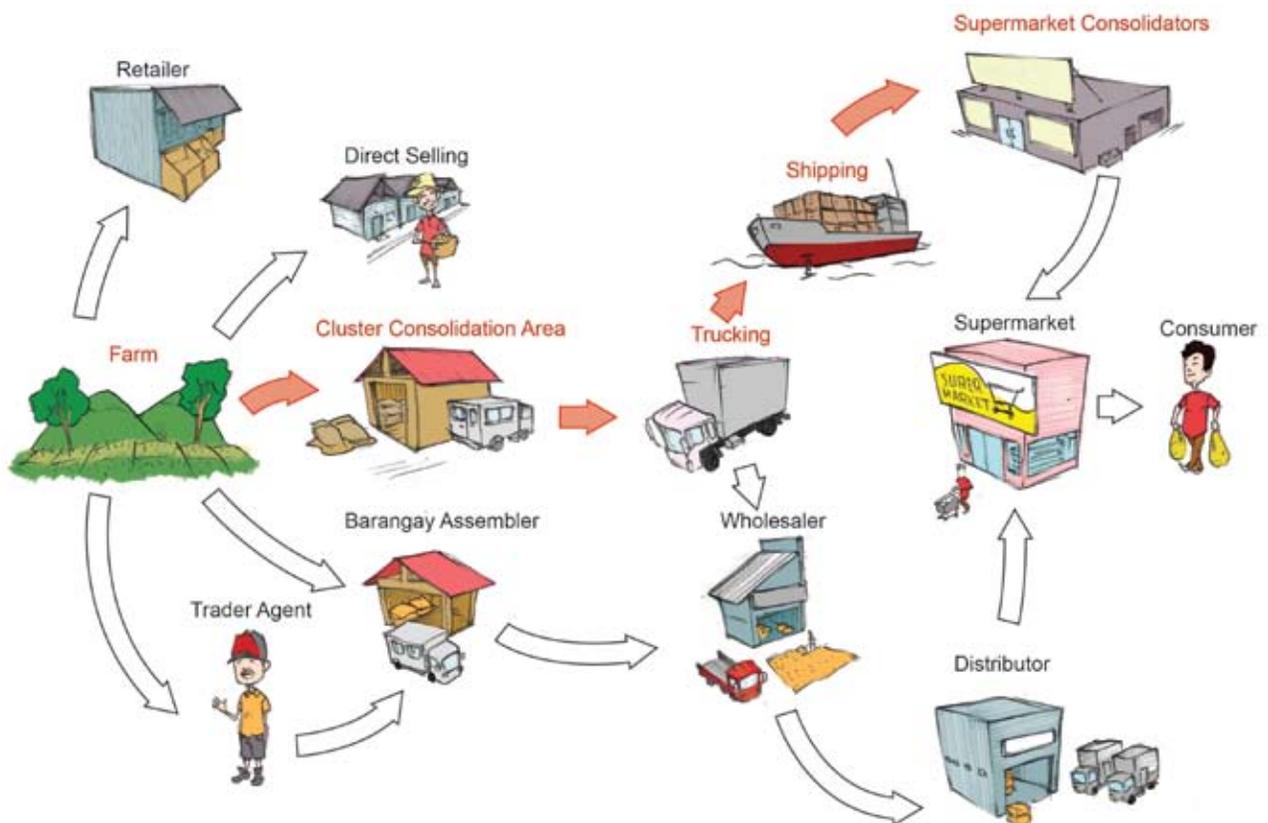
While farmers continually produce and sell products, they are sometimes unaware that, in doing so, they are a critical part of a relationship involving various types of traders, processors, BDS providers, consumers and others. This series of market actors involved from production through processing, distribution and retailing to the consumers is called a **market chain**.

A product increases in value as it moves along the market chain. Activities that increase the value of a product along the market chain are called **value-addition activities**. Examples of

value-addition activities include cleaning, milling, consolidating and packaging.

Within the market chain, producers will navigate their particular path by choosing the market actors they will engage for their products. When these market chain actors work together to build a mutually beneficial relationship to capture value addition, the resulting relationship is referred to as the **value chain**. For example, a farmer cluster might do an MCS on the *squash market chain*, and then based on the findings and their cluster objective they will create their own *squash value chain* (Figure 19).

**FIG 19** Chosen value chain within the broader market chain



Through the MCS, facilitators will learn how the LRT studies the **market chain** in order to support farmer clusters to navigate their own chosen **value chain** for their selected product – proactively working with selected buyers, leveraging adequate BDS support

and, as a result, earning a part of the added value along the chain.

Along the market chain, there are two main categories of market actors that the LRT will engage with:

- **Direct market actors** buy or directly handle the product through the chain (i.e. there is change in ownership). These can include buyers, processors, distributors/consolidators and others.
- **Business development service providers** support the market chain to function but they do not directly handle the product. Examples of BDS include micro-credit providers, transportation providers, market information services and input suppliers.

### LESSON LEARNED: LEARNING VISITS BETWEEN FARMERS AND BUYERS HELP BOTH

The practice of meetings and learning visits between farmers and buyers contributes significantly to understanding each other's objectives, needs and constraints. This practice is essential to resolving tensions, gradually building trust and giving way to win-win choices.



## 3.2 ENGAGING BOTH TRADITIONAL AND INSTITUTIONAL BUYERS

Within any given market chain, there are three main categories of buyers. These categories of buyers and their common characteristics are:

### 1) Traditional local buyers

- Have no formal arrangements with farmers before buying their product
- Take part in spot trading – prices change daily or hourly based on supply and demand
- Are easily accessible to farmers in rural areas

### 2) Traditional regional buyers

- Have no formal arrangements with farmers before buying their product
- Take part in spot trading – prices change daily or hourly based on supply and demand
- Are accessible for farmers close to major trading and urban centers

### 3) Institutional buyers

- Have formal arrangements with farmers before buying their product
- Negotiate pricing – agreed before purchase
- Are accessible to farmers that can pre-plan as part of formal arrangements, and sometimes supplier accreditation as well

In the face of current trends in globalization, institutional buyers are growing and **institutional value chains are increasingly accessible to smallholder farmers**. Such value chains include:

- Supermarkets and product wholesalers
- Fast food outlets, hotels and restaurants
- Food manufacturers and processors
- Niche markets for specialty products like organically grown, fair-trade products and direct consumer markets in the workplace

Institutional value chains have highly organized and integrated operations that require coordination with trusted suppliers who can deliver the right product quality and quantity at agreed schedules and at competitive prices.

Farmers are often eager to sell their product into institutional value chains because of the opportunity they present to earn higher incomes. Institutional buyers can also pose new challenges and risks for

farmers that traditional buyers do not. As a result, facilitators are encouraged to support **farmers to consider engaging with both traditional and institutional markets** (Figure 20).

Facilitators will support farmer clusters to make the decision about engaging with traditional and institutional buyers based on a strong understanding of the potential risks and rewards of both buyer categories:

#### Traditional buyers

- **Risk** – Potential for significant losses if prices are low at the time of sale, fluctuating quality standards and buyers stopping their buying when there is oversupply
- **Reward** – Flexibility to sell when spot prices are high and willingness to buy “all in” quality standards

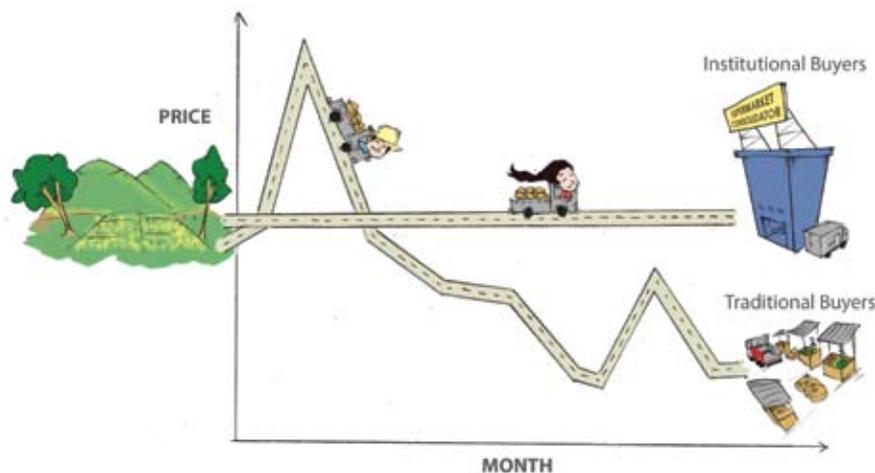
#### Institutional buyers

- **Risk** – Potential losses if farmers cannot meet the terms of their arrangement, and product non-acceptance
- **Reward** – Security of agreed-upon prices, quality standards and terms of sale early in the season

By supporting farmers to sell to both traditional and institutional buyers, facilitators can also help clusters to:

- **Mitigate the risk of pole-vaulting** (farmers withdrawing their product from cluster agreements to sell to local buyers when prices are high); and
- **Improve their income security and stability** by planning their cultivation, marketing and sale at the beginning of the agricultural season.

**FIG 20** .....  
**Farmers selling to both traditional and institutional buyers**



## 3.3 CONDUCTING THE MARKET CHAIN STUDY

(Toolkit 3.1 Activity Guide: Market Chain Study)

### WHO CONDUCTS THE MARKET CHAIN STUDY?

The Local Research Team conducts the MCS activities. The Lead Facilitator first convenes a meeting to discuss the MCS activities. The involvement of the two LRT farmers in the information-gathering is very important so that **farmers can learn the MCS process and**

**repeat this activity on their own** when they need to reassess their current markets or study new market opportunities. Also, the LRT farmers will be the ones presenting the findings back to the clusters and leading discussions with them to analyze these findings.

Depending on the complexity of the market chain being studied or the extent of geographical coverage of the study, the LRT may seek assistance from a marketing practitioner who possesses the following characteristics:

- Experience with market research
- Technical knowledge, including production, postharvest and processing issues
- Contacts in the business community

### MARKET CHAIN STUDY ACTIVITIES

The LRT conducts five MCS activities as follows:

#### MCS activity 1: Market Chain Mapping

##### Current Market Chain Map



To start, the LRT makes a Market Chain Map. The map uses existing knowledge of buyers and business development service providers for the selected product based on **(a)** market information from the **Cluster Member Profile** and **(b)** the **site appraisal** information on markets and business activities gathered in Step 1.

The map is a drawing that shows the potential flow of the products from the clusters through market actors to the end customer (Figure 21). The map represents an overall picture of the market focusing on **two main pieces of information**:

- **Actors** involved in the market chain
- **Activities** undertaken in the market chain



**Future Market Chain Map Brainstorm**

Using the Current Market Chain Map, the LRT will brainstorm what expanded or new market opportunities would most benefit the farmers. The LRT uses this brainstorm to identify specific buyers and BDS providers they would like to engage with in the future (perhaps in three to five years). The Future Market Chain Map Brainstorm takes the form of notes that will be used in the next activity to identify buyers and BDS providers to interview in the MCS.

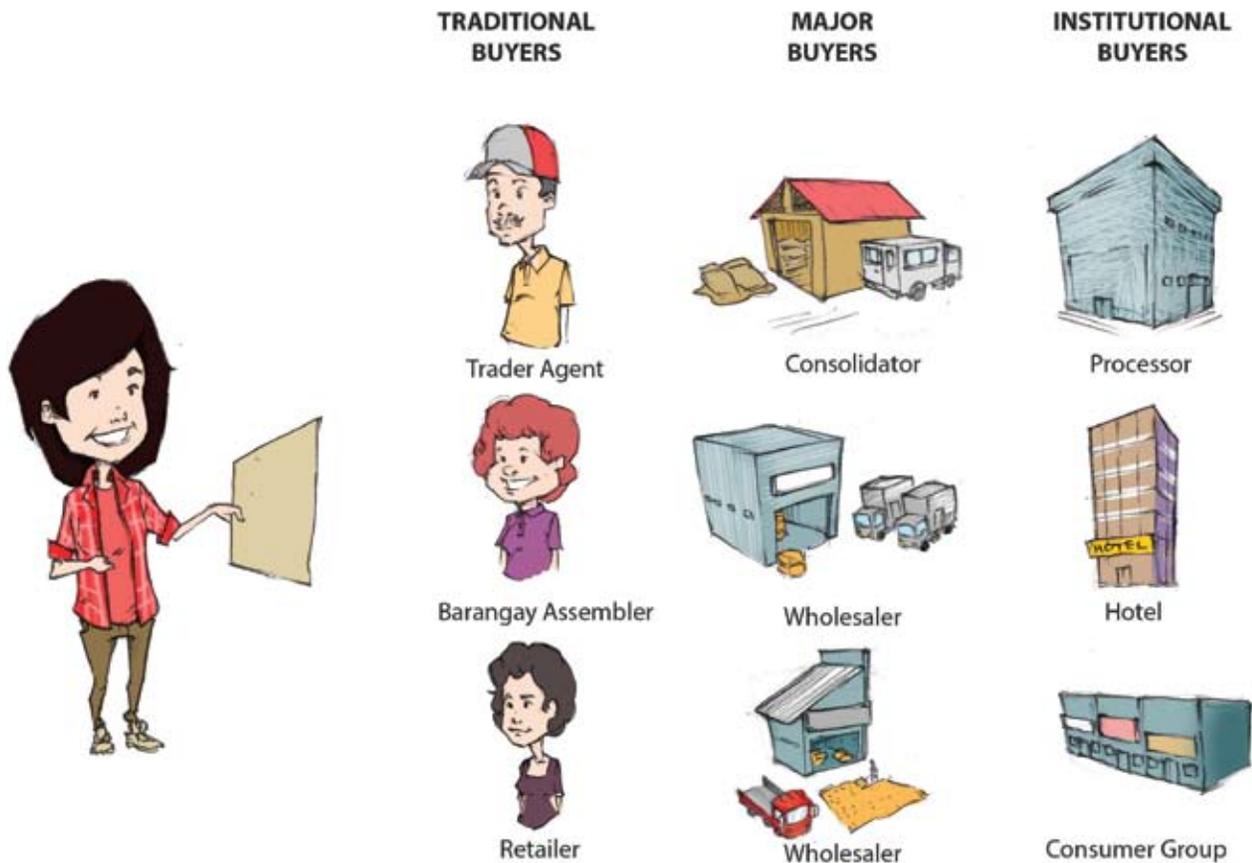
**MCS Activity 2: Select buyers and business development service providers to interview**

The LRT chooses to interview those buyers and BDS providers who are the critical links for farmers to move from the Current Market Chain Map scenario to the Future Market Chain Map Brainstorm scenario, thinking through the concrete steps they need to undertake to learn more about these new market actors through market visits and interviews.

The LRT identifies buyers to interview within the three categories 1) traditional local buyers 2) traditional regional buyers and 3) institutional buyers. Additionally, the LRT identifies BDS providers that support sales within each of these three categories.

The LRT will likely already be familiar with a number of traditional local buyers and BDS providers, but might be less familiar with the other two buyer categories. In order to identify traditional regional and institutional buyers and BDS providers, the LRT can **contact traders and transport service providers who are knowledgeable about the market chain** beyond the local context. It is also helpful to **review secondary information** on markets from industry associations, government and research institutions.

Market Chain Map with buyers to interview throughout the chain



The LRT conducts at least **three interviews** with buyers along the **three levels** of the market chain, plus BDS providers at each level. The interviews will provide information on the opportunities as well as

the challenges in accessing these potential buyers and BDS. It is important that the LRT has a clear picture from the market mapping exercises of the range of buyers they can interview in the MCS (Figure 22).

**LESSON LEARNED:  
EVALUATING BUYERS IS NOT JUST ABOUT PRICE**

Choosing a buyer is not just a matter of identifying those that give the highest price to the farmers. It is also important to assess the challenges in terms of the work that the farmers will need to undertake with each buyer, the corresponding additional costs involved and any risks the farmers will confront.



## MCS Activity 3: Interview buyers and business development service providers

### Buyer interviews

It is helpful to divide the buyer and BDS interviews into two sets of activities:

#### Interview preparation

- **Communicate** with the buyer or BDS provider to explain the purpose of the interview and set an appointment for the interview
- **Assign** the LRT members the following roles for the actual interview process: **(a)** two interviewers (working as a pair) **(b)** a recorder of the responses and **(c)** observers of the buyer's operational activities
- **Review** the Questions for Buyer Interviews, BDS Provider Interviews and Tips for Conducting Interviews, edit the questionnaire as necessary and be sure that the interviewers are familiar with the questions before meeting the buyer

#### Actual interview

- **Conduct the interview** at a time and location convenient to the buyer or BDS provider
- After the interview, **summarize**, discuss and analyze the interview responses using the Buyer Comparison Table

The time required for a market visit for interviews depends on the number of products, markets and distances between markets. Usually it takes two to three days to conduct buyer interviews for one to two products, plus another day for BDS providers.

### BDS provider interviews

The LRT interviews BDS providers along a range of potential key services, including farm input suppliers, financing, transport, packaging and other **services that support the marketing activities**. In order to determine the critical services to discuss, identify which services are needed to help farmers transition from the Current Market Chain Map to the Future Market Chain Map Brainstorm and interview about those services.

The LRT conducts BDS interviews using the same

steps outlined above for buyers, collecting detailed information and comparing available services with the corresponding service charges. The **important point** to consider is that farmers have to **incorporate business development service costs** as part of the marketing costs. The farmers should not expect business development services to be provided for free by the Site Working Group institutions or anyone else because that is not a sustainable business approach.

## MCS Activity 4: Direct observation

Through interviews with buyers and BDS providers, the LRT will collect much important information, but it is not possible to collect all information through interviews. The LRT will thus **augment interviews with direct observation** of the activities of the buyers and BDS providers at each point. For example, a buyer may tell the LRT that they buy farmer products in crates, but only through direct observation can the LRT see how the buyer actually packages the crates, how other producers transport

to that buyer, whether the staff and equipment seem trustworthy and whether there are other logistical details to consider that might not have come out in the interview.

Based on these direct observations, the LRT can ask additional questions of market actors, including specific financial and logistical details. This information will be critical for **calculating the actual costs of participating in the future value chain** and supporting farmers to make informed choices.

## MCS Activity 5: Study of price behavior

During Step 2, farmers learned how to compute their costs of production and marketing by developing their Production Modules. This now becomes the foundation for the price they offer to the selected buyer; the objective being that the farmers earn a net income after deducting the costs of production and marketing from their selling revenue (selling price multiplied by quantity sold).

In order to make the decision about which buyer the farmers will sell to, price offers and terms of sale need to be compared among prospective buyers. To help inform this decision, the LRT conducts a **price study of the previous two years** for the selected crop. Historical prices

can be gathered from the government's statistics office.

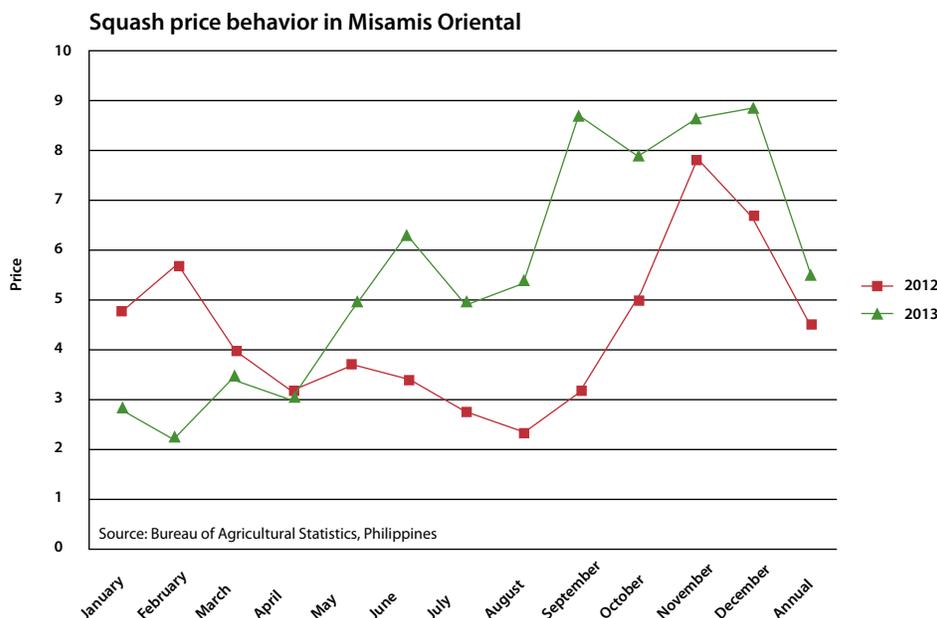
Price monitoring information is very important to help **farmers analyze how competitive they are in the market**. If their cost of production and marketing from their Production Module is very high relative to their prospective sale prices from the price study, the cluster farmers know that they are not very competitive. By determining their competitiveness through a comparison of findings from the Production Module exercise and the price study, farmers can have informed discussions about actions to either improve their price negotiation position or to adopt ways to reduce costs and/or improve quality.



Price monitoring, while initiated by the LRT as part of the market chain study, should be a **regularly repeated activity by farmers** so they are empowered to always update their price competitiveness. A good way to do this is to establish contacts with certain market actors and get regular market price updates through mobile phones.

FIG  
23

Graph of seasonal market price fluctuations



Price trends traced from and to a particular time (within a period of one to two years) can be presented using graphs. The graphs will show if there is seasonality and when farmers can negotiate

for a higher price (i.e. situation when supply is low) or if they are not in a strong position to negotiate much for a higher price (i.e. situation of peak harvest season when supply is highest) (Figure 23).

### 3.4. CONSOLIDATION AND ANALYSIS OF MCS INFORMATION AND AE OBJECTIVE

(Toolkit 3.2 Activity Guide: Analyzing MCS findings and preparing presentation)

After gathering information on farmers' production and supply in Step 2 and studying marketing choices through the market visits and interviews in Step 3, it is now time for the LRT to bring together all the information to create the LRT presentation of

consolidated MCS information and an **Agroenterprise Objective**. The Agroenterprise Objective is the business objective for collective marketing. This Agroenterprise Objective will be considered a draft objective until it is finalized with all cluster members in Step 4.

#### PREPARING THE PRESENTATION

The LRT uses three exercises to organize and analyze the MCS information. All three exercises are part of the PSSA and MCS information compilation and analysis in **Toolkit 3.2**:

- **Value Chain Map** to preferred buyers and BDS providers
- **Value Chain Diagram** to preferred buyers and BDS providers
- **Marketing Cost and Income Table** to move products through the future value chain

#### Exercise 1: Value Chain Map to preferred future buyers and BDS providers

The LRT will use the information collected through the MCS to analyze the options they identified and **prioritize the buyers and BDS providers** that they will engage with. Then, based on this prioritization, the LRT proceeds to make a **new drawing of their Value Chain Map** with the selected buyers and BDS providers (Figure 24).



The LRT will use information from the **Buyer Comparison Table** that contains the responses of the buyer interviews and the **Market Chain Map** to inform the **Value Chain Map** and the other components of the MCS information compilation and analysis.



Value Chain Map example



The Value Chain Map gives a picture of how the clusters intend to link their supply to **preferred future buyers** and **BDS providers** they will utilize.

It is possible that in carrying out this exercise, some gaps might be identified; for example, transportation or packaging needs that were not originally

considered. It is **better to analyze critically and identify these gaps now**, while there is still time to collect information and plan ahead.

In this case, the LRT can communicate with buyers and BDS providers as needed and collect any final information.

### Exercise 2: Value Chain Diagram of preferred future buyers and BDS providers with costs and returns

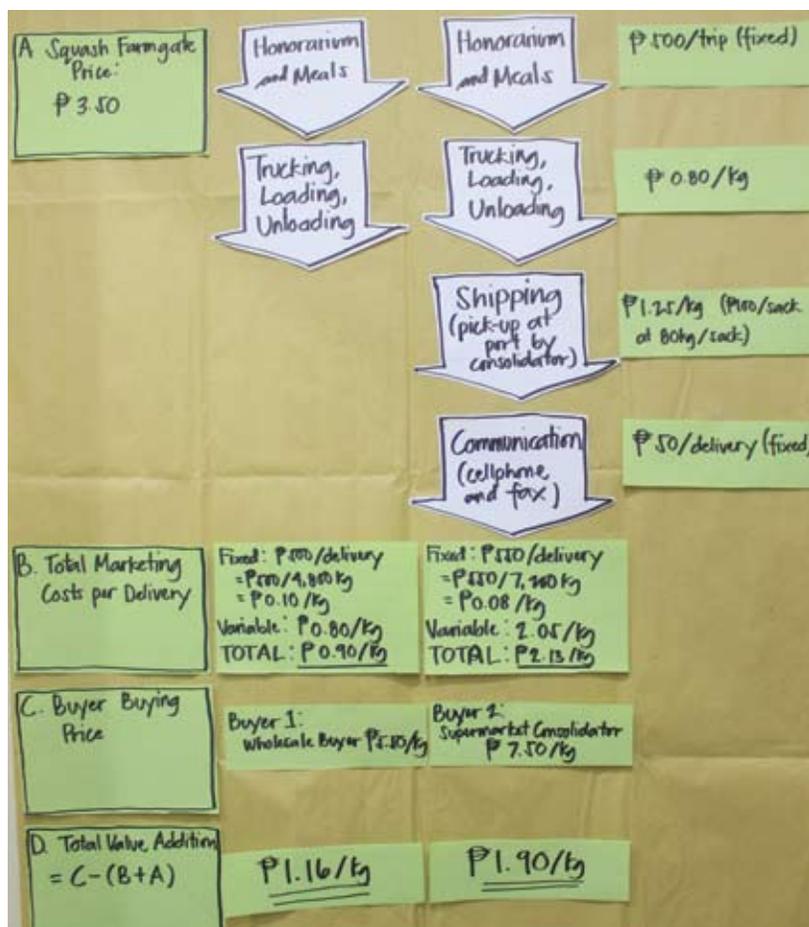
The purpose of the Value Chain Diagram is to clearly present the **BDS costs incurred** as the product moves from the farms up to the preferred future buyers, and the **net resulting income** after deducting the costs (Figure 25).

Costs that could be included in the Value Chain Diagram are trucking, loading and unloading

product, honorarium for the person accompanying the product, transportation, packaging, processing and communication. The costs and returns in the Value Chain Diagram are calculated on a **per-unit basis**, for example, per kilogram, per crate or per sack. The information for these calculations comes from buyer and BDS interviews in the MCS.

**FIG 25**

**Value Chain Diagram of preferred future buyers and BDS providers**



The Value Chain Diagram is usually very exciting for farmers because it is often the first time they can **see the potential income** from working together as a cluster to access a new value chain.



The information for the Value Chain Diagram comes from the MCS – consolidated responses of **interviewed BDS providers** and the **Value Chain Map** of preferred buyers and BDS providers (*Toolkit 3.1*).

### Exercise 3: Marketing Cost and Income Table: Moving products through the future value chain

The Marketing Cost and Income Table is similar to the Value Chain Diagram in that it presents **costs incurred** as the product moves from the farms up to the preferred future buyers, and the **net resulting income** after deducting the costs. It differs from the Value Chain Diagram in that the Marketing Cost and Income Table:

- First calculates **per delivery unit** cost and income, for example, per truckload or shipping container. This is the aggregate of the per-unit information from the Value Chain Diagram based on the delivery units required by each prospective buyer. The table can include multiple buyers, for example, both traditional and institutional buyers (Figure 26).
- Then calculates **total delivery cost and income**, for example, 15 deliveries made by the cluster over the course of the agricultural season based on the delivery units specified by each buyer and multiplied from the previous table according to the Cluster Supply Plan (Figure 27).
- Presents the information in a table format that allows for **all necessary detailed calculations** in marketing cost and income.

Using this table, the LRT and farmers can:

- Ensure that **every supply move** is economical and will not incur a loss; and
- Plan the total number **of deliveries or supply** they can commit for a specified period of time.

FIG  
26

Marketing Cost and Income Table: Estimate per supply/delivery unit

Particulars	Buyer 1	Buyer 2	Total
Unit (sack)			
Quantity per unit (kg)			
a. Total quantity (kg)	4,800.00	7,200.00	12,000.00
b. Selling price per kg	5.50	7.50	
c. Sales (a x b)	26,400.00	54,000.00	80,400.00
d. Cost (Paid to farmers – Php 3.50/kg)	16,800.00	25,200.00	42,000.00
e. Gross Income (c – d)	9,600.00	28,800.00	38,400.00
Marketing Costs			
Honorarium and Meals (P500 /trip)	200.00	300.00	500.00
Trucking with Loading and Unloading (P0.80/kg)	3,840.00	5,760.00	9,600.00
Shipping (pick-up at port by consolidator) (P 100 /sack (at 80 kg/sack =P7.25 /kg)		9,000.00	9,000.00
Communication (cellphone and fax) (P 50 /delivery)		50.00	50.00
f. Total Marketing Costs	4,040.00	15,110.00	19,150.00
g. Net Income (e – f)	5,560.00	13,690.00	19,250.00
h. Net Income Per Kg (g / a)	1.16	1.90	

Marketing Cost and Income Table: Estimate for total deliveries

Particulars	Buyer 1	Buyer 2	Total
Unit (sack)			
Quantity per unit (kg)			
a. Total quantity (kg)	38,400.00	57,600.00	96,000.00
b. Selling price per kg	5.50	7.50	
c. Sales (a x b)	211,200.00	432,000.00	643,000.00
d. Cost (Paid to farmers – Php 3.50/kg)	134,400.00	201,600.00	336,000.00
e. Gross Income (c – d)	76,800.00	230,400.00	307,200.00
Marketing Costs			
Honorarium and Meals (P500 /trip)	1,600.00	2,400.00	4,000.00
Trucking with Loading and Unloading (P0.80/kg)	30,720.00	46,080.00	76,800.00
Shipping (pick-up at port by consolidator) (P 100 /sack (at 80 kg/sack =P 1.25/kg)		72,000.00	72,000.00
Communication (cellphone and fax) (P 50 /delivery)		400.00	400.00
f. Total Marketing Costs	32,320.00	120,880.00	153,200.00
g. Net Income (e – f)	44,480.00	109,520.00	154,000.00
h. Net Income Per Kg (g / a)	1.16	1.90	

The Marketing Cost and Income Table takes the **per-unit income potential** from the Value Chain Diagram and shows the exponential income potential of farmers working together in clusters. Some farmers exclaim: “We’re millionaires!” The tables’ clear message is that it is only through working together in clusters that the farmers can achieve this potential.

### 3.5 LRT PRESENTATION

The LRT organizes the information gathered in the MCS into a **visual presentation** for farmers to easily interpret and utilize to finalize their Agroenterprise Objective in Step 4 – Cluster commitment-setting. The LRT uses the following format for its presentation (Figure 28):

- Cluster Supply Plan
- Agroenterprise Objective
- Value Chain Map
- Value Chain Diagram
- Marketing Cost and Income Table



It is easy to get lost in the volume of information gathered, so the LRT focuses on the **most important and relevant information** when it prepares the presentation. The LRT Presentation is **compiled from earlier outputs**, namely, the Cluster Supply Plan (Step 2) and the tools and analysis of MCS information (Step 3.4).

It is important that the presentation is as

**simple** as possible, easily understandable by farmer clusters and presented in a visual way that can be easily shared and discussed, editing and moving components around as necessary based on the farmers’ feedback (**Toolkit 3.2**). The farmers will **use the presentation to make their cluster decision** on whether or not they will commit to the suggested Agroenterprise Objective for collective marketing.

**Suggested Local Research Team presentation flow**

**PSSA and MCS information and Agroenterprise Objective**

Name of cluster:	Date: <i>Dec 2013</i>	No. of clusters: <i>2</i>
Province: <i>Bukidnon</i>	Product: <i>Squash</i>	Total members: <i>22</i>
Municipality/City: <i>Malaybalay</i>		
Barangay: <i>Barangay 1</i>		



So what are we bringing to the market?



You remember we had a meeting to agree on the squash we will consolidate in our two clusters? That is in our Cluster Supply Plan. Let us go back to that.

**1. Background: Cluster Supply Plan**

Module	: <u>1,000 plants (3,500 square met.</u>
Yield/Module	: <u>6,000 kg.</u>
Total Modules	: <u>32</u>
Participating Cluster Members	: <u>22</u>
Total Yield	: <u>192,000 kg</u>
Committed Yield	: <u>50%, 96,000 kg.</u>



Oh yes, we can consolidate a lot! As a group, we have 96,000 kg. So what will we do with so much squash?



Well, we did an MCS, visited several buyers within and outside of our community, collected lots of information from them, and drafted this objective for our group marketing. What do you think?

## Agroenterprise Objective



To collectively market to wholesale buyers in Cagayan de Oro City and Consolidator in Cebu City for Supermarket markets, 96 metric tons of good quality squash within the period of 2 months (from May 1st week to June 1st week 2014) in 8 weekly deliveries, coming from 2 clusters (with altogether 22 members) and earn a projected net marketing income of ₱154,000.00.



Can we do it? What will bringing squash from our farms to these two buyers actually look like?

We traced the product flow when we did the MCS. Well, it looks like this. Let me share the this drawing we made, the **Value Chain Map**

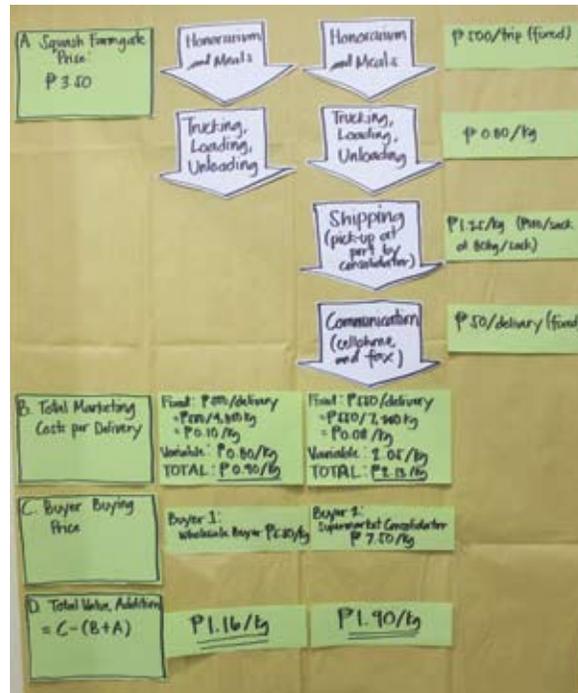
## Value Chain Map



That makes sense. But what will it exactly mean for us to move our squash through that value chain? Will it be better than our present market here in our community? Will we earn?

Good question! We shouldn't do this if we don't have additional earnings. Let's talk through the Value Chain Diagram we made in Step 3 so you have an idea of how much more we will earn for every kilogram of squash.

## Value Chain Diagram with Cost and Income – per-unit analysis



Exciting! We can earn more from this group marketing! It seems really achievable! So how will we get there as a group with 96,000 kg of squash?



Well, we do our costs and returns calculations. That's the last step of the LRT Presentation - Marketing Projections to move products to future markets. Let us compute first with each product delivery we make to be sure every delivery earns!

## Per Supply or Delivery Unit

Particulars	Buyer 1	Buyer 2	Total
Unit (sack)			
Quantity per unit (kg)			
a. Total quantity (kg)	4,800.00	7,200.00	12,000.00
b. Selling price per kg	5.50	7.50	
c. Sales (a x b)	26,400.00	54,000.00	80,400.00
d. Cost (Paid to farmers - Php 3.50/kg)	16,800.00	25,200.00	42,000.00
e. Gross Income (c - d)	9,600.00	28,800.00	38,400.00
Marketing Costs			
Honorarium and Meals (P 500 /trip)	200.00	300.00	500.00
Trucking with Loading and Unloading (P 0.80/kg)	3,840.00	5,760.00	9,600.00
Shipping (pick-up at port by consolidator) (P 1.00 /sack (at 80 kg/sack = P 1.25 /kg)		9,000.00	9,000.00
Communication (cellphone and fax) (P 50 /delivery)		50.00	50.00
f. Total Marketing Costs	4,040.00	15,110.00	19,150.00
g. Net Income (e - f)	5,560.00	13,690.00	19,250.00
h. Net Income Per Kg (g / a)	1.16	1.90	



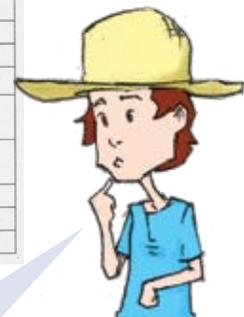
Great! So that shows us cost and income per supply unit or delivery. I am curious - What does it look like for the whole season?



Okay, we continue with our computation. Let's look at how many deliveries we can make with our total supply and the cost and return for the whole season.

### Total Delivery

Particulars	Buyer 1	Buyer 2	Total
Unit (sack)			
Quantity per unit (kg)			
a. Total quantity (kg)	38,400.00	57,600.00	96,000.00
b. Selling price per kg	5.50	7.50	
c. Sales (a x b)	211,200.00	432,000.00	643,000.00
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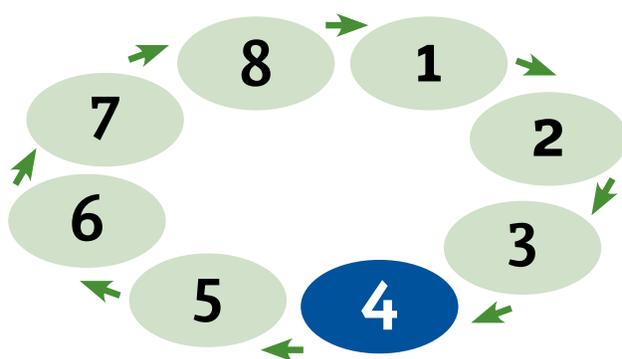
Let's do it!!

So there ... that is our earnings, something we could not have if we do not sell as a group! So, shall we do it?



Great!! Then let's talk about cluster commitment-setting ...

# Step 4: Cluster commitment-setting



**By the end of Step 4, the Facilitator Team will have:**

- Presented the findings of Steps 2 and 3 to cluster members through the LRT Presentation, and finalized and received members' commitment to the **Agroenterprise Objective for collective marketing**
- Transformed initial clusters (the list of interested farmers organized in Step 1) into **agroenterprise clusters**, i.e. clusters have a set of leaders, regular cluster meetings and members committed to their cluster policies, agreements and Cluster Supply Plan
- **Formalized the clusters** through legal registration in the government (if there is no formal organization yet)

## OVERVIEW

The initial cluster formation done in Step 1 only listed farmers interested in working together for collective marketing. Cluster commitment-setting in Step 4 is the **transformation** of these small groups into **functional business groups**. This transformation can only happen after farmers have clarified their product supply (Step 2) and market options (Step 3), have decided to commit to an Agroenterprise Objective and have committed to their corresponding responsibilities and accountability measures (Step 4).

The LRT first delivers the LRT presentation consolidated in Step 3 to the clusters. Through

the presentation, the LRT and farmers discuss and finalize the contents, including the Agroenterprise Objective. The clusters then determine the cluster members' commitments.

The primary cluster member commitment is an agreement to consolidate their products for collective marketing according to the **common Agroenterprise Plan**. This commitment requires farmers in a cluster to not only bring themselves to the group, but also to bring their products. Thus, cluster commitment is expressed with a **signature** of each member in the Cluster Supply Plan.

## 4.1 SHARING AND FINALIZING THE LRT PRESENTATION

(Toolkit 4.1 Meeting Guide: Presentation of MCS findings and report)

### SHARING THE LRT PRESENTATION

Before sharing and discussing the LRT Presentation with farmers, it is helpful for the **LRT to first review the agroenterprise orientation** definitions and objectives and the eight steps in the Agroenterprise Clustering Approach that were first presented in Step 1 during the meeting to introduce agroenterprise. The LRT farmer representatives together with the Facilitator Team practice the suggested presentation flow through a role play in which the two LRT farmers talk to each other.

**Who should be convened?** The Facilitator Team convenes a meeting of the clusters formed in Step 1. All of the clusters represented by the LRT meet together. If, however, a certain area has many clusters, for example 10 or more clusters in one municipality with a total membership above 100 farmers, the Facilitator Team can convene only the Cluster Leaders representing their clusters. In this case, the Cluster Leaders will then cascade the discussions from the meeting to their own cluster members.

**Who makes the presentation?** It is best that the two **LRT farmer representatives** make the presentation to the clusters with the support of the Facilitator Team. Experience has shown that having farmers present to farmers is most effective in getting the confidence of the cluster members to participate in the group marketing, which they perceive to be a difficult undertaking. Clusters are more open to new possibilities when it is one of them (rather than outsiders) giving information and motivating them to undertake the group marketing.



**What is presented?** The LRT shares the LRT Presentation compiled in Step 3 in order to discuss and finalize the contents with the farmers. The presentation process is clearly outlined in the toolkit. The presentation format has proven to engage cluster members so they are prepared to make a commitment to the Agroenterprise Objective.

During the presentation, it is important to emphasize that market opportunities become accessible to the farmers **only** when they are **organized** and can **consolidate** their supply.

### LESSON LEARNED: CLUSTER MEMBERS MUST BE PREPARED TO BRING THEIR PRODUCTS TO MARKET

Agroenterprise clusters are formed from farmers who are ready to bring their products to market. The success of the cluster can be broken down into the accountability of each cluster member to deliver on their commitment to the Agroenterprise Objective.



### SOLICITING CLUSTER MEMBERS' COMMITMENT TO THE AE OBJECTIVE

Commitment to the Agroenterprise Objective is expressed by way of the **cluster member signing the Cluster Supply Plan** that specifies each

member's number of Production Modules and the percentage promised for consolidation to the cluster (Figure 29).



The LRT Presentation and Cluster commitment-setting can happen in one meeting. But if necessary, the Facilitator Team **must allow for time and a follow-up meeting** for cluster members to think over their decision or consult their families before making a commitment.

Those farmers who decide not to commit a percentage of their product to the clusters' collective marketing do not become part of the organized agroenterprise clusters.

**It is acceptable that some farmers decide not to participate, particularly in the first round of marketing.** It is better that farmers who are hesitant to participate voice that hesitation and are not included in the Cluster Supply Plan, rather than committing out of a sense of social pressure and then renege on their supply commitment later. In most cases, clusters have been open to accepting these farmers later when they are ready to commit to cluster marketing.

**LESSON LEARNED:  
KEEP THE DOOR OPEN FOR RISK-AVERSE FARMERS**

There will always be farmers in the group who will need assurance and want to see benefits first before they join the cluster marketing. Let these farmers know that the cluster will keep the door open for them to join at a later time.



## 4.2 CLUSTER LEADERSHIP

After the cluster members commit to the Cluster Supply Plan, the facilitators guide the clusters to choose from among them **one or more sub-leaders** to fill the growing responsibilities in the cluster (Figure 30). **The focal person for group management is still the Cluster Leader.** Cluster sub-leaders include the following positions:

- **Postharvest Coordinator** organizes product consolidation and marketing
- **Production Coordinator** is the lead grower, demonstrates practices in the Production Module
- **Secretary** records meetings, agreements, keeps the cluster record
- **Treasurer** handles the recording and reporting of the financial transactions



### LESSON LEARNED: SHARED LEADERSHIP IS ESSENTIAL TO CLUSTER SUCCESS

Successful agroenterprise needs a set of complementary group capacities for cluster management, production, marketing, financial planning and the business development. This requires more than just one strong leader. It requires shared leadership and the diverse skills of multiple members of the cluster.

At this point it sometimes happens that a cluster decides to re-evaluate their leadership and choose a new Cluster Leader to replace the person elected in Step 1. The Cluster Leader need not be the biggest

producer in the cluster. What is important is that the Cluster Leader has the personality, skills and dedication to mobilize the members of the cluster in meetings and various cluster activities and build their trust.



All cluster leadership positions are **democratically elected** by the cluster members. The Facilitator Team supports the cluster to ensure that the leaders are elected or re-elected annually.

FIG  
30

Cluster members vote for sub-leaders



## 4.3 MONTHLY CLUSTER MEETINGS AND RECORDKEEPING

(Toolkit 4.2 Meeting Guide: Monthly cluster meetings and recordkeeping)



It is critical that the cluster hold monthly meetings. **Meetings provide the opportunity to assess performance versus targets** in cluster activities. Only by regularly reviewing activities (possibly every quarter), identifying good practices and analyzing bad ones, can the cluster develop the practices and systems that work best and make them most competitive in the market.

Meetings also build trust. **Intra-cluster trust ensures that members will persevere and work out any challenges together.** This is of the utmost importance considering that marketing is a difficult process, and not all transactions will be successful. Trust in the cluster also makes the problem of pole-vaulting less likely.

The Facilitator Team organizes the newly selected leaders to work together to formulate the **policies and agreements** (e.g. schedule for regularly meetings and payment of marketing service fees)

that the cluster members will also regard as a requirement for membership.

At the start, the Facilitator Team convenes and facilitates cluster meetings. These are opportunities to demonstrate how to facilitate a cluster meeting well. Once the Cluster Leader and sub-leaders are elected and comfortable with their responsibilities, they will conduct the meetings and organize the cluster around their shared agreements. At this point, the Facilitator Team will still participate in cluster meetings, but will not conduct them.

Facilitators participate in monthly cluster meetings through the first cropping season. They use the meetings to continue supporting farmers in agroenterprise learning, guiding them in the eight-step Clustering Approach and training Cluster Leaders to facilitate meetings. After the clusters have conducted their test marketing activities in Step 7, they are encouraged to hold their own meetings even without the Facilitator Team.

### RECORDS

The cluster documents meetings, including the decisions made and the results of business activities. The suggested records for the cluster to maintain are presented in Figure 31 with more detail in *Toolkit 4.2*.

The records become part of the information used in the periodic checking of the progress of the agroenterprise. This will be discussed in Step 8 (Sustained enterprises).



Suggested records to maintain in clusters

Responsible person	Record to maintain
<b>Secretary</b>	Organizational information: Membership lists, leadership, meeting minutes, activities, policies and agreements
<b>Production Coordinator</b>	Production and cluster supply: Agreed Production Module, estimated total yield and committed yield for collective marketing and actual product consolidated
<b>Postharvest Coordinator</b>	Collective marketing: Product consolidated for collective marketing and quantity sold by type of buyer <i>Note: Based on the Agroenterprise Plan</i>
<b>Treasurer</b>	Financial information: Marketing costs and returns, savings, loans and payment <i>Note: Sourced from the accounting information/financial reports</i>

## 4.4 FREQUENTLY ASKED QUESTIONS (FAQ) OF FACILITATORS ABOUT CLUSTER ORGANIZATION

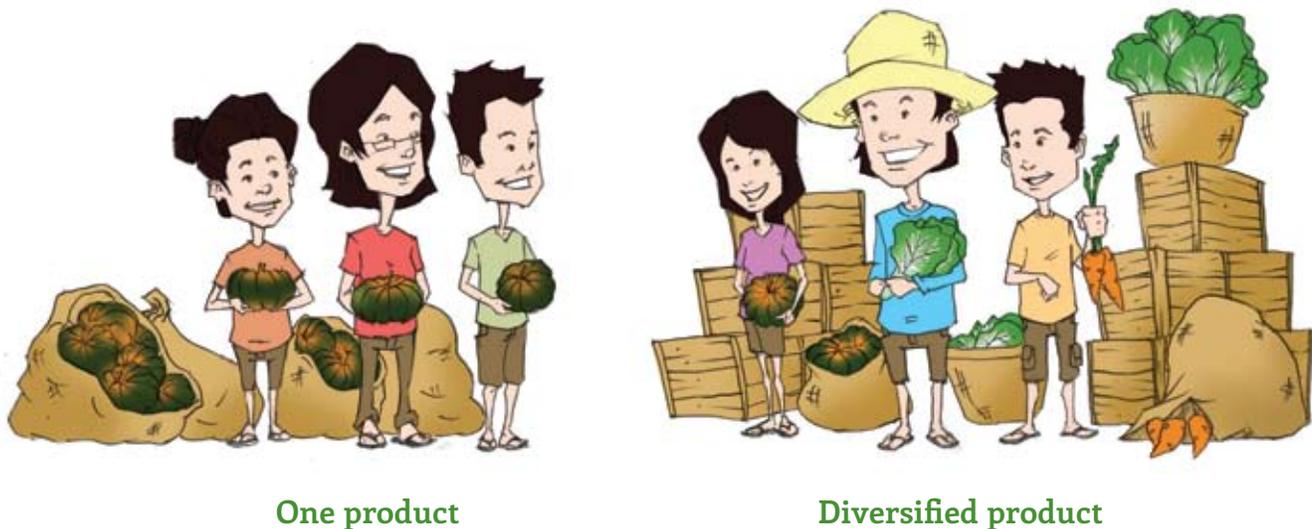
### Is it typical to have only one product per cluster or multiple products per cluster?

Clusters can be either one-product clusters or diversified product clusters, depending on the characteristics of the farmers and the market opportunities.

- **One-product cluster:** As the name implies, this type of cluster commits to the joint marketing of one product. Usually these are farmers who are already producing primarily one commodity crop, an example being coffee clusters selling to a large coffee processor.
- **Diversified product cluster:** This type of agroenterprise cluster handles the marketing of two or more commodities produced by cluster members and combined for the needs of a single buyer or a set of buyers. An example is a diversified vegetable cluster that organizes the supply of various vegetables to a supermarket. The **diversified product cluster is the more common type of cluster** since farmers usually have a combination of products on their farms (Figure 32).

FIG  
32

Different clusters with one product and diversified products



### What is the ideal cluster size?

Based on experience, successful collective marketing is generally carried out by a **cluster of 10 to 15 members**. For collective marketing to succeed, all the farmers meet regularly to discuss their problems and their plans. The bigger a group is in a meeting, the more difficult it is to ensure that everyone's voice

is heard. In the case of 30 local farmers who want to form a cluster, for example, it is recommended that they organize into two clusters. On the other hand, if the cluster is too small, the members cannot consolidate enough product to be competitive in the market.



## LESSON LEARNED: SMALLER CLUSTERS HELP BUILD TRUST

The advantage of small groups is that the members can gather more easily and get to talk regularly with each other. This is essential to building trust needed so that farmers will more easily adjust their farming practices for the market, entrust their products to collective marketing and assume ownership of their agroenterprise.



### Are there ways for several clusters to come together to gain even more market advantages than a single cluster alone?

Yes. When several clusters are organized as a formal business organization (e.g. cooperative), they are able to more effectively leverage the advantages of collective marketing. These advantages include:

- **Access to formal markets:** As a formal business entity with larger supply, clusters can sell to big, institutional markets that prefer to transact with suppliers with business documents and larger product quantities.
- **Access to financial services and other BDS:** Clusters can access marketing capital and other BDS on the basis of the quantity of marketable products issued with a formal purchase order. Also, payments from buyers to registered businesses, for example, can be made through bank-to-bank transfers for repeated ease of transaction.
- **Positive image as a large, reliable supplier:** Uniform product quality is achieved through the cluster members having a large product volume that they can sort and grade. The cluster members can also organize their product supply to make it continuous through staggered planting schedules. These advantages enable a formal organization of clusters to present itself as one large, reliable supplier to buyers.

An example of clusters collaborating for greater mutual advantage is three clusters agreeing to pool products and form the building blocks of product consolidation for one farmer cooperative, all sharing in one AE Plan but having a Cluster Supply Plan for each cluster.

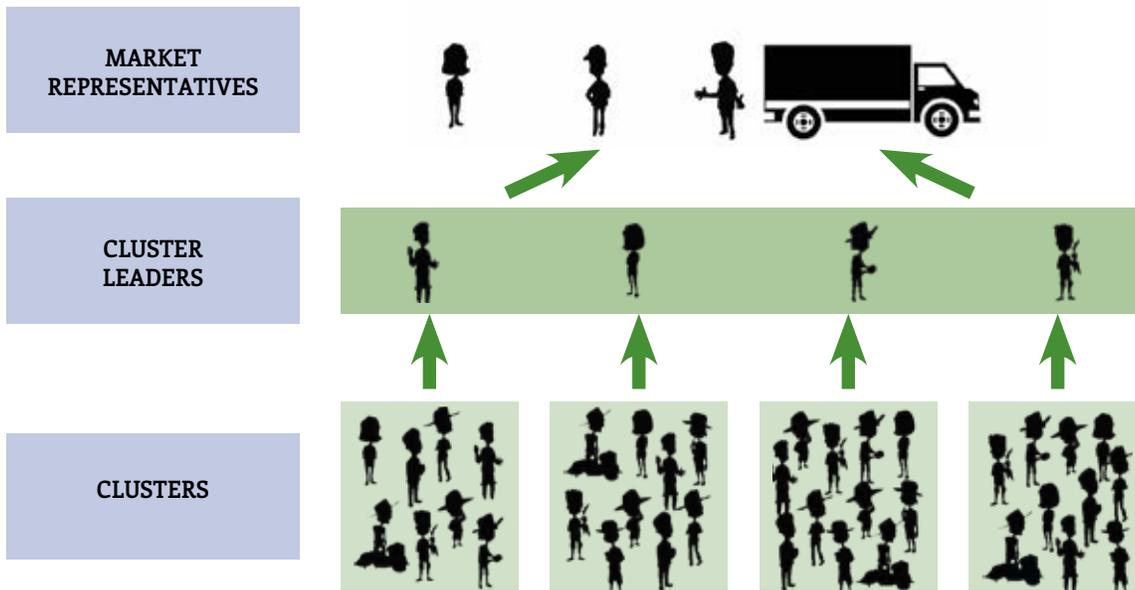
When clusters are formed within an **existing cooperative**, the cooperative typically organizes an Agroenterprise Committee that is the means for the clusters to coordinate decisions with the cooperative's board. Cluster leaders typically form the Agroenterprise Committee, representing and making decisions for their cluster members.

If the clusters are considering forming a **new cooperative** or other business entity, then at

the end of Step 4, it will be worth considering bringing the clusters together to organize one formal structure and get legal registration with the government under the new entity.

If they **choose to remain informal until after they have gone through test marketing** and have decided to pursue their agroenterprise for the long term, then they can set up an informal network of clusters, with shared decision-making through selected market representatives chosen by the Cluster Leaders. Selected Cluster Leaders from the participating clusters represent all members in market decision-making because, for the sake of efficiency, not every Cluster Leader should communicate directly with market actors (Figure 33).

Cluster network with representatives communicating with market actors



**What are the business arrangements that farmers can have with their clusters?**

The Clustering Approach encourages the practice of farmers interacting directly with buyers, with their **clusters (or cluster organization) acting as the “go-between” and market facilitator.** This means that the cluster acts as the bridge to connect farmers to the buyers and link them to BDS providers. There are two possible arrangements that farmers can have with their cluster (Figure 34):

- Farmer clusters can **sell directly to buyers:** In this arrangement, farmers accept the price offered by the buyer and pay all marketing costs and service fees to the cluster as the business entity representing them.
- Farmer clusters can **sell to a distributor or consolidator:** In this arrangement, the cluster sells to the distributor/consolidator on the farmers’ behalf, farmers are paid the local prevailing price of their product by the distributor and after the distributor sells the product and shares profits back to the cluster, the cluster gives farmers back a share of the net marketing income proportionate to the products they contributed to the collective marketing. Distributors in this case can be third party entities or their own cooperative.

In cases when the product being marketed changes product form or requires complex business operations beyond the capacity of the individual farmer, **a different business entity can be selected to be the product distributor or product processor.**

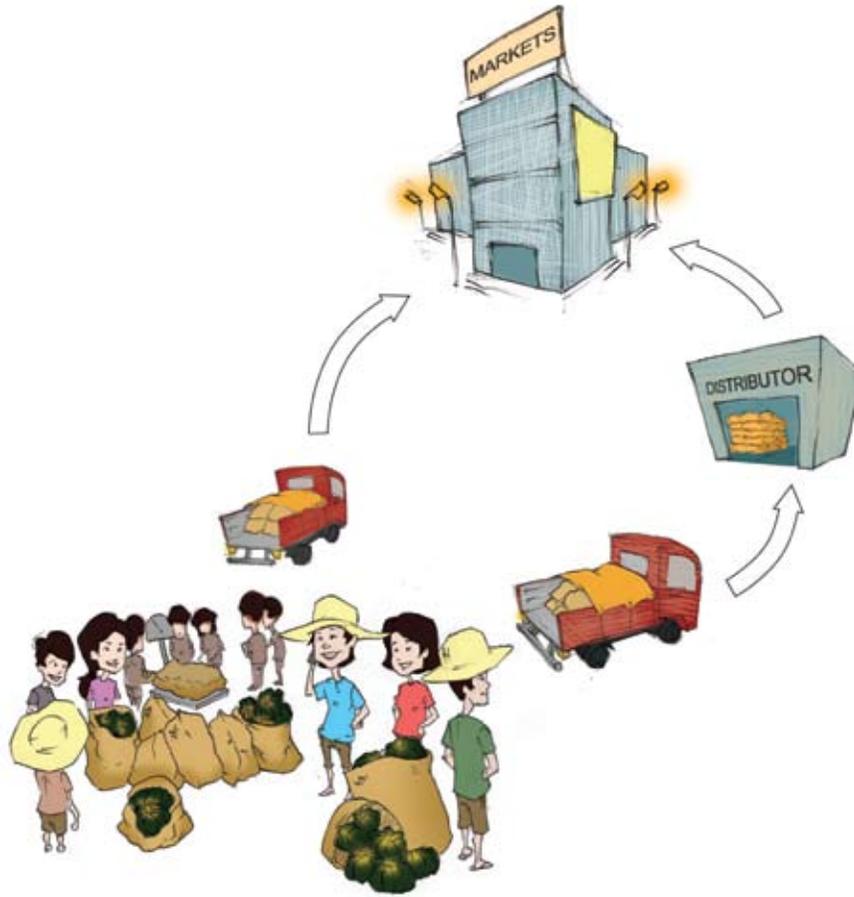
**Should all farmers be encouraged to join clusters?**

Clustering is not always appropriate for all farmers. The Facilitator Team has to be prepared for some farmers to decide not to join the clusters. This can happen for a number of reasons:

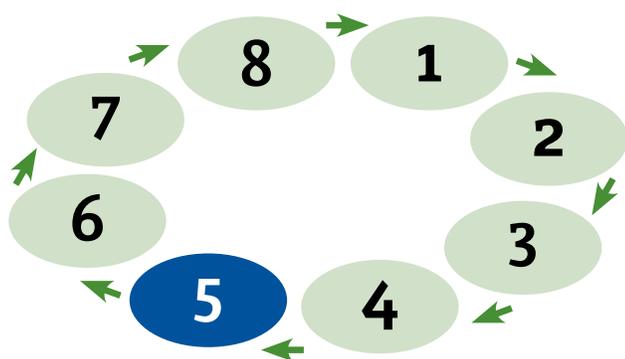
- Farmers are satisfied with their own local markets such as a roadside market or the village market day (also called *tabo*) giving them satisfactory prices
- Farmers have good relations with a trader and are committed to selling all of their product to a trader
- Farmers are not comfortable working in a group
- Farmers are physically isolated, making the collective marketing activity difficult logistically
- Farmers’ production is just for basic household needs and they may not yet have a surplus for marketing

FIG  
34

Examples of marketing: Directly through clusters or through distributors



# Step 5: Agroenterprise Plan and mobilization



**By the end of Step 5, the Facilitator Team will have:**

- Conducted the preliminary activities for **business planning**, particularly the validation of target markets, BDS providers and the farmers' supply with the LRT
- Formulated their **Agroenterprise Plan**
- Drawn up a **Business Action Schedule**

## OVERVIEW

At this stage, the Facilitator Team convenes the clusters to **convert the LRT Presentation into an Agroenterprise Plan** supported by an action plan with details of their collective marketing business. If a cluster is marketing more than one product, the cluster formulates one Agroenterprise Plan per product.

An Agroenterprise Plan combines the farmers' decisions on:

- What product they will sell
- How the product will be marketed
- Where the supply will come from
- How the management will be set up
- What the financial requirements will be
- What the expected income performance will be
- How the income will be allocated

Once the Agroenterprise Plan is completed, the Facilitator Team guides the clusters to prepare a **Business Action Schedule**, which is the list of implementation activities needed to get the cluster from this point to actually marketing their product.

## 5.1 WHY WRITE AN AGROENTERPRISE PLAN?

An Agroenterprise Plan is important because it is like a “road map” that guides the farmers through their group marketing experience. The Agroenterprise Plan plays the following roles:

- **Clarifies a common collective marketing goal.** This prevents misunderstanding in a business that is owned and operated by many farmers and has multiple moving parts.
- **Specifies the financial targets of the business.** This ensures in the first place that the business is financially feasible before the cluster takes that “leap” into their first product supply to the market, and that the cluster will be able to earn a profit from its marketing enterprise.
- **Provides the basis to measure business performance.** The plan enables the cluster to monitor and assess the results of its business decisions, and to make corrective measures or improvements as necessary.
- **Acts as a tool to engage with financiers and buyers.** A business plan enables the cluster to communicate its plans and needs to business partners. In particular, it is a basis for cluster members to negotiate for loans from financial institutions. It can also attract and assure the institutional market that the farmers have studied, analyzed and planned their investments.

## 5.2 COMPILING AN AGROENTERPRISE PLAN

*(Toolkit 5.1 Meeting Guide: Compiling the Agroenterprise Plan)*

### WHAT INFORMATION GOES INTO THE AGROENTERPRISE PLAN?

Step 2 (Product Selection and Supply Assessment) and Step 3 (Market Chain Study) are the foundations of making an Agroenterprise Plan. If these steps are done well and inclusively, developing the Agroenterprise Plan will be fairly simple.

Steps 2 and 3 provide clusters with an understanding of how markets work, which markets offer farmers the best opportunities for profitable market interactions and how clusters can consolidate their product to be able to market to chosen buyers.

#### LESSON LEARNED: STEPS 2 AND 3 ARE THE FOUNDATION OF THE AE PLAN

Writing an Agroenterprise Plan is not difficult if there is good information-gathering in Step 2 and Step 3. These steps lead to the formulation of a business objective that expresses in a sentence the overall Agroenterprise Plan.



#### Compiling the Agroenterprise Plan involves two stages:

AE Plan Stage 1 – Preliminary activities

AE Plan Stage 2 – Formulating the plan guided by the AE Plan format

## AE PLAN STAGE I: PRELIMINARY ACTIVITIES

There are three important preliminary activities conducted by the Facilitator Team and Cluster Leaders before embarking on the Agroenterprise Plan formulation. These activities help lock in the specific information needed for the plan development. The three preliminary activities are as follows:

### Preliminary Activity 1: Reviewing the Value Chain Map and Diagram to the preferred future markets

This activity is carried out by the LRT. In Step 3, the LRT created a Value Chain Map and a Value Chain Diagram to preferred future markets. In Step 4, the farmer clusters agreed on a final version of the map and diagram. These two tools provide detailed information about which actors the clusters are engaging to move their product through the specified value chain.

Now in Step 5, the Facilitator Team with the

Cluster Leaders ask the LRT to look again at the buyers and BDS providers that they previously identified in the Value Chain Map and Diagram of preferred future markets. They can also identify new buyers and BDS providers if new opportunities have arisen. By reviewing and updating the two tools, the LRT decides **whom to visit** in order to update the buyer and BDS information in Preliminary Activity 2.

### LESSON LEARNED: IT IS CRITICAL TO MANAGE COSTS

A primary challenge in analyzing the value chain is finding out how to manage costs, particularly in marketing operations. By lowering business operation costs, the farmers will increase their competitiveness in the market and retain more of the sale value of their products. Making efficient use of BDS providers helps in this process.



### Preliminary Activity 2: Updating buyer and BDS provider information

Based on the outputs of Preliminary Activity 1, the Facilitator Team with the Cluster Leaders task the LRT with revisiting the preferred buyers and BDS providers identified in the first preliminary activity. The LRT will confirm buyers' prices, BDS costs and terms of agreement. The LRT will also present product samples to buyers and conduct follow-up price and terms negotiations (Figure 35).

BDS providers to visit could include input suppliers, financing institutions, transportation operators and warehouses. Working with good BDS providers with reasonable costs and terms of agreement is crucial to helping farmers engage new market opportunities, reduce risk, increase competitiveness and make their enterprises sustainable.

Key topics to consider in discussions and negotiations with buyers and BDS providers are:

- Defining the product and/or service
- Quality and packaging
- Quantity
- Frequency and schedule of supply
- Place of purchase and transport
- Pricing
- Payment arrangements
- Case of non-compliance to agreement on either side (supplier, buyer or BDS provider)
- Persons in charge of communication on either side (supplier, buyer or BDS provider)

FIG  
35

### Farmers bring product samples and negotiate with a buyer



#### Preliminary Activity 3: Validating the product commitment of cluster members

This product commitment is written in the **Cluster Supply Plan** created in Step 3 and finalized and signed by the cluster members in Step 4. Each Cluster Leader undertakes this second

validation in Step 4 just before commencing Agroenterprise Planning to be sure that the projected supply is the correct basis for setting the targets in the Agroenterprise Plan.

## AE PLAN STAGE II – FORMULATING THE PLAN

Formulating the Agroenterprise Plan is quite simple when the activities of the previous steps and the preliminary activities are done well. In formulating the AE Plan, facilitators and clusters are guided by a format that draws from the clusters' previous work.

### Components of an Agroenterprise Plan



Building an Agroenterprise Plan involves compiling **four components** from previous steps and converting them into the Agroenterprise Plan format. These component include:

- **Market Plan** from the Value Chain Map and Value Chain Diagram (created in Step 3 and finalized in Step 4)
- **Supply Plan** from the Cluster Supply Plan (Step 2) and Value Chain Map
- **Management Plan** from Cluster commitment-setting (Step 4)
- **Financial Plan** from Marketing Cost and Return Table (Steps 3 and 4)



The Facilitator Team conducts a meeting with the clusters to fill in the important information in each plan component. This process is an interactive one that ensures that cluster members will have ownership of the Agroenterprise Plan and will be clear about their commitments to realize the plan. This meeting is facilitated with a guide containing basic information for each component of the plan (**Toolkit 5.1**).

If Cluster Leaders have been continually reminding members of their commitments in the Cluster Supply Plan, there shouldn't be a problem with members getting to this step without having the capacity to fulfill their product commitments. If there are any problems with cluster members

not being able to fulfill their Cluster Supply Plan commitments, it is important that they are addressed before the AE Plan meeting. This will ensure the AE Plan is based on actual farmer supply that is available for marketing according to the AE Plan.

### LESSON LEARNED: FARMER PARTICIPATION IN AE PLANNING DEMYSTIFIES BUSINESS

Guiding farmers to go through the step-by-step AE Clustering Approach demystifies business and helps farmers feel ownership of the AE Plan. It is also critical to the ability of farmers to conduct agroenterprise planning after the project ends and the facilitators are no longer supporting them.



This information in the AE Plan is organized like a jigsaw puzzle: The absence of any one piece of information will render the puzzle incomplete and may make it hard for cluster members to appreciate and articulate the picture in its completeness (Figure 36).

FIG  
36

#### Four sub-plans of the Agroenterprise Plan



Using a sample Agroenterprise Plan, the Facilitator Team guides the clusters in a meeting to fill in each piece of information in the components of the plan (Figure 37).

**FIG 37** .....  
**The Agroenterprise Plan**

Introduction	<ul style="list-style-type: none"> <li>• Name of business entity</li> <li>• Contact person</li> <li>• Address</li> <li>• Phone number</li> </ul>
Agroenterprise Objective	To collectively market to <u>number</u> buyers, namely <u>name of buyers</u> , a total quantity of _____ good quality <u>product</u> , in _____ <u>frequency of deliveries</u> , from _____ <u>period of deliveries</u> ; coming from _____ clusters with altogether _____ participating farmers, and earn a net marketing income of P_____.
Market Plan	<ul style="list-style-type: none"> <li>• Target buyers</li> <li>• Product</li> <li>• Product quality specifications and packaging</li> <li>• Price</li> <li>• Sales target (volume and value)</li> <li>• Payment terms</li> <li>• Promotion</li> </ul>
Supply Plan	<ul style="list-style-type: none"> <li>• Suppliers (clusters)</li> <li>• Estimated supply volume</li> <li>• Product quality management</li> <li>• Operational flow</li> <li>• Materials/facilities needed</li> </ul>
Management Plan	<ul style="list-style-type: none"> <li>• Management set-up</li> <li>• Responsibilities and compensation</li> <li>• Policies and agreed procedures</li> </ul>
Financial Plan	<ul style="list-style-type: none"> <li>• Financial requirements for marketing (start-up and operating)</li> <li>• Estimated marketing costs and returns</li> <li>• Allocation of marketing incomes</li> </ul>

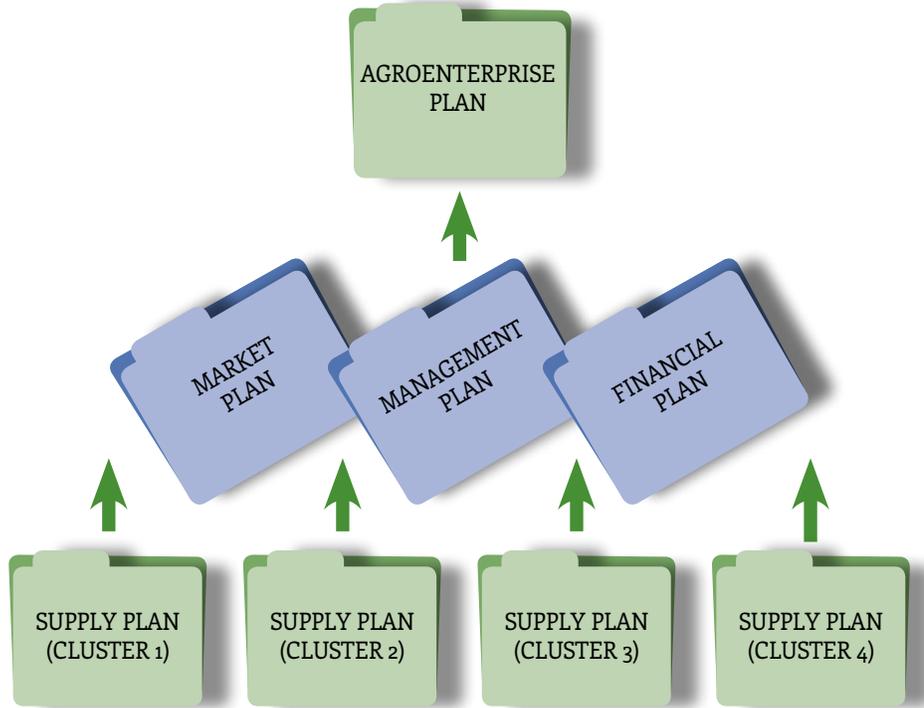
### ONE AGROENTERPRISE PLAN CAN BE SHARED BY VARIOUS CLUSTERS

As mentioned in Step 4 (Cluster commitment-setting), clusters can work together and share one Agroenterprise Plan. This enables them to market a larger quantity of product and have bargaining power in the market. What will be **different for each cluster is the Cluster Supply Plan**.

The combination of each participating cluster's Cluster Supply Plan is consolidated into the Supply Plan in the Agroenterprise Plan. Clusters can share an Agroenterprise Plan as long as they are engaging a common value chain (Figure 38).

**FIG 38**

**Municipal-level Agroenterprise Plan supported by village-based Cluster Supply Plans**



**5.3 MAKING A BUSINESS ACTION SCHEDULE**

After preparing the Agroenterprise Plan, the Facilitator Team assists clusters to seek advice from business practitioners and specialists to review and refine the plan. These individuals are friendly to the objectives of the farmers and also have business expertise. They can include, for example, BDS providers, traders and SWG members. Their feedback on the Agroenterprise Plan is very valuable in the review of the calculations and analysis of the plan’s business soundness and viability.

The Facilitator Team then proceeds to guide the clusters to undertake a **Business Action Schedule** that puts the Agroenterprise Plan into action. The Business Action Schedule is a list of the activities that need to be performed based on the Agroenterprise Plan. In addition to defining the work that needs to be completed before the first test marketing, it is important to agree on who is responsible for that work and when it is to be carried out. Figure 39 provides a guide for creating Business Action Schedules.

**FIG 39**

**Business Action Schedule guide**

Area of work	Activity (What needs to be done?)	Person responsible (Who will do it?)	Timeframe (When?)	Remarks on status (Completed)
Farmer / Business organization				
Financing				
Farm production				
Postharvest				
Marketing-related				
Monitoring				
Others				

## 5.4 ALLOWING FOR CONTINGENCY DECISIONS

After the Agroenterprise Plan and the Business Action Schedules are completed, it is important that the Facilitator Team emphasizes to the clusters that plans at best can only anticipate results. Marketing

is a dynamic activity and clusters must be cautioned that no matter how much planning is done to attain the intended results, there must always be room for adjustments.

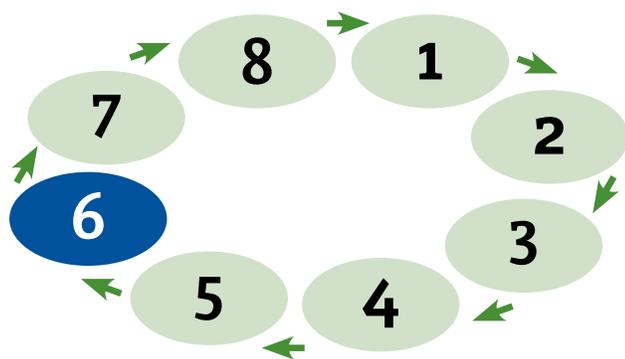


Given changes in the markets and the fact that the clusters and Facilitator Team will be learning together during collective marketing, the **Agroenterprise Plan should also be adjusted as needed** throughout the marketing process to continually maintain it as a relevant document.

In the course of carrying out the AE Plan, certain opportunities or challenges may arise that call for quick decisions by Cluster Leaders. It is important that clusters choose trustworthy leaders so that the leaders, together with the Facilitator

Team or whoever is tasked to oversee marketing operations, can confidently make these urgent “contingency” decisions that in many cases can define the success or failure of the collective marketing endeavor.

# Step 6: Product supply organizing



By the end of Step 6, the Facilitator Team will have guided the clusters to:

- Make their **Planting and/or Harvest Calendars** to support their Cluster Supply Plan
- Establish their cluster **field-monitoring procedures**
- Review the Cluster Supply Plan and make a **Product Supply Forecast** matched with their buyer commitments

## OVERVIEW

Big buyers often associate buying from smallholder farmers with risk and difficulty. In their observations or dealings with smallholder farmers, there may have been many instances of non-delivery of committed product volume and quality.

In Step 6, the Facilitator Team assists clusters to reverse this trend between smallholder farmers and big buyers by organizing cluster product supply to **ensure that the marketing targets they have set in their Agroenterprise Plan will be attained**. This process mainly involves:

- **Coordinating planting and harvesting** of cluster members based on the **Cluster Supply Plan** of the Agroenterprise Plan
- **Undertaking cluster field-monitoring** procedures to check on the status of their crops and determine possible effects on supply when problems arise that may damage crops
- **Making a Product Supply Forecast** based on the **updated product supply status** for market negotiations and deliveries

## 6.1 ORGANIZING SUPPLY AND MANAGING COST

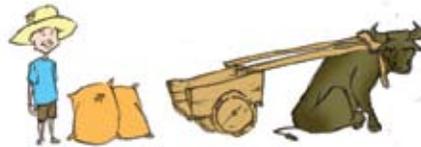
Toolkit 6.1 Meeting Guide: Compiling Planting and Harvesting Calendar and Field Monitoring Guide

When farmers or traders fail to meet supply arrangements with big buyers, this can mean significant losses for the buyers. For example, if processors do not have the total raw materials they need at the time of scheduled processing, they are unable to operate as planned and could lose their operational investments. Similarly, modern food establishments like fast food companies and supermarkets have particular schedules for receiving product because they must abide by set procedures like store distribution or store display.

By consolidating product and managing costs through collective marketing, individual farmers can sell larger quantities at competitive prices, even in widely dispersed areas. If the farmers are organized and can undertake activities that traders are carrying out, like sorting, grading, repacking and transporting to buyers, they also earn additional value by **operating with economies of scale (i.e. lower costs with higher quantities)** (Figure 40).

**FIG 40** .....  
**Farmers individually marketing versus farmers marketing with economies of scale**

INDIVIDUAL FARMER



THREE FARMERS



GROUP



In order for smallholder farmers to successfully implement their Agroenterprise Plans and thereby overcome the challenges of product consolidation and cost management, they must undergo considerable planning.

## ORGANIZING SUPPLY-PLANNING ACTIVITIES

Planning starts with farmers' production to ensure that their product supply will match the marketing targets the cluster has set in their Agroenterprise Plan. This includes three main activities (Figure 41):

- Confirming the Production Module with each member
- Matching the Cluster Supply Plan with the Agroenterprise Plan
- Translating the Cluster Supply Plan into a Planting and Harvest Calendar

### Activity 1: Confirming the Production Module with each member

The first responsibility for attaining reliable product supply, both in quality and quantity, rests on each cluster member. In Step 2, the Facilitator Team guided clusters to generate their Production Modules and Cluster Supply Plans. The Cluster Supply Plan was originally developed from initial product commitments of members based on the number of Production Modules they would adopt, and with tentative supply schedules translated into Planting and Harvest Calendars.



Now in Step 6, with the added information from the MCS and AE Plan, the Facilitator Team guides the Cluster Leaders to review and confirm the **Production Module** with their members, including:

- The farming practices, and costs and returns contents of the Production Module
- The number of Production Modules each member will grow for collective marketing

Of particular importance is reviewing the projected income for each module based on the updated MCS market information in the Agroenterprise Plan (Step 5). Without a reasonable projected income for each Production Module, farmers will stop producing the crop and the collective marketing will not succeed.

### Activity 2: Matching the Cluster Supply Plan with the AE Plan



The Facilitator Team guides all cluster leadership (Cluster Leader, Production Coordinator and Postharvest Coordinator) to review the **Cluster Supply Plan** in order to match the clusters' planned consolidated supply with the target quantity of products to be sold in the market plan section of the **Agroenterprise Plan**.

It is possible that the total consolidated product in the Cluster Supply Plan is not enough relative to the target sales, and that an adjustment is needed in the plan. What are the possible reasons for adjustments in the Cluster Supply Plan? And what kind of adjustments may be needed?

**EFFICIENCY** In order for a **cluster to efficiently move** product to the intended market, it is possible that a larger quantity may be required than originally committed by the cluster members. Additionally, the buyer may require a certain quantity to make it **efficient for the buyer to transact with the cluster**.

#### **PRODUCT SUPPLY SCHEDULES**

Institutional buyers such as restaurants, supermarkets or their consolidators and processors, often need regular product supply for a whole year or for a certain period. To meet this kind of requirement, clusters need to plan an extended supply period by agreeing on how they can distribute among them the supply quantity and schedules required (Figure 41). The plan determines how many modules each member will plant and when these will be planted and harvested. If the crop is seasonally grown but can be stored, the cluster will want to discuss whether to undertake storage to extend the supply period.

**TYPE OF BUYER** If the cluster is supplying to local or regional buyers in the **spot market** (e.g. with traders at the wholesale market that buy any quantity based on supply and demand conditions), then the cluster can plan to **consolidate a supply quantity that is equal to the intended sale quantity**. This is because there is no doubt that the traders in the spot market will purchase the cluster's entire product.

On the other hand, if based on their AE Plan, the cluster is planning to sell to **institutional buyers** with formal purchase orders for specified product quality, volume and delivery schedules, then the cluster should plan to **consolidate more product than the agreed quantity**. Commonly, clusters will consolidate about 25% more product than the committed supply. This provides a buffer supply in case of damage to members' crops, poor harvest or pole-vaulting.

The Facilitator Team encourages the cluster to **have both types of buyers** so that they enjoy the benefits of a more stable market relationship with institutional buyers but at the same time transact with local or regional buyers in the spot market that take "all-in" the products so that all harvests can be converted into farm sales and income.

#### **If there are no changes in consolidated product in the Cluster Supply Plan**

The Facilitator Team asks the **Cluster Leaders to confirm with their members their production plan** based on the number of Production Modules that each member had planned to grow as decided in

Step 2. Of particular importance is to also review the Financing Plan and the projected income for each module based on the updated MCS information in the Agroenterprise Plan.

#### **If there is a change in the consolidated product in the Cluster Supply Plan**

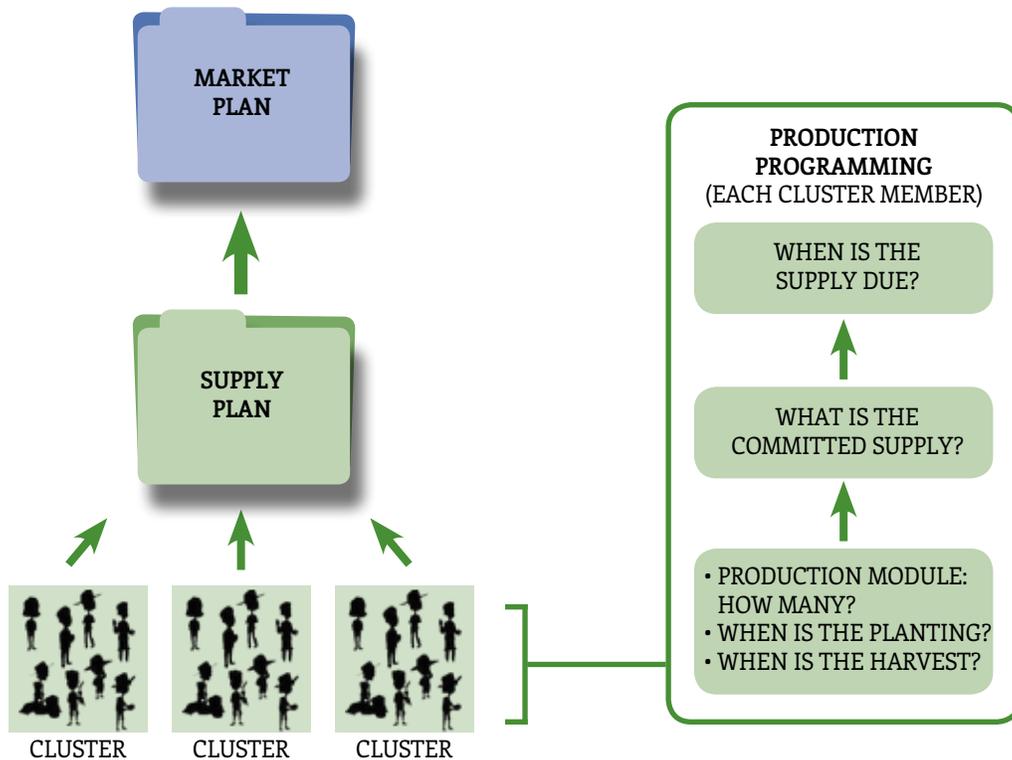
After determining how much more consolidated product is needed to match the target sales, the Facilitator Team assists the Cluster Leaders to consult their members and ask them to **revisit the Production Module** of each member and agree among themselves **how to increase their supply**.

There are **two options** to increase supply: **(a)** members can **grow more Production Modules**, or **(b)** members can **increase the percentage of committed**

**supply** of the Production Module. The Facilitator Team will ensure that the supply from each member in the Cluster Supply Plan is fairly distributed, and no one member dominates in the cluster supply.

If the product supply required is regular over a period of time, then the Facilitator Team works with Cluster Leaders to **refine the supply schedule of each member**. Cluster members determine their schedules of **planting and harvest** by consensus.

Planned supply from each cluster member



**Activity 3: Translating the Cluster Supply Plan into a Planting and Harvest Calendar**

The Cluster Supply Plan was originally developed with a tentative Planting and Harvest Calendar in Step 2. Now in Step 6, the Facilitator Team assists Cluster Leaders to review, expand and finalize the Cluster Supply Plan incorporating the agreed **Planting and Harvest Calendar (for short-term**

**crops) and Harvest Calendar (for permanent crops)**. In order to do this, they will reference the product supply commitments and sales timelines defined in the Agroenterprise Plan. Cluster Leaders support members to organize planting and harvest times accordingly (Figure 42).

## Planting and Harvest Calendar with Field-Monitoring Table

Name of cluster:	Product:
<b>Cluster location:</b> Province:	Module description:
Municipality/City:	No. of farmers:
Barangay:	Yield/Module:
Sitio:	

Name	No. of modules	No. of plants	Date of planting	Date of harvest	Harvest period	% of plants surviving				
						Month 1	Month 2	Month 3	Month 4	Month 5
Cluster 1										
Farmer 1										
Farmer 2										
Farmer 3										
Farmer 4										
Farmer 5										
Farmer 6										
Farmer 7										
Farmer 8										
Farmer 9										
Farmer 10										
<b>Total</b>										

## 6.2 CLUSTER FIELD MONITORING

Once the Supply Plan and Harvest Calendars are made, the next move is for Cluster Leaders and Production Coordinators to work together to support farmers to put their production plans into action. Typically the cluster Production Coordinator will lead cluster field monitoring to **1) generate updates on the crop as it is growing** using the Field Monitoring Report and to **2) alert the cluster should any problems arise** such as too much rain or pest incidence that could

negatively impact cluster supply commitments (Figure 43).

Production Coordinators update clusters on crop status at the **monthly cluster meetings**. Production Coordinators can then discuss with all members and prioritize field visits to members who have immediate farm production concerns to be addressed. Updated information from the Crop Monitor Report is used to update the Cluster Supply Plan.



### 6.3 PRODUCT SUPPLY FORECAST

*(Toolkit 6.2 Meeting Guide: Product Supply Forecast)*



A month before the cluster makes its first delivery (or before a final market negotiation), the cluster conducts a Product Supply Forecast meeting.



The Product Supply Forecast is the **Cluster Supply Plan** with the added information of the **updated status of supply** from each cluster member after results of field monitoring. Using the Product Supply Forecast, the Facilitators and Cluster Leaders **cross-reference** the forecasted supply with the product commitments contained in the market plan section of the Agroenterprise Plan (Figure 44). Having a supply forecast makes the cluster confident that it can ensure supply when it commits during the market negotiation.

Product Supply Forecast

Cluster Supply Plan

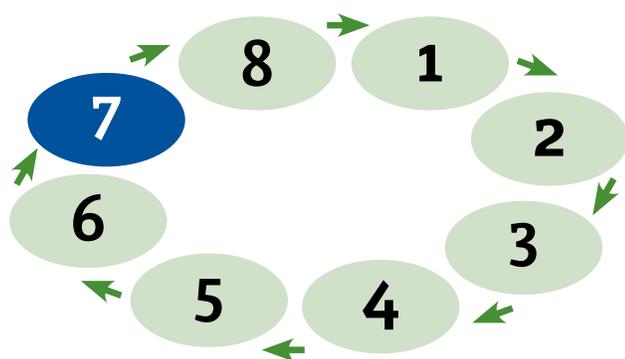
Barangay: 1  
Municipality: Malabon City  
Province: Batidnen

No. of Clusters: 2  
No. of Farmers: 22

Product: Squash  
Module (description): 1,000 plants  
Yield/module: 6,000 kg

Suppliers LAST NAME	No. of Modules	Expected Yield (kg)	Committed Yield, 50% (kg)	Month (May)				Month (June)				Signature*
				Wk 1	Wk 2	Wk 3	Wk 4	Wk 1	Wk 2	Wk 3	Wk 4	
<b>CLUSTER-1</b>												
1 Farmer 1	2	12,000	6,000	3,000					3,000			Signed
2 Farmer 2	2	12,000	6,000	3,000					3,000			Signed
3 Farmer 3	2	12,000	6,000		3,000					3,000		Signed
4 Farmer 4	2	12,000	6,000		3,000					3,000		Signed
5 Farmer 5	2	12,000	6,000			3,000					3,000	Signed
6 Farmer 6	2	12,000	6,000			3,000					3,000	Signed
7 Farmer 7	1	6,000	3,000				3,000					Signed
8 Farmer 8	1	6,000	3,000				3,000					Signed
9 Farmer 9	1	6,000	3,000					3,000				Signed
10 Farmer 10	1	6,000	3,000					3,000				Signed
<b>Sub-Total</b>	<b>16</b>	<b>96,000</b>	<b>48,000</b>	<b>6,000</b>								
<b>CLUSTER-2</b>												
1 Farmer 1	2	12,000	6,000	3,000								Signed
2 Farmer 2	2	12,000	6,000	3,000								Signed
3 Farmer 3	2	12,000	6,000		3,000							Signed
4 Farmer 4	2	12,000	6,000		3,000							Signed
5 Farmer 5	1	6,000	3,000			3,000						Signed
6 Farmer 6	1	6,000	3,000			3,000						Signed
7 Farmer 7	1	6,000	3,000				3,000					Signed
8 Farmer 8	1	6,000	3,000				3,000					Signed
9 Farmer 9	1	6,000	3,000					3,000				Signed
10 Farmer 10	1	6,000	3,000					3,000				Signed
11 Farmer 10	1	6,000	3,000						3,000			Signed
12 Farmer 10	1	6,000	3,000						3,000			Signed
<b>Sub-Total</b>	<b>16</b>	<b>96,000</b>	<b>48,000</b>	<b>6,000</b>								
<b>Total Supply</b>	<b>32</b>	<b>192,000</b>	<b>96,000</b>	<b>12,000</b>								
Volume Required - Buyers												
1. Wholesale Buyers				4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	
2. Supermarket Consolidator				7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	
<b>Total Requirement</b>				<b>12,000</b>								
<b>Supply Allowance (Extra)</b>												
Note: Under Step 2, supply plan excludes entry of buyers; Under Step 4, supply plan includes entry of buyers; Under Step 6, supply plan is adjusted based on results of field monitoring and becomes a supply plan forecast for buyer negotiation												
* Harvest is 3 months after planting												
* By affixing our signatures, we are willing to participate the marketing program of the clusters and commit to attend all activities of the cluster, provide more products to cover the efficiency of the other members due to unforeseen reasons and abide by the decisions and policies set forth by the clusters.												

# Step 7: Test marketing



By the end of Step 7, the Facilitator Team will have guided the clusters to:

- Undertake **test marketing**
- **Assess** the performance of the test marketing product deliveries and come up with **contingency measures** to address the immediate needs
- Review their Agroenterprise Plan and **revise** it as needed in preparation for the next step (sustained enterprises)

## OVERVIEW

In this step, the cluster implements its Agroenterprise Plan starting with test marketing activities. Test marketing is a **hands-on learning experience through actual marketing**. Test marketing gives the clusters valuable lessons in business and builds the confidence of both the clusters and the buyers for the next step, which is sustained enterprises. The Facilitator Team guides clusters through the three sets of activities in test marketing:

- Preparation
- Actual product deliveries
- Assessment of test marketing and improvement of the Agroenterprise Plan

Test marketing is a real sale to the agreed buyer as specified in the market plan section of the Agroenterprise Plan. It constitutes at least the **first three sales** where every sale transaction is assessed for corrective action and for adjustment of the Agroenterprise Plan before the marketing activities are sustained and scaled up in Step 8.

For some clusters, **more than three sales might be needed** to refine the marketing process. The Facilitator Team can support these clusters through as many deliveries as are needed to work out the test marketing before moving on to Step 8.

Test marketing is an essential part in the **learning-by-doing process** wherein clusters:

- Seek immediate **feedback from buyers** to refine their product quality and the buyer arrangements
- Review, validate and potentially **recompute their financial projections** based on actual marketing costs and returns
- Go back to their **operational flow and management set-up** (AE Plan) to address any inefficiencies
- Examine **committed supply and cluster agreements** and learn the standards of business discipline and accountability that need to be put into place before agroenterprises are ready to be sustained and scaled up

## 7.1 TEST MARKETING ACTIVITIES

### PREPARATION

*(Tool 7.1 Meeting Guide: Test marketing preparation)*

There are three preparatory activities that need to be completed before conducting test marketing:

- Cluster meeting to review test marketing plans
- Producing test marketing documentation forms
- Validating buyer arrangements

#### Activity 1: Cluster meetings to review test marketing plans



The Facilitator Team assists Cluster Leaders to convene a cluster meeting to:

- **Validate cluster member commitments** in the Product Supply Forecast
- **Re-check the operational flow** for the delivery (i.e. from their farms to the agreed product consolidation point) as described in the Agroenterprise Plan
- **Review the targets** set in the Agroenterprise Plan

The Facilitator Team also leads the discussion on the **critical activities leading up to the test marketing**. These activities, mostly related to the operational flow such as contacting the transportation service or procuring packaging materials, are listed in a Figure 45 and include the timeframe and the task assignments.

FIG  
45

Critical activities leading to test marketing (sample)

Component	Task	Responsible	Timeframe/Date	Remarks
Quality	Quality and moisture check of beans	Cluster leader	March 10	
Consolidation	Consolidation of coffee beans	Cluster leaders	March 12	
Marketing	Delivery to Nestle	Facilitator and Cluster Leaders	March 13	

## Activity 2: Producing test marketing documentation forms

Clusters will need to document basic information for each test marketing product delivery (Figure 46). Critical information to collect includes the quantity of product delivered by the clusters and received by the buyers and the resulting sales, costs and income for each transaction.

- Receiving form
- Delivery form
- Sales invoice
- Sales and costs
- Income report

The Facilitator Team assists the clusters to gather test marketing information. Forms are prepared to collect the information that range from simple to very detailed depending on the type of product and the requirements of the buyer. There are five basic forms:

FIG  
46

Sample test marketing documentation



## Activity 3: Validation of buyer arrangements

It is good for the Facilitator Team to guide the cluster to **validate negotiated arrangements with buyers**. Facilitators should support Cluster Leaders to follow up with buyers via mobile phone or other means to validate all details of the

arrangement just prior to product delivery. Certain negotiated items such as the price or product quantity to deliver may have changed since the last meeting and **renewed negotiation with the buyer is a critical activity**.

## LESSON LEARNED: PREPARE, PREPARE, PREPARE

Clusters can cope with the challenges of test marketing much better if they have gone through good preparation.



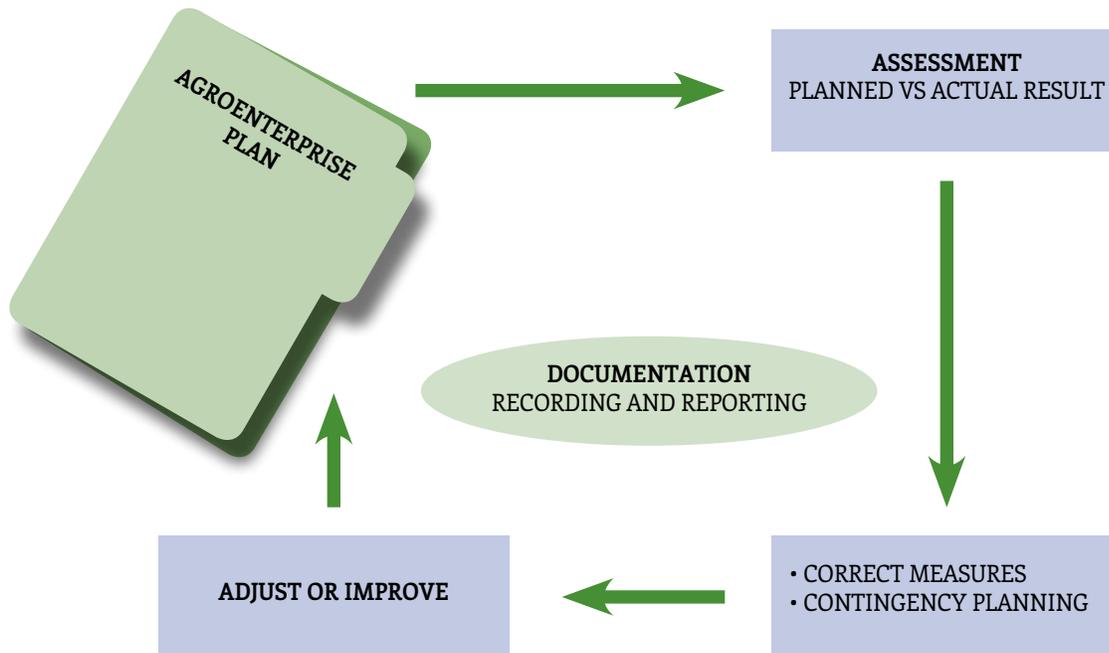
## ACTUAL PRODUCT DELIVERIES

Guided by the Agroenterprise Plan and the form “critical activities for test marketing,” the clusters now conduct test product deliveries. As mentioned, **at least three test product deliveries** are conducted for the clusters to have a good understanding of their capacity, the

buyer relationship and the prospect of scaling up. These three deliveries usually take place within one cropping season. Depending on the cluster’s capacity, resources and the response of the market, more than three test product deliveries may be needed.

FIG  
47

Test Marketing Assessments and improving the Agroenterprise Plan



Every test marketing activity needs a record and report of the financial transaction so that the clusters are informed of the results. The Facilitator Team assists the clusters to **practice good recordkeeping** to collect this information, maintain the records and **report back to the entire cluster membership** in order to continue to improve the AE Plan (Figure 47).



## LESSON LEARNED: LEARNING IS BEST WHEN UNSUBSIDIZED

It is normal for clusters to confront business challenges and setbacks during the test marketing period. This is part of the learning process. It is essential that facilitators support clusters to learn how to respond to these challenges. Facilitators must NOT subsidize clusters' costs and losses. This would prevent clusters from learning important lessons and actually put them in an even more vulnerable position at the time of full market sales.



## TEST MARKETING ASSESSMENT AND IMPROVING THE AGROENTERPRISE PLAN

(Toolkit 7.2 Meeting Guide: Test Marketing Assessment)



Immediately after each test product delivery, the Facilitator Team guides the cluster to conduct a Test Marketing Assessment meeting to determine whether the clusters are ready to proceed with the succeeding deliveries, or instead whether some changes need to be adopted before proceeding with the next test product delivery.

The Test Marketing Assessments after each test product delivery focus on **differences between actual and planned results** as specified in the Agroenterprise Plan. Guiding questions for the Test Marketing Assessment include:

- Did the clusters **attain the sales and income** they expected for the test product delivery based on their Agroenterprise Plan?
- Did the clusters **meet their cost estimates** for the test product delivery?

The Facilitator Team guides the analysis of the gaps (i.e. planned versus the actual targets in the Agroenterprise Plan) by **comparing the test marketing results with the projections** from the relevant components in the Agroenterprise Plan – market, supply, management and financial operation. Based on the results of this self-assessment, the clusters can make corrective measures and adjust their Agroenterprise Plan.

### Corrective measures and Agroenterprise Plan improvement

**Problems in test marketing are expected.** That is why at least three tests are recommended for clusters to learn and make corrections in the marketing process. What is important is that the clusters can **identify the problem** and **why** it happened. In this way, clusters can correct a particular problem quickly and ensure that the same problem does not arise again in the next delivery.

Examples of some potential problems and their corrective measures include:

- Sometimes cluster members **do not meet product supply quantities** committed to the cluster. In this case, the facilitator supports cluster members to reflect as a group on the challenges they confronted. Perhaps they faced farming problems, in which case the Production Module might need to be adjusted to reflect the realities faced by farmers in the first season. Perhaps it was an issue of pole-vaulting, in which case cluster members can review and adjust the Cluster Supply Plan and member commitments as appropriate.

- It can happen that the **product delivered is not accepted** because it did not arrive on time, due to a truck breakdown or other problems. In this case the gap is an operational flow issue and can be reviewed and revised in the Cluster Supply Plan section of the Agroenterprise Plan.

By asking **1)** what the problem was and **2)** where in the Agroenterprise Plan corrections can be made to address this problem, clusters can take the needed corrective measures to strengthen their collective marketing.

### LESSON LEARNED: ASSESS AFTER EACH TEST DELIVERY

The facilitator assists clusters to assess right after every test delivery. In this way, the problem in the first delivery is not carried into the next one, which could discourage farmers and make them lose confidence.



## 7.2 GOOD PRACTICES IN TEST MARKETING

Based on experience, some good practices to incorporate into test marketing include:

- **Two Cluster Leaders** (or the Cluster Leader with the Postharvest Coordinator) are authorized by collaborating clusters to be their representatives in buyer negotiations and agreements (assisted by the Facilitator).
- **Cluster Leaders take turns** in accompanying the deliveries (with the facilitator) as part of the learning-by-doing process.
- If resources allow, **the experience is documented photographically** so the experience can be shared among the Cluster Leaders and the members.
- At a minimum, movement of the product where there is change of responsibility for the product should always be **documented**, e.g. when the farmers turn over their products to the cluster, there should be a receiving form signed by the Cluster Leader or Postharvest Coordinator acknowledging responsibility for the product.
- Right after each delivery and prior to the next one, financial transactions, including the information on the net payments due to the farmers for their products, are reported to the Cluster Leaders, who in turn report them to their cluster members. The **accounts are reported and settled** with the cluster members right after each delivery.

## 7.3 CLUSTER SELF-ASSESSMENT OF READINESS FOR STEP 8

(Toolkit 7.3 Meeting Guide: Cluster Self-Assessment of Readiness for Step 8)

After clusters have undergone at least three test product deliveries, made appropriate adjustments to improve their marketing activities, corrected problems and gained confidence from their experience, they may be ready for Step 8, sustained enterprises.

The transition from test marketing (Step 7) to sustained enterprises (Step 8) usually happens within one cropping season, but can also extend beyond one cropping season when clusters have to tackle critical concerns like how to stabilize product supply from the clusters.



The Facilitator Team guides clusters in a meeting to **reflect on their test marketing experiences** and then to decide if they want to go on with their agroenterprise. They can opt to **continue with more test marketing activities, or they can decide to move to Step 8.**

There is no point in proceeding to Step 8 unless the clusters are confident enough to do it and there are gains from the test marketing activities that are worth sustaining.

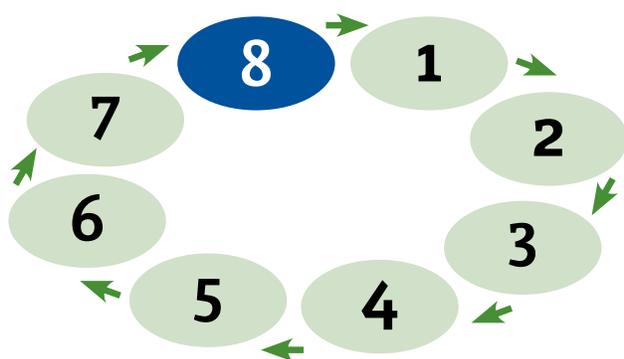
It is helpful to ask guiding questions with the clusters and probe for critical thinking as a group to make the final decision as to whether or not to proceed to Step 8 (Figure 48).

**FIG 48**

**Reflection guide for Cluster Self-Assessment of Readiness for Step 8**

Key element	Guiding question
<b>Cluster</b>	<ul style="list-style-type: none"> <li>Are the majority of cluster members willing to go on with their agroenterprise after their test marketing experiences?</li> </ul>
<b>Market</b>	<ul style="list-style-type: none"> <li>Is the current market regular and growing?</li> <li>Are there new market opportunities that can be tapped?</li> </ul>
<b>Supply</b>	<ul style="list-style-type: none"> <li>Can the market requirement be met by the product supply of existing clusters?</li> <li>If not, are there new farmers that are interested in joining?</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>Can the Cluster Leaders and members perform their tasks as expected?</li> <li>Are cluster meetings held regularly?</li> <li>Are policies and procedures written and followed?</li> </ul>
<b>Financial</b>	<ul style="list-style-type: none"> <li>Did the test deliveries yield increasing levels of net incomes or decreasing levels of losses?</li> <li>Is there a reducing trend in subsidies extended by the service providers during the test marketing activities?</li> </ul>

# Step 8: Sustained enterprises



By the end of Step 8, the Facilitator Team will have guided the clusters to:

- Assess the readiness of clusters for Step 8
- Make an **Agroenterprise Plan** to support the continuation and scaling up of the agroenterprise
- Put in place the **procedures to check the progress of the agroenterprise** for clusters' continuous business learning and their active role in managing their agroenterprises

## OVERVIEW

“Sustained enterprises” is the stage when clusters decide to **continue and scale up their agroenterprise**. Clusters take this step after having conducted several test marketing activities in Step 7 and experiencing observable successes that make the clusters comfortable with taking on bigger risks and plan longer term. “Sustained enterprises” is a transition into **two stages of agroenterprise development**, continuing and scaling up.

Scaling up generally occurs by growing the number of farmers participating in a value chain. This can mean either (a) creating **informal linkages among clusters** to participate in a value chain together or (b) creating a **formal organization** like a cooperative. Once farmers collectively choose the approach to take in their staging of sustained enterprises, the Facilitator Team guides the farmers through the same process of Agroenterprise

Planning as in Step 5, but this time for a bigger operation. The main difference between smaller and larger operations is that for the larger operations the **Agroenterprise Planning is very detailed**, especially in terms of financial planning, because loans may be involved to support the bigger investment.

The Facilitator Team also ensures that the **procedures to regularly check the progress of the agroenterprise** are in place for clusters' continuous business learning and improvement.

As more farmers are involved, the **facilitator's role can be phased out** from direct, intensive assistance in Year 1, moving into a coaching role in Year 2, and then just upon request for advice as needed in Year 3. Ideally, the institutions in the SWG also integrate their support as part of their regular programs or activities in the community to support the facilitator's phase-out.

## 8.1 SUSTAINED ENTERPRISES: TWO STAGES

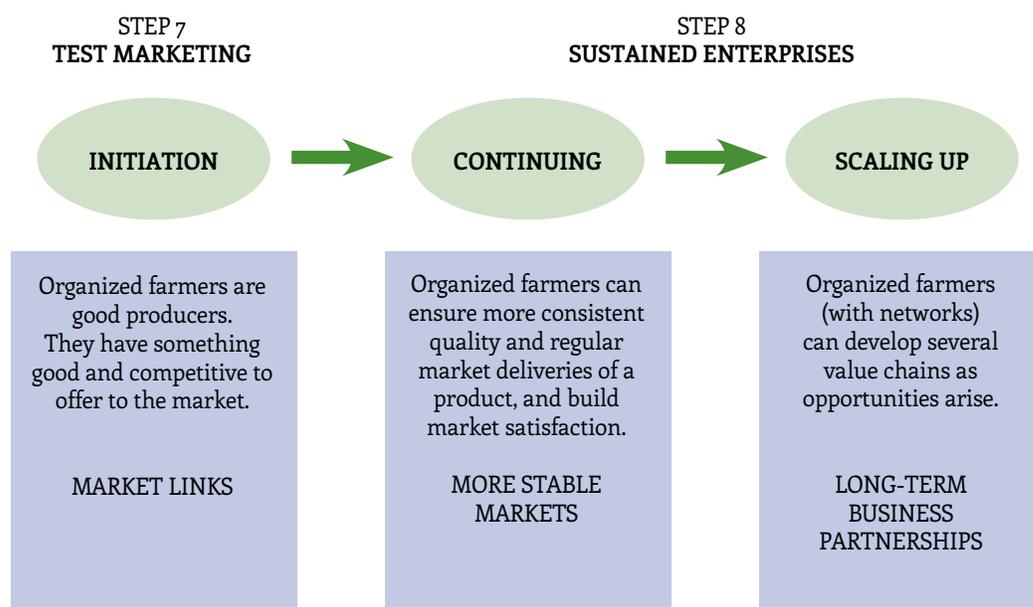


At this point the Facilitator Team holds a meeting to explain to cluster members that there are two stages in sustained enterprises (Figure 49).

- **Continuing** – The objective of this stage is to build stable market relationships. The clusters work on the same value chains in this stage, but with more farmers.
- **Scaling up** – Clusters in this stage build horizontal linkages involving more farmers to develop several value chains. Scale-up is the second stage of sustained enterprises because it is done only after clusters have achieved the stable relationships and increased farmer participation in the existing value chain.

FIG  
49

### Agroenterprise development framework



How fast the clusters can transition from initiation (test marketing) to continuing, and then to scaling up is influenced by these factors:

- **Marketing performance** – success in test marketing encourages increased levels of investments in the agroenterprise.
- **Market opportunities** that can be engaged – this can refer to more supply requirement from existing buyers or getting new buyers. In most cases, having strong relationships with buyers will accelerate the scaling-up process.
- The **ability of the clusters** to supply more and/or new products – the agricultural supply of existing clusters, new ones, or through association with other farmer groups.
- The availability of **resources for investments** needed, both in production and postproduction.
- **Access to business development services** – financing, technical, input supply, postharvest services, marketing facilitation, etc.

## AGROENTERPRISE PLANNING FOR A BIGGER MARKETING OPERATION

(Toolkit 8.1: Activity Guide: Financial Viability Assessment)

Sustained enterprises mean **bigger marketing activities**, and accordingly, **more resources being invested** in an agroenterprise resulting from:

- Increased product supply to match the increasing demand of existing buyers (e.g. more coffee supply to the processor from additional clusters)
- Higher product supply to respond to a more diversified market (e.g. vegetable clusters selling to a supermarket consolidator in addition to the wholesaler)
- Same products, same markets but more market chain activities being performed (e.g. rice farmers undertaking postharvest processing so they can sell milled rice instead of just wet *palay*)
- New products handled in addition to the existing ones (e.g. an additional variety of coffee such as Arabica so the clusters can market not just the Robusta variety to a coffee processor)

While the above cases present **more income potential** to farmers, they also **bring with them risks**. Thus, entering into the next stage of agroenterprise operations requires careful Agroenterprise Planning and Business Action Scheduling.

In Step 8, the Facilitator Team follows the same process of Agroenterprise Planning as Step 5, starting with an Agroenterprise Objective for a bigger marketing activity, and translating it into

the four components of the Agroenterprise Plan – market, supply, management and financial plans.

This time, however, a **more intensive study is done** to fill in more details in each of the plans, particularly the **financial plan as loans may be accessed** to support the bigger investment. At this stage, the clusters would likely need to use a computer in order to create the financial documents and make the calculations needed to access and manage a loan for this larger operation.

### LESSON LEARNED: INDEPENDENT MINDSET NEEDED TO SUCCEED

If subsidies or grants are required for the clusters to undertake innovative practices or address certain bottlenecks in their business, facilitators must ensure farmers understand that this support is only temporary during the establishment stage of their agroenterprise. Otherwise, farmers may become dependent on subsidies or grants, which counteracts efforts to strengthen their enterprises.

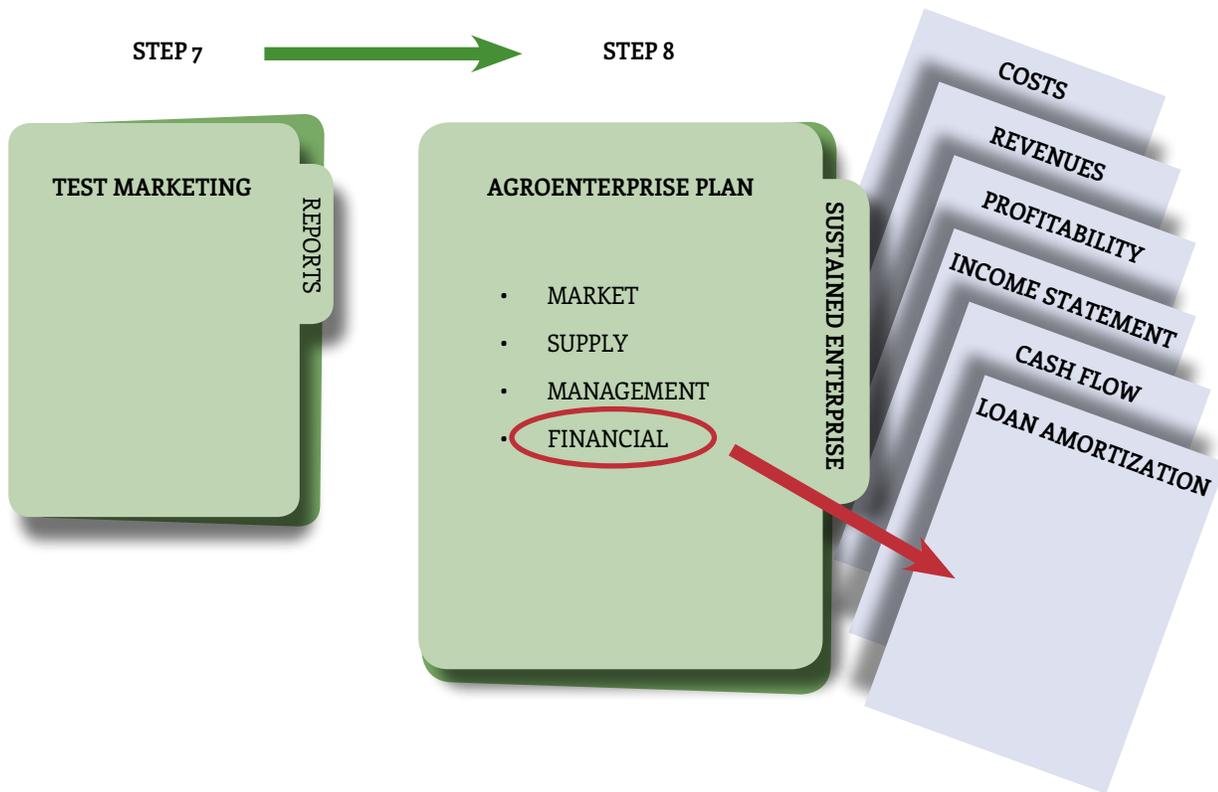


### On financial planning

In the financial projections for the marketing activities, the assumptions and calculations regarding sales, costs and margins should be conservative. The Facilitator Team guides the clusters to **analyze the**

**feasibility of their planned scaled-up marketing**, emphasizing that agroenterprises continue and grow only if the sales can cover all the costs, and the net income realized is worth it (Figure 50).

Documents for Financial Viability Assessment



With the higher financial investments needed in scaled-up marketing operations, it is important for the clusters to **determine their capital needs and sources**, particularly:

- What can be done with existing sources of funding?
- What is possible with cluster savings or capital from the agroenterprise activities?
- What else needs to be generated from external sources?

At this stage, the clusters should be able to mobilize their own resources and depend less on the financial support given by development projects. Project funds may still be provided at a scaled-up stage to support trials, verify innovations, undertake market-related studies and assist the clusters in their training and capacity-building activities. However, in this step more **resources are**

**either internally generated from the cluster’s economic activities or from external sources through loans or joint investments.**

Since the Agroenterprise Plan may be used to support clusters to access external financing for bigger marketing activities, it may be helpful if the Facilitator Team seeks advice from people with experience in marketing and financing.

## Clustering does not end with Step 8



The cluster may **go back to other steps based on their plans.**

For example:

- If more farmers will be involved in the clusters to expand the supply base for scaled-up marketing, then they form new clusters and conduct the Cluster Member Profile based on Step 1.
- If new products are to be supplied, and new markets served, then they formulate a new Production Module in Step 2 and undertake market chain studies in Step 3.
- To review their Agroenterprise Plan and adjust it, they go through Step 5.

What is important is that the clusters assume the responsibility to undertake these activities as much as possible on their own.

## 8.2 CHECKING THE PROGRESS OF THE AGROENTERPRISE

*(Toolkit 8.2: Meeting Guide: Checking the progress of the agroenterprise)*

A key role of the Facilitator Team is to guide the clusters to set up **their procedure to regularly check the progress of their agroenterprise**, so they know whether their marketing business is doing well as planned or otherwise.

Since agroenterprise is business, the Facilitator Team ensures that accounting systems and the internal control procedures are explained to the clusters and then established as regular business procedures.



Much of the **business learning by the clusters results from this periodic progress review**, which shows them the

gains and good practices of their agroenterprise as well as the problems that need their action. The information needed for this periodic review should become part of the cluster records, with an agreed-upon regular reporting period, often quarterly. It is recommended that this reporting becomes part of the meeting agenda so it is not overlooked.

It is good practice for cluster members to use the information from progress reviews as an opportunity to discuss and reflect. Questions to stimulate this discussion and learning can include:

- What did you plan to achieve for marketing, supply, management and marketing income?
- What did you actually achieve? What does the information tell you?
- Gains: What is going well? What are the reasons for this? What does it mean for you?
- Gaps: What problems are you having? What are the reasons for this? What does it mean for you?
- What should we do in the next quarter to improve our agroenterprise?

Clusters that have no records of their product supply, market deliveries or finances will not be able to objectively study their decisions and actions. They therefore will not be able to proactively plan the growth of their agroenterprise or manage it well. This will quickly erode the trust of the cluster members.

## 8.3 FARMER ORGANIZING

In Step 8, the Facilitator Team works with more farmers and clusters to attain higher target sales and to increase cluster incomes. In order to involve more farmers for scale-up, the Facilitator Team can consider **two options for farmer organizing**:

- Working with the **existing cluster** to increase their production through more farm area, technology improvements and/or taking in new members (in the existing or in new associated clusters).
- Working **with other farmer groups** that are growing the product and with which the present clusters can associate to increase their capacity for supply and marketing.

As the clusters work together to consolidate supply for an agreed target market, the Facilitator Team can **help organize these clusters informally** for collective marketing. It is important to remember that if clusters work together to sell a consolidated supply, not all Cluster Leaders can be involved in dealing with the buyers as they might have been before they joined together. Representatives can be chosen with authority to transact for the clusters.

### LESSON LEARNED: BRING TWO REPRESENTATIVES TO MARKET

To build trust, it is recommended that the clusters always have two representatives in a marketing negotiation and transaction to remove the risk of a member not representing the interest of the group and to increase learning.



The Facilitator Team can also help organize these clusters **formally, such as in a cooperative**. Formal organizations like cooperatives can offer their members a range of services like bulk buying of inputs, farm financing and postharvest services. Several cooperatives may be organized into a higher-level organization such as a federation of cooperatives.

While some farmers in certain scenarios may have negative feelings about cooperatives in the case of previous control by interest groups or poor management, cooperatives, if well managed, can be very useful organizations that support the agroenterprise's scaling up.

## 8.4 PHASED SUPPORT OF THE FACILITATOR

### HOW MANY CLUSTERS CAN A FACILITATOR ASSIST?

There is no set number of clusters that a facilitator can assist since it will depend on the situation of the farmers, their market opportunities, progress of the agroenterprise and also the capacity of the facilitator. Experience suggests that for smallholder farmers, the Facilitator Team **can start with four clusters (i.e. 50 to 60 farmers)** within the **first year**, providing **direct, intensive support** for this first set of clusters.

**FIG 51**

**Sample of phased support**

Timeframe	Within Year 1	Year 2	Year 3	Years 4 and 5
4 clusters*	Intensive (training and coaching) Steps 1 to 7	Coaching Step 8	Coaching Step 8	On request
4 – 6 clusters		Intensive (training and coaching) Steps 1 to 7	Coaching Step 8	Coaching
8 clusters			Intensive (training and coaching) Step 1 to 7	Coaching
16 clusters				Intensive** (training and coaching) Steps 1 to 7
Total clusters	4	8	16	32
Farmers	At least 50	At least 100	At least 200	At least 300

\* 15 members per cluster

\*\*With Cluster Leaders actively working with the facilitator in teaching other farmers (through farmer-to-farmer exchanges)

As the farmers begin to see positive results, they will gain the trust of other farmers who will be interested in joining the clusters. In the second year, the facilitator can add four to six new clusters to **assist and continue to support** the first set of four clusters **through coaching**.

During the third year, eight new clusters can be added, with the first and second batches being given only coaching assistance. After the third year, the Facilitator Team will **extend assistance only upon request**, and expectedly, the clusters will be taking responsibility for expansion themselves with the cost being covered by their agroenterprise activities.

Ideally, the institutions in the **Site Working Group** will also transform their assistance so that **services to**

**farmers become part of the institution’s regular program**. Simultaneous to expanding the number of farmers assisted, the Facilitator Team can also look into building the network of clusters, either as informal linkages with one another, or as formal structures like a cooperative (Figure 51).

As the Facilitator Team extends support to the clusters, it will also help if it can already **identify potential Cluster Leaders** who can be **trainers of new Cluster Leaders**, and can act as organizers in cluster cross-site learning activities. They become the “champions” who can effectively provide the testimonies and sharing to the other Cluster Leaders and clusters, and accelerate the process of scaling up.

### LESSON LEARNED: FARMERS LEARN BEST FROM FARMERS

Peer learning through farmer-to-farmer exchange of knowledge and experience is a fast and very effective way of learning.



### IS THERE A PHASE-OUT?

Support to the clusters **need not be completely phased out or stopped** because marketing is dynamic and the clusters will continue to need advice in business organizing, investments or technologies to keep pace with the demands of competition or to enter into new market chains.

What is important is that subsequent to Year 3, the **clusters are ready to pay for fee-based technical assistance or advice** so they can access them as needed from various sources. Facilitators can gradually prepare clusters for this transition by requiring clusters to share in the costs of agroenterprise activities from the beginning.

# III. PRACTICAL WORK: TOOLKITS

Part II is designed to equip the facilitator with **tools to guide** farmers through a learning process in market preparation and engagement. The guide links every step from Part I with the practical tools facilitators need to carry out each activity with farmers and project stakeholders.

Short videos are available to support facilitators to carry out the Agroenterprise Clustering Approach on YouTube channel <http://www.youtube.com/user/crsxufarm>.

## HOW TO USE THE TOOLKITS

- The toolkits are numbered and organized according to steps, with some steps having multiple toolkits. Each toolkit has multiple tools organized around the toolkit themes.
- Each toolkit is comprised of step-by-step guidance for facilitators to implement each tool.
- Each toolkit is either a “Meeting Guide” or an “Activity Guide” depending on whether the toolkit is implemented through a meeting with project stakeholders or a field activity.

## TIPS FOR EFFECTIVELY USING THE TOOLS

- **Tools can be adapted.** Facilitators will find that while the tools are universally useful, each cluster and geographic context is unique. Facilitators are encouraged to use their intuition and expertise to adapt the tools to the realities of each situation as appropriate.
- **Focus on most critical information.** It is possible to get overwhelmed with the amount of information collected in certain tools, particularly during the Market Chain Analysis activities but facilitators are encouraged to adapt the tools as appropriate in order to focus on the most critical information based on the facilitator’s knowledge and best judgment.
- **Minimize PowerPoint presentations.** In order to maximize learning, it is suggested that the use of PowerPoint presentations to farmers be minimized. More inclusive facilitation approaches are much more effective, like writing on cards and flipchart paper to encourage farmers to participate and engage with the facilitators and each other.
- **Have fun!** Participants usually absorb more when the learning process is enjoyable.

# TOOLKIT 1.1



## Meeting Guide: Site Working Group

Corresponds to Step 1.1 The Site Working Group and Step 1.3 Quick site appraisal by Facilitator Team



Lead Facilitator



This meeting will gather local institutions to introduce them to the concept of an agroenterprise development project for small farmers with the Clustering Approach. The facilitator from the lead institution, called the Lead Facilitator, convenes the meeting and leads participants through a discussion of how agroenterprise can involve and benefit them as stakeholders and will draw possible support from them as members in a local resource network called the Site Working Group. The lead institution coordinates the SWG activities. This toolkit contains:

- ◇ Tool 1.1.1 Overview of agroenterprise development for SWG
- ◇ Tool 1.1.2 Suggested roles and responsibilities of SWG members
- ◇ Tool 1.1.3 Suggested memorandum of understanding (MOU) for SWG members
- ◇ Tool 1.1.4 SWG meeting minutes template



- ◇ Introduce agroenterprise to local institutions/organizations
- ◇ Elicit support from local stakeholders for the agroenterprise development project being proposed for collaborative assistance
- ◇ Form the Site Working Group



- ◇ Send written meeting invitation to the invited stakeholders  
(Note: It is better if the lead institution representative can visit the invited institutions to hand over the invitation with a brief background on the meeting and to get confirmation of their attendance)



- ◇ PowerPoint slide presentation, if projector is available, or printed PowerPoint handout of the Overview of Agroenterprise Development for SWG, if projector is not available (**Tool 1.1.1**)
- ◇ Printed copies enough for the invited institutional representatives of the following:
  - Suggested roles and responsibilities of SWG members (**Tool 1.1.2**)
  - Suggested memorandum of understanding (MOU) for SWG members (**Tool 1.1.3**)
  - SWG meeting minutes template (**Tool 1.1.4**)



- ◇ 3 hours



Representatives of local institutional stakeholders that have development programs or activities that can help catalyze the agroenterprise development process in the community are important participants. The stakeholders to invite can include, but are not limited to:

- ◇ Local government unit (LGU) – e.g. the Municipal/City Mayor or Municipal Agriculturist
- ◇ Academia – e.g. Research and Outreach Department Head
- ◇ Microfinance Institution – e.g. Owner/Chairman/Chief Executive Officer, Board of Directors, General Manager
- ◇ NGO – e.g. Executive Director, Farmers' Project Coordinator
- ◇ Market actors like traders, buyers and business development service providers



## 1. Introduction and background

- ◇ **Introduce yourself as the meeting facilitator and name the lead institution** you represent. Mention that the lead institution is initiating an agroenterprise development project with small farmers. Then, facilitate a quick round of participant introductions by asking each one to state their name, institution, position and the institution's program or services for small farmers.
- ◇ **State the expected outputs** of the meeting.
- ◇ **Present an overview of agroenterprise development** for small farmers. Emphasize that it is a new approach wherein farming is combined with marketing. (*Note:* If projector is available, you can show a video on an agroenterprise project using the Clustering Approach – [https://www.youtube.com/watch?v=cl1m\\_z\\_3t5Y](https://www.youtube.com/watch?v=cl1m_z_3t5Y)). Then, deepen the understanding of agroenterprise by providing more information either through a PowerPoint slide presentation, if a projector is available, or through a printed PowerPoint handout. (**Tool 1.1.1**).
- ◇ **List the challenges to farmers** in undertaking collective marketing and building their agroenterprise which are many and difficult, but can be overcome.  
*Key points:* These challenges include accessing technologies that help them be competitive, access to financing that allows them to invest, business knowledge, skills and infrastructure like roads, irrigation and postharvest facilities.
- ◇ **Explain that these challenges need collaboration from various institutions** because the needs are tremendous and they cannot be addressed by just one institution.  
*Key points:* It is important to build a local network of stakeholders for collaborative agroenterprise project support. This local partnership of self-motivated institutions is called the Site Working Group. This partnership-building is in fact a first step in the eight-step Clustering Approach.
- ◇ **Invite questions and comments** from the participants.  
*Questions to stimulate discussion:*
  - Is the agroenterprise development approach something that your institution is already doing?
  - If not, is it something that you are interested in being part of and supporting?
  - Can you relate it to your existing farmers' development efforts in the community?
  - Can the commitment of support be for at least one year?
  - Can you specify at this point what sort of support your institution can provide?

## 2. Presentation

- ◇ **Discuss the composition of the SWG.** Present the diagram of the SWG composition and discuss further that the SWG is organized on two levels (**Tool 1.1.2**).  
*Key points:* The SWG may be composed of representatives from the LGU, NGO and/or NGA, MFI, local academia, market actors and farmer leaders.
  - **SWG members** are the representatives of the institutions who can consistently join the regular meetings (usually every quarter), can commit resources and support from their current programs that can help in the farmers' agroenterprise development.
  - **Lead Facilitator and Partner Facilitators** are staff of the SWG member institutions who are designated to work as agroenterprise field facilitators directly working with the organized farmers. The facilitator from the lead institution in the SWG is called Lead Facilitator. And the facilitators from the other institutions in the SWG are called the Partner Facilitators. Together, the facilitators are referred to as the Facilitator Team. The Facilitator Team meets more often, usually monthly, as they extend support to the farmers.

## LESSON LEARNED: START THE SHARING WITH SMALL THINGS

The practice of SWG members taking turns to host regular meetings in their offices fosters the spirit of sharing and goodwill that helps to make work collaboration easier and lighter to undertake.



- ◇ **Mention that the farmer leaders become part of the SWG** later when the farmers are already organized into clusters and can choose their leader representatives.  
*Key point:* To ensure participation of the farmers in the SWG, at least 30% of the SWG composition is comprised of the farmer leaders.
- ◇ **Discuss the roles and responsibilities in the SWG.** Distribute copies of the suggested roles and responsibilities of the SWG members. Then open the discussion on the role of each stakeholder (**Tool 1.1.2**).

### 3. Soliciting support

- ◇ **Find out from the meeting participants** if they are willing to take part in the agroenterprise development project as **SWG members** for at least one year. If agreement is reached, distribute the suggested MOU for SWG partners (**Tool 1.1.3**). Draw out their comments before finalization.
- ◇ **Ask each of those who articulated their commitment to be an SWG member to appoint a facilitator** from their staff who will be a member of the Facilitator Team to directly support the farmers.

### 4. Next steps

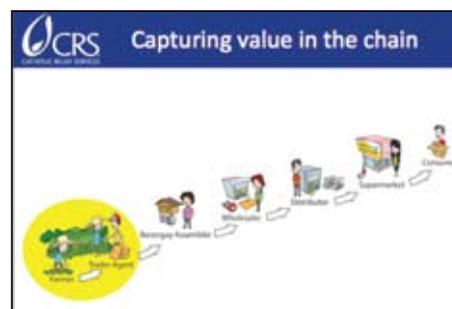
- ◇ **Plan for the next steps.** Mention that the next steps will consist mainly of the Facilitator Team conducting the site appraisal, organizing the farmers into clusters, getting their profile, and the organization of a Local Research Team (LRT) composed of the Facilitator Team with two farmer representatives for the data-gathering on production and marketing for the business planning. (*Note:* It is possible that the SWG organization will not happen during the first meeting as the local stakeholders' representatives who attended the meeting may need to consult first with their institutional heads or get approval from their set of leaders. Thus, a second meeting may be called for the SWG formation, their agreement on the role and responsibilities of each SWG member, and the plan for the activities in the first quarter.)

## TOOL 1.1.1 OVERVIEW OF AGROENTERPRISE DEVELOPMENT FOR SWG

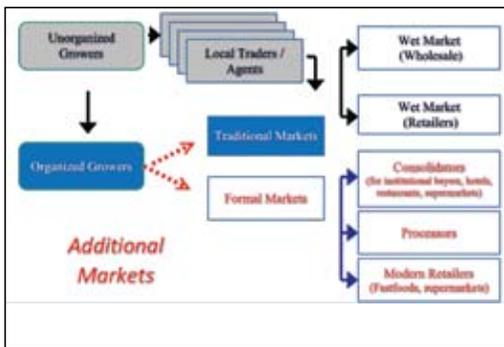
(PowerPoint presentation or handout)



**Slide 1:** Agroenterprise is a new approach in farmer's development support



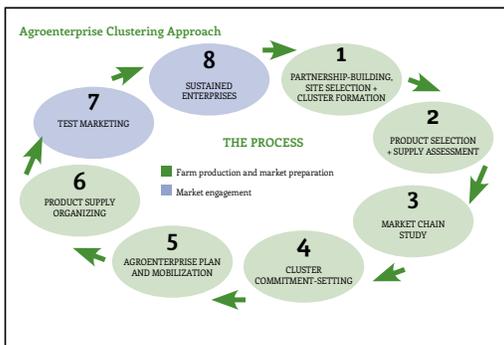
**Slide 2:** The concept of a value chain



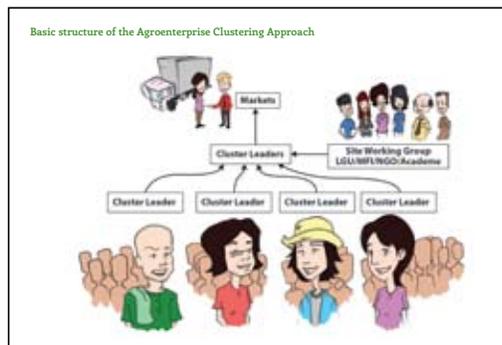
**Slide 3:** Improving participation in both traditional and formal markets.



**Slide 4:** Farmers are usually not engaged higher up in the market chain because of many constraints. Capacity-building activities are critical: new knowledge, skills and values, and business organization. Changes are needed in the farmers themselves (knowledge, skills and values) and the way they are organized. Also needed is a supportive environment with the collaborative assistance of various institutions through a Site Working Group.



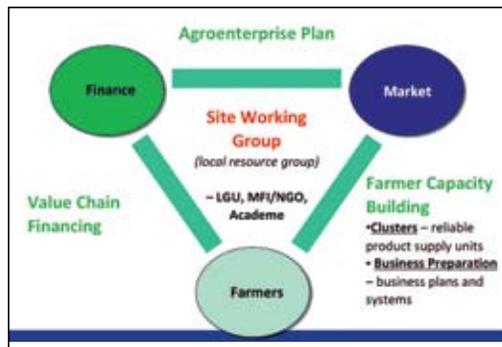
**Slide 5:** The eight-step Clustering Approach to agroenterprise development is a process of capacity-building. The first six steps, starting with the critical step of partnership-building among local institutions called the Site Working Group, comprise the activities for market-oriented farm production and market preparation. The last two steps make up the actual engagement with the market, starting as test marketing and developed further into sustained enterprises.



**Slide 6:** The approach is called clustering because of the innovative method of organizing farmers into small groups called "clusters" where the enabling process of market preparedness and engagement takes place.



**Slide 7:** The Site Working Group is the driver of the agroenterprise development support for the farmers.



**Slide 8:** For agroenterprise success, finance and farmers' supply are interconnected.

**Synthesis: Key elements of the Clustering Approach to agroenterprise development of small farmers**

- A local institution – acting as the lead organization and actively engaging local stakeholders in directly supporting the farmers' agroenterprise development as a local resource group (SWG)
- Farmers organized in small groups or clusters
- Market-oriented farm production
- Value chain financing (supporting production, postproduction and marketing)
- Agroenterprise Plans
- Collective marketing

**Slide 9:** Key elements of the Clustering Approach for agroenterprise development of small farmers.

## TOOL 1.1.2 SUGGESTED ROLES AND RESPONSIBILITIES OF SWG MEMBERS

**The representative of the lead institution (either MFI, NGO or LGU) usually chairs the SWG** but other members can also take this role.

- ◇ Lead: Act as the main project implementer, responsible for the coordination and monitoring of project activities involving the SWG members, chairs the SWG meetings, prepares the agroenterprise progress reports

### **MFI or NGO**

- ◇ Deploys an agroenterprise field facilitator; supports her/his training on the Clustering Approach for farmers' market preparation and engagement. Designates a point person who will provide supervision to the field facilitator
- ◇ Provides counterpart funding for the organizing and training of farmers to ensure project success

### **LGU**

- ◇ Dedicates a technical person (usually from government's Agriculture Office) who will work with the MFI or NGO agroenterprise field facilitator
- ◇ Makes available the services of various offices of the local government (Co-op Office, Economic Enterprise Office, Planning Office) needed in the effective implementation of the agroenterprise project
- ◇ Provides counterpart financial support for the organizing and training of farmers

### **Academia**

- ◇ Act as the technical support (or technical resource provider) of the project
- ◇ Extend research and policy advocacy support in technology improvements/innovations that will enhance farmers' productivity and market competitiveness
- ◇ Support the development of and conduct training programs for farmers – e.g. preparation of the learning materials and case studies, provision of resource persons, etc.
- ◇ Assist in the information management and project monitoring and evaluation activities – Cluster Profile, focus group discussions with stakeholders, impact studies, etc.

### **Cluster Leaders (or Farmer Organization Representative)**

- ◇ Provide mobilization and organization for farmers joining the agroenterprise
- ◇ Attend and participate in the meetings and activities conducted by the SWG
- ◇ Facilitate that clusters can provide counterpart support in the trainings and other activities
- ◇ Update the SWG partners on the progress and status of the cluster plans and activities
- ◇ Assist in project monitoring and evaluation activities

(Note: "Farmer organization" refers to the formal organization of the clusters; they are included as SWG members through an amendment of the memorandum of understanding.)

## TOOL 1.1.3 SUGGESTED MEMORANDUM OF UNDERSTANDING FOR SWG MEMBERS

### MEMORANDUM OF UNDERSTANDING (MOU)

This **MEMORANDUM OF UNDERSTANDING** entered into by and among:

The Local Government Unit of \_\_\_\_\_ herein referred to as LGU-\_\_\_\_\_ with office address at \_\_\_\_\_, \_\_\_\_\_ and represented herein by **Hon** \_\_\_\_\_, Municipal Mayor;

The **(MFI or NGO)** \_\_\_\_\_ herein referred to as \_\_\_\_\_ with office address at \_\_\_\_\_, \_\_\_\_\_ and represented herein by its (representative) \_\_\_\_\_, \_\_\_\_\_;

The **(Academia)** \_\_\_\_\_ herein referred to as \_\_\_\_\_ with office address at \_\_\_\_\_, \_\_\_\_\_ and represented herein by its \_\_\_\_\_, \_\_\_\_\_;

The **(Name of the farmers group)** \_\_\_\_\_ hereinafter referred to as \_\_\_\_\_, A Farmer's Organization with principal office address at \_\_\_\_\_, \_\_\_\_\_ and represented herein by its President, \_\_\_\_\_;

The \_\_\_\_\_ hereinafter referred to as \_\_\_\_\_ with official address at \_\_\_\_\_, \_\_\_\_\_ and represented herein by its President, \_\_\_\_\_

### WITNESSETH

**WHEREAS**, the different institutions are working on the same objectives towards organizing farmers into agroenterprise clusters for the purpose of consolidating supply and pooling transport logistics; assisting farmers to engage in value-adding activities in order to enhance their compliance with quality requirements and market competitiveness, and to increase the knowledge of farmers about farming practices that will increase their productivity and reduce costs in order to increase the income of farmers towards food security and sustainable growth.

**WHEREAS**, \_\_\_\_\_ (name of the Municipality) aims to advocate, promote, pursue environmentally sustainable market-responsive farming livelihoods;

**WHEREAS**, \_\_\_\_\_ (name of institution) as the lead institution has gained support from partner institutions/ agencies comprising of NGOs, NGAs, POs and academia;

**WHEREAS**, the different partner institutions agree to collaborate to support the agroenterprise development of small farmers in the municipality and see the necessity of organizing a coordinating body that will ensure the participation of various stakeholders in the implementation of the agroenterprise project;

**NOW THEREFORE**, the above-mentioned institutions agree to form the Site Working Group (SWG) with the following functions:

- Formulate policies and guidelines for a collaborative support of small farmers that will contribute to the shared vision for their agroenterprise development and the attainment of sustainable livelihoods and incomes
- Coordinate with the partner institutions/agencies on their support commitments to the common agroenterprise project
- Agree on a common work plan and jointly mobilize available resources within and outside the SWG
- Jointly facilitate, monitor and document the implementation of the agroenterprise project

SPECIFICALLY, the following institutions aim to meet the following duties and responsibilities:  
(You can modify this part based on the agreed functions of each SWG member)

This Memorandum of Understanding shall take effect upon signing of the parties hereto and shall remain in force for a period of \_\_\_\_\_ year subject to renewal based on the written agreement of the parties.

**IN WITNESS WHEREOF**, the parties through their respective authorized officials have hereunto signed this Understanding this \_\_\_\_\_ day of \_\_\_\_\_, 2014 at \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## TOOL 1.1.4 SWG MEETING MINUTES TEMPLATE

Activity: <i>Site Working Group Meeting</i>	Date and time:	Venue:
Facilitator:	Minute-taker:	Signature of minute-taker:
		Noted by SWG chairperson:

Attendance (list names)		

### Meeting proceedings

Agenda	Highlights	Remarks/Follow-up	Tasking and timeframe
Other Matters			

Announcements/New information
-------------------------------

Schedule and venue of next meeting
------------------------------------

# TOOLKIT 1.2



## Activity Guide: Quick site appraisal by Facilitator Team

Corresponds to Step 1.3 Quick site appraisal by Facilitator Team



Facilitator Team



This activity enables the Facilitator Team to gather information about the project site and the farming community so that they have a common assessment prior to assisting the farmers. It also provides an opportunity to build rapport within the newly formed Facilitator Team coming from the local institutions that comprise the SWG. This toolkit contains:

- ◇ Tool 1.2.1 Site Appraisal Form: Physical resources and agricultural data
- ◇ Tool 1.2.2 Site Appraisal Form: Farmers' organizations and development programs
- ◇ Tool 1.2.3 Site Appraisal Form: Markets, financing and business service providers



- ◇ Gather information that provides the SWG with a basic understanding of the project site and its community



- ◇ The Lead Facilitator sets the meeting schedule of the Facilitator Team for orientation on the site appraisal activity.
- ◇ The list of key informants to be interviewed for the site appraisal is made, and schedules for their individual interviews are arranged.



- ◇ Copies of the Site Appraisal Form: Physical resources and agricultural data (**Tool 1.2.1**)
- ◇ Copies of the Site Appraisal Form: Farmers' organizations and development programs (**Tool 1.2.2**)
- ◇ Copies of the Site Appraisal Form: Markets, financing and business service providers (**Tool 1.2.3**)



- ◇ One week



- ◇ Key informants familiar with farmer organizations, markets, financing and business service providers (at least three each)



- ◇ **The Lead Facilitator convenes a meeting** of the Facilitator Team to discuss the site appraisal activity. The Lead Facilitator states the expected output of the activity.
- ◇ **Point out that the site appraisal is an important activity** because it facilitates a common understanding and appreciation among the Facilitator Team members before they start assisting the farmers.
- ◇ **Mention that only essential information will be gathered** and that this is organized into three categories contained in the three corresponding forms (**Tool 1.2.1**, **Tool 1.2.2** and **Tool 1.2.3**). Distribute a copy of each of these forms and go through their contents.



## LESSON LEARNED: MAKE INFORMATION-GATHERING EASY

Using forms organizes information as it is gathered, saving time, and making it easier to coordinate a site appraisal activity with several people working on it.



- ◇ **Get consensus from the Facilitator Team** to jointly undertake the activity and distribute the data-gathering work assignments.  
Possible assignments:
  - Partner Facilitator from the LGU – Physical resources and agricultural data (**Tool 1.2.1**)
  - Partner Facilitator from academia – Farmers’ organization and development programs (**Tool 1.2.2**)
  - Partner Facilitator from the MFI or NGO – Markets, financing and business service providers (**Tool 1.2.3**)
- ◇ **Point out that the information needed** in **Tool 1.2.1** and **Tool 1.2.2** may already be available from the institutions working in the area and their reports or documents. However, for information in **Tool 1.2.3**, key informants comprised of extension workers, farmers, business people, and other knowledgeable individuals in the locality may need to be interviewed.
- ◇ **Come up with the names of at least three key informants each** for markets, financing, postharvest service providers and any other important categories.
- ◇ **Have the site appraisal information gathered** by the Facilitator Team based on agreed assignment and guided by the forms.
- ◇ **Convene a meeting to discuss the findings** after the information-gathering. Lead the Partner Facilitators to critically analyze the collected information, focusing particularly on the conditions that are supportive of the proposed agroenterprise development work, and those that might pose challenges.
- ◇ **Prepare a report of the findings and submit to the SWG members** to inform them of how best to support the agroenterprise development process from each institution’s assistance.

## TOOL 1.2.1 SITE APPRAISAL FORM: PHYSICAL RESOURCES AND AGRICULTURAL DATA

Facilitator Team:	As of (date):
-------------------	---------------

Province:	Municipality/City:
Barangay:	Sitio:

Kind of Information	Data			Source of data
Total land area (Has.)				
Total farm area (Has.)	Total farm area: Irrigated: Not irrigated:			
Major crops grown and area planted	<b>Rank</b>	<b>Crop</b>	<b>Hectares</b>	
	1			
	2			
	3			
	4			
	5			
Total number of farmers	<b>Type</b>		<b>Number</b>	
	Owners			
	Lease			
	Tenants			
	Others			
Average area tilled by farmers (Has.)				
Elevation				
Soil type				
Climate/Rainfall patterns				
Road situation: Accessibility of farms (Note: Attach map of project site)				
Water systems for irrigation or water sources				
Available communication lines/networks				
Electricity				

## TOOL 1.2.2 SITE APPRAISAL FORM: FARMERS' ORGANIZATIONS AND DEVELOPMENT PROGRAMS

Facilitator Team:	As of (date):
-------------------	---------------

Province:	Municipality/City:
Barangay:	Sitio:

Kind of information	Data		Source of data
Total number of households			
Percentage of households in farming	Male:	Female:	
<ul style="list-style-type: none"> <li>Existing farmer organizations</li> <li>Name of organization</li> <li>Years of active existence</li> <li>Chairperson/President</li> <li>Number of active members</li> <li>Experience in economic activities (i.e. farm input supply, savings and loans, postharvest services, marketing, others)</li> </ul>	Organization 1		
	Organization 2		
	Organization 3		
	Organization 4		
	Organization 5		
<b>Development programs for farmers</b>			
National Government Agency (e.g. DA, DAR, DENR, DTI, DOST, CDA, DOLE, etc.)			
Local Government Unit (LGU)			
Private Sector (e.g. NGOs, MFIs, colleges/universities, church, corporate foundations, business)			

## TOOL 1.2.3 SITE APPRAISAL FORM: MARKETS, FINANCING AND BUSINESS SERVICE PROVIDERS

Facilitator Team:	As of (date):
Province:	Municipality/City:
Barangay:	Sitio:
<b>PRODUCT/S BEING CONSIDERED</b>	Institution/Organization:
	Name of informant:
	Address:

### Top 5 buyers

Name	Address	Buying practices (collected or delivered, pricing, payment scheme, services provided, etc.)	Other information
1.			
2.			
3.			
4.			
5.			

### Main business service providers

Items	Type of service	Names	Address	Service charges and other information
Production-related				
Postharvest				

### Top 5 sources of financing (Self-finance, relatives, friends, MFIs, banks, cooperatives, etc.)

Name	Address	Minimum and maximum loan amounts	Financing schemes/practices (interest, terms, mode of payments, bank charges)
1.			
2.			
3.			
4.			
5.			

# TOOLKIT 1.3



## Meeting Guide: Cluster formation

Corresponds to Step 1.4 Cluster formation



Facilitator Team



This meeting will gather potential participating farmers and give them an introduction to agroenterprise, and then motivate them to organize themselves into small groups or clusters for their own agroenterprise endeavors to pursue increased agricultural income. This toolkit contains:

- ◇ *Tool 1.3.1 Introduction to agroenterprise for farmers*
- ◇ *Tool 1.3.2 List of cluster members*
- ◇ *Tool 1.3.3 River Code: Crossing the river of challenges role-play*



- ◇ Introduce agroenterprise to farmers and discuss its importance to them
- ◇ Gather feedback from farmers on their interest in participating in an agroenterprise project
- ◇ Assist interested farmers to form basic clusters and to choose their Cluster Leaders who will lead and coordinate their cluster activities
- ◇ Sensitize farmers to the role of the Facilitator Team in supporting their agroenterprise



- ◇ Come up with a list of participating farmers for the agroenterprise based on suggestions from farmer leaders in the community, local government technicians, and staff of the SWG institutions. *The criteria can include the following:*
  - Smallholder farmer (i.e. cultivating farms smaller than three hectares)
  - Owner or lessee of a farm that is predominantly family-operated
  - Has farm products that she/he is willing to have consolidated for the group marketing
  - Willing to work in a group
  - Respected in the community
- ◇ Support farmer leaders to invite all identified prospective participating farmers for the agroenterprise orientation meeting



- ◇ PowerPoint presentation of "Introduction to agroenterprise for farmers" (*Tool 1.3.1*), if a projector is available, or flipchart paper with visual aids of the presentation if a projector is not available
- ◇ Eight oblong cards for the eight-step Clustering Approach illustration, each card with the written step number and description (*Note: Use native dialect translation*)
- ◇ Copies of the list of cluster members (*Tool 1.3.2*)
- ◇ Copy of the guide for the *River Code: Crossing the river of challenges role-play* (*Tool 1.3.3*)
- ◇ Role-play materials: Two lengths of rope (about a meter each) or two branches, and eight newspaper sheets



- ◇ 3 hours



- ◇ Farmers that meet the general criteria outlined above



## 1. Introducing agroenterprise to farmers

- ◇ **Introduce yourselves as the Facilitator Team** with your institutional representation. **Explain the expected outputs** of the meeting.
- ◇ **Introduce the concept of agroenterprise.** As you discuss, show the PowerPoint slide or visual aid on agroenterprise as combining farming with marketing (**Tool 1.3.1**). Discuss the difference between an agroenterprise project, which is helping farmers in marketing, and simple production technology assistance or plain financing. Clarify that teaching farming technology or providing financing are still important kinds of assistance to farmers, but in agroenterprise they are provided as part of the response to market opportunities and are based on the farmers' business plan.
- ◇ **Present examples of farmers' agroenterprises** by showing pictures portraying farmers taking part in collective marketing activities wherein they undertake value-addition activities such as sorting and transporting (**Tool 1.3.1**). You can also invite a leader of a farmer organization that undertakes collective marketing to share her/his group's marketing experience and its benefits. In addition, you can use other examples of organized farmers that have linked to markets in areas where you are located or nearby. If a projector is available, you can show a video of farmers' experience showing the application of AE and the Clustering Approach.

### LESSON LEARNED: SHARE SUCCESSES

Sharing the stories of farmers' positive experiences in group marketing, through pictures, video or personal testimony, is the most effective way to get farmers excited and motivated to be part of an agroenterprise.



**VIDEO:** *The Farmer Entrepreneurship Program: Bridging Farmers to the Jollibee Foods Corporation Supply Chain*  
[https://www.youtube.com/watch?v=cl1m\\_z\\_3t5Y](https://www.youtube.com/watch?v=cl1m_z_3t5Y)



- ◇ **Explain the concepts of product flow in a value chain, value addition and additional income from participation in the value chain through collective marketing.** Cite examples: rice sold before as field wet *palay* by a farmer can be processed by the organized farmers into milled rice sold directly to restaurants.

*Key points:* In collective marketing, the farm products flow from the farmers at one end towards the consumers at the other end. And as the products flow in a chain, their value increases (or there are value-addition activities). If farmers participate actively in the marketing, they will be able to capture part of this value addition that is a source of significant additional farm incomes. (**Tool 1.3.3**). While participating in value-addition activities implies increased income for farmers, it also implies additional work and risks.

- ◇ **Stimulate feedback from the farmers**

*Question to stimulate discussion:* Is this experience in farmers' collective marketing that you have seen in the pictures or which was shared by a farmer leader something that you are interested in having?

- ◇ Point out that the pictures and stories of farmers' group marketing present an agroenterprise (or an organized farmers' business in collective marketing). At this stage, **draw out farmers' own understanding of agroenterprise**. This is to ensure that they understand the "what" of an agroenterprise, before proceeding to discuss the "how to".
- ◇ **Explain that for a successful agroenterprise development**, farmers need to go through business preparation.
  - Key point:* This business preparation is organized in a **step-by-step process called the eight-step Clustering Approach** to agroenterprise development. (**Tool 1.3.1**)
- ◇ **List the eight steps**. As you discuss each step, put the visual aid of the particular step on a flipchart paper for all to see the sequential process of the eight steps in the Clustering Approach. (*Note:* It is important that they understand the concept of several steps, and how each step prepares them for the next one.)
- ◇ **Explain that the farmers can also establish their own agroenterprise** if they are willing to put in time and energy to learn the approach and work together to build their agroenterprise.
- ◇ **Get feedback and field questions and comments from the farmers.**
- ◇ **Summarize with these key messages:**
  - **Agroenterprise** is the group business of organized farmers in **collective marketing**. Farming is combined with marketing for profitable farming and **sustained, dependable incomes**.
  - The products from your farms go through a **value chain**. In agroenterprise, you connect not just to the traditional traders but also to formal markets or institutional buyers that give you more value in the value chain, while also potentially result in the incurring of some additional risk.
  - There is a process to build agroenterprise successfully called the **Clustering Approach**. The approach is called clustering because of the innovation of organizing farmers into small groups or clusters wherein the farmers can participate in business planning and implementation, and can consolidate their products effectively for marketing.
  - The Clustering Approach is a **journey of eight steps** that farmers go through to successfully market their agricultural products.
  - To be **business-like in farming**, you have to practice **self-reliance**. Providing free assistance does not support farmers to be more successful business people.
  - It is important to note that agroenterprise through clustering is not for everyone. It is only for farmers who are committed to it, and are willing to play their part in **contributing effort and time, and committed to learning and working with others**.
  - In conclusion, agroenterprise can help the farmers successfully market their products and earn more, but it **depends on the cluster members themselves**: how you participate actively by setting aside time for meetings and trainings, how you can be organized and work together to pool your products guided by your agreed plans in the cluster, and the responsibility you take to contribute resources to invest together.

### LESSON LEARNED: PRACTICE, PRACTICE, PRACTICE

Building an agroenterprise is not a one-time effort. It takes time to learn a business and to build a business comprised of many farmers.



- ◇ **Demonstrate through a role-play** to emphasize that the Facilitator Team is there to teach farmers how to market, and not to do the marketing themselves. (*Note:* The Facilitator Team may use the *River Code: Crossing the river of challenges* role-play) (**Tool 1.3.3**) to demonstrate and emphasize the importance of self-reliance for the success of the agroenterprise and the role of the Facilitator Team in the farmers' learning process.

## 2. Forming the basic cluster

- ◇ **Solicit expressions of interest** in joining the agroenterprise from the farmers.
- ◇ **Facilitate the formation of small groups** of 10 to 15 farmers (called clusters) for those who are interested in joining in the agroenterprise project.
- ◇ **Distribute the list of cluster members (Tool 1.3.2)**. Facilitate that each newly formed cluster can have a written list of the cluster members.
- ◇ **Allow time for farmers who express the need to consult their families first** before joining the clusters. Tell them that they can signify their decision to join a week after through the Cluster Leader that they will choose for their cluster.

## 3. Choosing the Cluster Leader

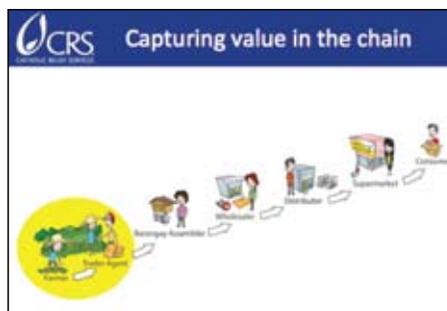
- ◇ Mention that you earlier talked about building agroenterprise as the journey of the farmers. **Explain that each cluster will choose a Cluster Leader** who acts as a “driver”, taking the lead and coordinating all of the members in a common direction.
- ◇ **Present the qualities of a good Cluster Leader. These include:**
  - Is a farmer producer
  - Is respected in the community
  - Is aware and concerned about the community issues and needs
  - Believes in the value of consensus and organization
  - Is a good communicator: good listener, can express themselves well and is open to ideas
  - Has demonstrated leadership in other groups or organizations
- ◇ **Encourage women to run as Cluster Leaders themselves.** A reasonable target is that at least 30% of Cluster Leaders are women.
- ◇ **Facilitate an election of a Cluster Leader** for each cluster by the raising of the hand or by secret vote through writing on a piece of paper their choice of Cluster Leader.
- ◇ **Update the list of cluster members (Tool 1.3.2)** to indicate the leader.

## TOOL 1.3.1 INTRODUCTION TO AGROENTERPRISE FOR FARMERS

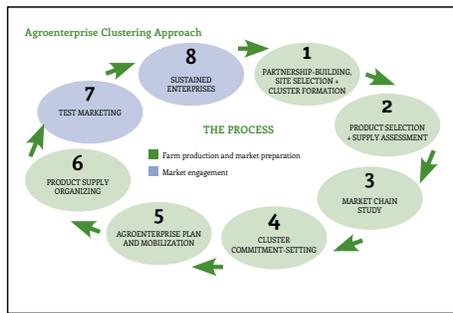
(PowerPoint or chart presentation)



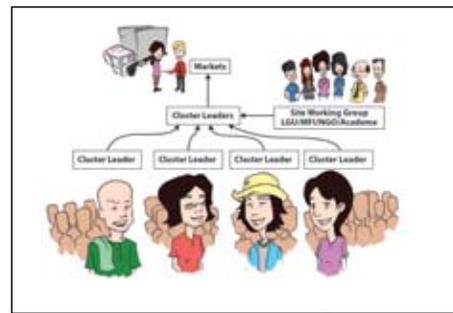
**Slide 1** Agroenterprise is a new approach in farmer's development support



**Slide 2** The concept of a value chain



**Slide 3:** The eight-step Clustering Approach to agroenterprise development is a process of capacity-building. The first six steps are for market preparation. The last two steps make up the actual engagement with the market, starting as test marketing and developed further into sustained enterprises.



**Slide 4:** The base of organizing is the small group of farmers called a cluster.

**OCRS** **Key Messages**

1. Agroenterprise = farming plus marketing
2. Farmers earn more from value addition
3. The need for farmers organization – small groups or clusters
4. The need for business preparation – farmers’ journey of 8 steps in the clustering approach
5. Business like and self-reliance (no dole out)
6. Importance of farmers active participation for success
  - Attend meetings
  - Work together as a group to consolidate products
  - Contribute resources to invest together in the business

**Slide 5:** Key messages

**OCRS** **Role of the SWG Facilitators**

The role of the field facilitators is **not to do the actual marketing**, but to teach the farmers how to do it themselves.

**Slide 6:** Farmers do the marketing themselves.

## TOOL 1.3.2 LIST OF CLUSTER MEMBERS

Facilitator Team:	As of (date):
-------------------	---------------

Province:	Municipality/City:
Barangay:	Sitio:

NAME	ADDRESS	GENDER (check the box)	
		Male	Female
1. (Cluster Leader)			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

## TOOL 1.3.3 RIVER CODE: CROSSING THE RIVER OF CHALLENGES ROLE-PLAY

(Adapted from: *A Market Facilitator's Guide to Participatory Agroenterprise Development*)



20 minutes



**Two ropes or branches** to represent the banks of a river.  
**Eight old newspaper sheets** on the ground to represent the eight steps by which to cross the river.



Seven volunteers from the farmers attending the meeting



The *River Code* is a role-play that demonstrates to the farmers the role of the agroenterprise field facilitator to guide them in undertaking their collective marketing. The main message of this role-play is that the facilitator will empower the farmers to learn and do the marketing themselves as she/he will not be with them indefinitely.

The facilitator explains that the ropes or branches are the river banks and that the volunteers will cross the river stepping on eight old newspaper sheets which represent the eight steps in the Clustering Approach for market preparation to successfully reach the stage of undertaking collective marketing (i.e. the other side of the river). As the newspaper page is placed on the floor, the steps are described to serve as a review of the eight-step Clustering Approach.

There will be three acts in the role-play to be acted by seven volunteers from among the farmers attending the meeting. They will act the role-play in mime for the rest of the farmers to observe.



**Act I:** Two of the seven volunteers are given instructions by the facilitator to act the role-play. One person (representing the facilitator), tries to carry the other person (the farmer) across the river on his/her back. The facilitator carrying the farmer gets too tired to continue. S/he leaves the farmer being carried in the middle of the river stranded, and returns back to the original side of the river. The farmer being carried is abandoned, and receives no further help.

**Act II:** The river-crossing role-play is repeated with the same person (representing the facilitator) leading another person (a third volunteer representing the farmers). The facilitator does not carry the farmer but instead holds her/his hand and leads her/him by showing her/him the steps to take following her/his direction. They take some time to cross the river but in time make it. They celebrate their success, and the facilitator then waves goodbye. The farmer returns to the original side of the river.

**Act III:** The farmer who successfully crossed the river in the second act takes four other volunteers (representing other farmers) and shows them how to cross the river. The farmer who shows the way represents the leader, and the rest follow by holding hands as they all cross the river one step at a time. The role-play ends when all the farmers have crossed the river.

### Reflection process

The facilitator invites the volunteers to give their reflections on the activity and then asks the audience to also share their reflections on the activity. The facilitator leads the sharing towards the key ideas of:

- The river is the key challenge that farmers have to confront. It represents the constraints farmers face in order to undertake collective marketing themselves.
- The eight steps in the Clustering Approach are the effort that the farmers have to exert to succeed.
- The original side of the river is where the farmers are now, the other side is the stage when they can collectively market and set up their own agroenterprise (or collective marketing business).
- Agroenterprise development is a farmers' own journey, with the facilitator only guiding the process.
- If the farmers are dependent on the facilitator, the facilitator will get tired and cannot sustain the support.
- The journey is faster and more significant if farmers take the journey together, helping one another in the process.
- The key to success is farmers' self-reliance, their taking of the responsibility to make the change happen.

# TOOLKIT 1.4



## Meeting Guide: Cluster Member Profile

Corresponds to Step 1.5 Cluster Member Profiling



Facilitator Team



The Facilitator Team, assisted by the newly chosen Cluster Leaders, gathers the profile of each cluster member. This information enables the SWG members, the Facilitator Team and the clusters to characterize the general situation of the participating farmers. This toolkit contains:

- ◇ *Tool 1.4.1 Cluster Member Profile*
- ◇ *Tool 1.4.2 Cluster Member Profiles Summary*



- ◇ Gather a profile of each cluster's members to characterize their products, markets and financing



- ◇ The Facilitator Team has prepared the Cluster Member Profile translated in their native dialect
- ◇ The Facilitator Team has scheduled with the Cluster Leaders the meeting to conduct cluster profiling
- ◇ The Cluster Leader has informed the cluster members of the meeting to gather information for their Cluster Member Profile with the instruction for cluster members to bring their pen or pencil for use in writing their responses



- ◇ Printed copies of the Cluster Member Profile (**Tool 1.4.1**) enough for all cluster members
- ◇ Printed copies of the Cluster Member Profiles Summary (**Tool 1.4.2**) for each cluster that will be formed
- ◇ Flipchart paper with the empty table of the Cluster Member Profiles Summary (**Tool 1.4.2**)
- ◇ Marking pens, masking tape



- ◇ 4 hours



- ◇ Cluster members



### 1. Before the data collection

- ◇ **Explain the purpose** of gathering the Cluster Member Profile.  
*Key point:* The purpose is to collect general information on the participating farmers in the newly formed clusters together with information on their products, financing and markets.
- ◇ **Distribute to each cluster member a copy** of the Cluster Member Profile form (**Tool 1.4.1**) and walk members through the form to familiarize them with the information to be collected.  
*Information included in the profile:*
  - Personal and household information
  - Farming and farm products
  - Credit sources
  - Market and marketing practices

## 2. During the collection of the information

- ◇ **Point out before you start** that if any member needs assistance, then they will be provided assistance by the Facilitator Team, the Cluster Leaders and also other cluster members. The Facilitator Team ensures that assistance is provided as needed.
- ◇ **Explain to the cluster members** that you will be talking through the information that is to be filled out in the Cluster Member Profile (**Tool 1.4.1**) with them, and that as you read the needed information, you will ask them to write their responses on the form.  
(*Note: One member of the Facilitator Team will ask the questions, while the rest of the Facilitator Team helps the Cluster Leaders to assist their cluster members in writing their responses.*)

## 3. Consolidation of Cluster Member Profile information

- ◇ **The Facilitator Team with the Cluster Leaders summarize the responses** for their assigned cluster using the Cluster Member Profiles Summary (**Tool 1.4.2**).
- ◇ **Proceed to rank the products** in the Cluster Member Profile according to the most-mentioned, together with other information to include the farmers, last harvest, area, yield, sales and buyer.

### LESSON LEARNED: START FROM THE CROPS THEY GROW

Summarizing in front of the farmers the common crops they grow from their Cluster Member Profile gets them to immediately consider that the idea of collective marketing you are talking about is a possibility.



- ◇ **Write on the flipchart paper** in the Cluster Member Profiles Summary (**Tool 1.4.2**) the ranked products with the market information.  
(*Note: So that the farmers will not be idle while the Facilitator Team and Cluster Leaders tabulate, another activity is recommended. For example, the clusters can view a video of other agroenterprise projects, if a projector is available, or a farm practitioner or technician can share good agriculture practices, etc.*)
- ◇ **Post on the wall the filled in flipchart paper** of the Cluster Member Profiles Summary and then let the cluster members view all the cluster summaries through a gallery walk. Discuss the findings of the Cluster Member Profile as the gallery walk is done.

## 4. Next steps

- ◇ **End the activity** by telling the clusters that the Cluster Member Profile provides part of the information needed in **Step 2 (Product Selection and Supply Assessment)**, and that the next meeting their Cluster Leaders will convene is important because they will **finalize their products** for agroenterprise development and plan how to produce and consolidate them for collective marketing. Cluster members should have a clear idea of their primary products by the end of the meeting.

## TOOL 1.4.1 CLUSTER MEMBER PROFILE

Cluster:	
Facilitator Team:	As of ( <i>date</i> ):
Province:	Municipality / City:
Barangay:	Sitio:

Family Name	First Name	Middle Name			
<b>Age</b>	<b>Gender</b> Male                  Female	<b>Civil status</b> Single   Married   Separated   Widow/er If married, name of spouse: _____			
<b>Educational attainment</b> Elementary    High School    College		No. of household members (including respondent): _____ No. of household members in farming (including respondent): _____			
Farm location		Farm size (hectares)			
<b>Land status</b> (check all applicable) Owner                                  Renter/Leasee Sharer/Tenant                          Others ( <i>specify</i> ) _____					
<b>Products and markets (past 12 months)</b>					
<b>Product</b>	<b>Last harvest (month)</b>	<b>Area planted</b>	<b>Yield (kg)</b>	<b>Sales</b>	<b>Buyer (give name)</b>
<b>Source of financing</b> (Rank 1 to 5 as to main financing; 1 is highest) Own financing                  Local financier                  Trader/Buyer                  MFI/Bank                  Others _____					
<b>Uses of the loan</b> ( <i>check all applicable</i> ) Farm inputs                          Farm labor                          Postharvest                          Personal/Family needs					



# TOOLKIT 2.1



## Meeting Guide: Product selection

Corresponds to Step 2.1 Product selection: Which agricultural product should the agroenterprise choose?



Local Research Team (LRT)



The LRT leads the discussion with the clusters regarding the information on products earlier gathered from the site appraisal activity and from their cluster profiling in Step 1. Information includes their crops commonly grown in the locality, and their existing and potential markets. From the discussion, the LRT guides the farmers to select the product(s) for their agroenterprise development and to evaluate their product-market match. This toolkit contains:

- *Tool 2.1.1 Criteria for ranking existing products*
- *Tool 2.1.2 Criteria for selecting a new product*
- *Tool 2.1.3 Ansoff Table for product-market matching*



- ◇ Discuss with the clusters information on their most common crops and products, existing and potential markets, business service providers including financing
- ◇ Guide the clusters to screen and decide on new or existing products for agroenterprise development, applying the criteria on product selection
- ◇ Draw from the clusters a consensus on the market direction that they wish to pursue for the test marketing, whether an existing and/or new buyer



- ◇ The LRT reviews the information gathered in the Cluster Member Profile and site appraisal activity carried out earlier as part of Step 1
- ◇ The LRT has scheduled with the Cluster Leaders the meeting to conduct cluster profiling
- ◇ The Cluster Leader has informed the cluster members of the meeting



- ◇ Flipchart paper with the key information from the site appraisal results: land area, farm area, crops grown and number of farmers (*Tool 1.2.1*); farmers' development programs (*Tool 1.2.2*); Top 5 buyers, main service providers, Top 5 sources of financing (*Tool 1.2.3*)
- ◇ Flipchart paper with the Cluster Member Profile Summary: Products and markets (*Tool 1.4.2*) (*Note:* This material was presented in the gallery walk during the cluster profiling activity)
- ◇ Flipchart paper with the criteria for ranking existing products according to importance (*Tool 2.1.1*)
- ◇ Flipchart paper with the criteria for selecting the new product (*Tool 2.1.2*)
- ◇ Flipchart paper with the Ansoff Table for product-market matching (*Tool 2.1.3*)
- ◇ Marker pens, masking tape
- ◇ Calculator



- ◇ 3 hours



- ◇ Clustered farmers



## 1. For product that is existing and not pre-selected

- ◇ **Explain the expected outputs of the meeting.** Mention that this meeting is important because the clusters will decide on their product for agroenterprise development as well as the market direction that the farmers will pursue, whether an existing market and/or a new one.
- ◇ **Present to the clusters key information from the site appraisal** to situate them on the general farming situation in the community. This information written on a flipchart paper includes: land area, farm area, crops grown and number of farmers, farmers' development programs, Top 5 buyers, main service providers, Top 5 sources of financing.
- ◇ **Present the Top 5 mentioned products** and the current markets of the cluster members as revealed in their Cluster Member Profile.  
(Note: This information is in the Cluster Member Profiles Summary: Products and markets, from **Tool 1.4.2**, and was presented through a gallery walk during the previous meeting on cluster profiling.)
- ◇ **Ask the farmers to relate their own farming with the rest of the farmers in the community.**  
*Key points:* Their products and markets may be the same or not. What is important is that they know how they compare with the others in the community, and if they expand later, they also know the conditions of prospective cluster members who will join them.
- ◇ **Present the flipchart paper with the criteria** for ranking existing products according to importance (**Tool 2.1.1**). Write on the top columns the Top 5 mentioned products, the most mentioned as the first product.
- ◇ Draw attention to farmers' Top 5 mentioned products and **explain that they will have to choose one (or three products at most)** for their agroenterprise or collective marketing. Facilitate the group to select the product through a process of ranking them according to suggested criteria (refer to the questions in **Tool 2.1.1**), with five as the highest number, and one as the lowest. The product that gets the highest total score is the selected product for agroenterprise.

## 2. For new products – whether pre-selected or not

- ◇ **Discuss the option of choosing new products.**  
*Ask these questions:*
  - Is there is a new product they would like to consider for agroenterprise development?
  - Is there an opportunity for an agroenterprise coming from a buyer requiring the supply of a new product in which case the product is pre-selected?
  - Point out to the farmers that they can always consider new products that will bring them higher incomes but this **decision has certain risks**. Thus, it is important to subject their decision for a new product to evaluation (**Tool 2.1.2**).  
*Key points:* Risks can include adverse weather conditions, unavailable farm inputs, pest and disease infection, fluctuating price behavior, stringent product quality requirements, among others.
- ◇ **Guide the farmers through the four criteria questions** for selection of a new product (**Tool 2.1.2**). All the evaluation criteria questions should have a positive answer before selecting the new product.

## 3. Direction in choosing the market

- ◇ With a selected product, **discuss their direction in choosing the market**, whether it is an existing market as shown in their Cluster Profile and site appraisal findings, or it is a new market.

- ◇ **Present the drawing of the Ansoff Table for product-market matching (Tool 2.1.3)** on a flipchart paper and explain that the table is a guide to assess risks in matching their selected product with markets.
- ◇ **Invite the clusters to discuss the advantage and disadvantages** of each of the four product-market combinations (i.e. Boxes 1 – 4) using the selected product(s) and existing markets, as well as the new product they are considering with the prospective markets as revealed in their information-gathering.
- ◇ **Suggest to the farmers that they first consider a low-risk** (Box 1) or medium-risk option (Boxes 2 and 3), and to try the highest-risk option (Box 4) which can bring the highest potential incomes only when they have these conditions that minimize the risks:
  - Assistance from a specialist
  - Help from a business advisor
  - Existing “friendly” market
  - Farmers are well organized and have initial experiences in marketing
 They can choose one or two options (i.e. low- to medium-risk).
- ◇ **Get the consensus of the farmers by asking them to vote** (by raising their hand) referring to the boxes on the product-market match that they would want to pursue.

## LESSON LEARNED: LET THE FARMERS CHOOSE THEIR PRODUCT

Facilitators can advise farmers on their product options for agroenterprise but the farmers should be the ones to choose their product because they are the only ones who can decide what level of risk is appropriate and acceptable to them.



### 4. Next steps

- ◇ **End the meeting with information on the next steps** that the LRT will:
  - Undertake Step 2: Conduct key informant interviews (KII) to gather information on best farm production practices on their selected crop from three good farmer producers in their community
  - Undertake Step 3: Conduct the market chain study to gather information on the market choices based on the direction of their chosen product-market matching
- ◇ **Tell the farmers that in the succeeding cluster meetings,** it is important that they will be present since they will be discussing the results of the Step 2 and Step 3 information-gathering, and that from the information gathered, they will be consulted with these decisions:
  - How to standardize the farming practice in their selected crop (i.e. Production Module)
  - How to consolidate their product as a cluster (i.e. Cluster Supply Plan)
  - Their business objective for collective marketing (or Agroenterprise Objective) that is the basis for compiling their Agroenterprise Plan

## TOOL 2.1.1 CRITERIA FOR RANKING EXISTING PRODUCTS

Criteria: Based on your experience or observation	Top 5 mentioned products				
	First product ( )	Second product ( )	Third product ( )	Fourth product ( )	Fifth product ( )
What has given the farmers the highest income?					
What has been relatively easy to market?					
What is <b>grown by most of the farmers</b> in the whole community where the project is located?					
TOTAL SCORE					

## TOOL 2.1.2 CRITERIA FOR SELECTING A NEW PRODUCT

Criteria	Question	Yes - ✓ No - X
<b>Market</b>	Is there an existing and growing market?	
<b>Production capacity</b>	Can we produce with the existing resources we have? Resources: technology and financing	
<b>Profitability</b>	Will we earn an income? Is it worth it for us?	
<b>Sustainability</b>	Will we be able to continue producing and marketing it on our own after the agroenterprise project support?	

## TOOL 2.1.3 ANSOFF TABLE FOR PRODUCT-MARKET MATCHING

	Existing markets	New markets
Existing product	<b>Box 1</b> Market penetration ( <b>Lowest risk</b> )	<b>Box 2</b> Market development ( <b>Medium risk</b> )
New product	<b>Box 3</b> Product Development ( <b>Medium risk</b> )	<b>Box 4</b> Diversification ( <b>High risk</b> )

**Box 1:** The farmers already sell the product to a particular market. This is the least risky option.

**Box 2:** They want to sell a new product to an existing market. This is a medium-risk option.

**Box 3:** They want to sell an existing product to a new market. This is also a medium-risk option.

**Box 4:** They want to sell a new product to a new market. This is the riskiest option.

Adapted from CRS (2009) *Getting to Market: From Agriculture to Agroenterprise*

# TOOLKIT 2.2



## Activity Guide: Production Module key informant interviews

Corresponds to Step 2.2 Creating a Production Module



Local Research Team (LRT)



This activity gathers information on farm practices from at least three farmers in the community who are good crop performers of the clusters' selected products. As key informants knowledgeable about the selected crop, they are interviewed on their farming practices and their corresponding costs and returns. The results of the key informant interview (KII) indicate the possibilities of good farm production, and become the reference of the LRT to develop a recommended Production Module (i.e. Recommended Farming Practices with Costs and Returns with Financing Plan) to the clusters. This toolkit contains:

- ◇ *Tool 2.2.1 Key informant interview with farmers: Farming Practices*
- ◇ *Tool 2.2.2 Key informant interview with farmers: Costs and Returns*



- ◇ Gather information on farming practices with their costs and return from key informants who are good crop performers of the clusters' selected products
- ◇ Draw up a recommended Production Module for the clusters' adoption to standardize the cluster's farming practices



- ◇ The LRT lists the key informant interview respondents (at least three per crop) guided by information from government technicians and local community leaders
- ◇ The LRT forms two sub-teams (with a farmer included in each sub-team) and divides the number of respondents to interview between them
- ◇ The sub-teams set up appointments with their corresponding KII respondents at least a week before the scheduled date of interview. It is preferable that the interviewers conduct the KII at the farm of the respondent so that the interviewers can also observe the farm and have an appreciation of the farming practices being related



- ◇ Printed copies of the KII forms: Farming Practices (*Tool 2.2.1*)
- ◇ Printed copies of the KII forms: Costs and Returns (*Tool 2.2.2*)
- ◇ Calculator



- ◇ Depends on the number of KII respondents and their location, and also the number of selected crops. (Note: Estimated time per actual interview is about two hours)



- ◇ KII respondent farmers (at least three farmers per crop)



- ◇ **Introduce to the key informant your LRT sub-team for the KII** and explain the purpose of interviewing the farmer as key informant. Explain to the key informant that you will be asking questions on a particular crop she/he has produced in the last cropping season, in particular: her/his farm production, postharvest and marketing practices, and the corresponding costs and returns.

- ◇ **Before asking the questions, determine first from the informant the measure of her/his farm production** that you will be talking about and the period covered (months) in the latest cropping season. Then record the variety and the planting distance.  
*Example:* For rice, this might be in hectares, for vegetables in square meters, for coffee in number of bearing trees, etc.
- ◇ **Ask the key informant to relate chronologically her/his existing farm production practices** up to harvesting. Lead the discussion by asking her/his practices per stage of the farm production, guided by the farm activities listed in the left column (**Tool 2.2.1**). Then ask about the farm production challenges encountered, and the solutions for these challenges.
- ◇ **Continue with the questions on postharvest and marketing**, similar to the process done in the farm production data-gathering (**Tool 2.2.1**).
- ◇ **Next, guide him/her to provide the costs and returns** information by filling in the various forms that organize these items into categories of information as follows:
  - **Labor cost (Tool 2.2.2 – Table I):** Ask the informant to indicate all labor used, and segregate if provided by family members or hired from others.
  - **Material cost (Tool 2.2.2 – Table II):** Proceed to ask her/him all the material inputs (seeds, fertilizers, packaging materials, etc) that the informant used.
  - **Durable items cost (Tool 2.2.2 – Table III):** Ask the informant the items needed that are durable (i.e. lifespan or use of more than one year or in several cropping seasons), and ask how many years or cropping seasons the items are expected to be usable.
  - **Loan cost (Tool 2.2.2 – Table IV):** Fill in this table if the farmer borrowed capital for her/his farm production and incurred loan cost, both interest and other charges.
  - **Product cost (Tool 2.2.2 – Table V):** Summarize the cost of the product using this form. For guidance, the cost from Tables I to IV to be used to fill in this table is highlighted. Then, get the unit cost per item per area (if the unit is in hectares), or per plant (if unit is in square meters or in count of trees).
  - **Income – various yields (Tool 2.2.2 – Table VI):** Ask the informant to give three levels of yield – low, medium (the common level) and high. Then, compute income using the price that she/he was able to get in the latest cropping season.
  - **Income – various prices (Tool 2.2.2 – Table VII):** Ask the informant to give three levels of prices – low, medium (the common level) and high. Then, compute income using the yield that he/she realized in the latest cropping season.
- ◇ **Show the computations to the key informant**, and ask the informant if they are correct.
- ◇ **End the interview by thanking the informant** for her/his time to answer the questions.

### LESSON LEARNED: YOUR ROLE IS TO LISTEN AND LEARN

It is easier for facilitators to just recommend farming practices based on standard protocols suggested by technicians and farm input suppliers. But it is important to recognize that in the community there are farmers who are innovative, have developed expertise through their farming experience, and will have the detailed knowledge of what will work best with farmers.



- ◇ **Write up the consensus on the Production Module: Recommended farming practices** (refer to **Tool 2.3.1** in the next activity) for each crop on cards at the end of the KIIs. (See **Figure 16** in **Step 2.2**). Also prepare the Production Module: Costs and Returns with Financing Plan based on the consensus on recommended farming practices (refer to **Tool 2.3.1** in the next activity). These will be used for the Production Module meeting with clusters.

## TOOL 2.2.1 KEY INFORMANT INTERVIEW WITH FARMERS: FARMING PRACTICES

Date:	Crop:	Variety:
Province: Municipality/City: Barangay: Sitio:	Unit of measure (e.g. hectare for rice, square meters for vegetables, number of trees for coffee):	Cropping season covered:
Name of informant:	Address:	LRT Interviewer(s):

Current farm production practices		Current postharvest and marketing activities	
Land preparation		<b>Postharvest</b> (Warehousing, milling, etc.)	
Planting (Give planting distance)			
Early crop care Fertilization			
Disease and pest control			
Weeding		<b>Marketing</b> (Negotiation, trucking, delivery)	
Irrigation/Water management			
Other activities			
Harvesting			

Challenges encountered in farm production	Challenges encountered in postharvest and marketing
Solutions for challenges in farm production	Solutions for challenges in postharvest and marketing

## TOOL 2.2.2 KEY INFORMANT INTERVIEW WITH FARMERS: COSTS AND RETURNS

Date:	Crop:	Planting distance:
Interviewers:	Name and address of informant:	
<i>Reference in the cost and return (either farm size or number of plants)</i> Farm size:                      Specify:  Number of plants:              Specify:		

**Table I. Labor Cost**

Activity	Person-days		Cost/day		Cost		
	Hired A	Family B	Hired C	Family D	Hired E = A x C	Family F = B x D	Total G = E + F
Nursery							
<i>Sub-Total</i>							
Planting up to Harvest							
<i>Sub-Total</i>							
Postharvest:							
<i>Sub-Total</i>							
<b>TOTAL LABOR COST</b>							

**Table II. Farm Inputs and Services Cost**

Activity	Description	Unit (e.g. bags)	Quantity A	Price per unit B	Cost A x B
Nursery					
<i>Sub-Total</i>					
Planting up to Harvest					
<i>Sub-Total</i>					
Postharvest:					
<i>Sub-Total</i>					
<b>TOTAL COST OF FARM INPUTS AND FARM SERVICES</b>					

**Table III. Durable Items Cost**

Activity	Description	Quantity A	Price/unit B	Years C	Cost/Year D = A x B / C
Equipment or Facility:					
Permanent crop establishment					
<b>TOTAL COST FOR CROP ESTABLISHMENT AND OTHER DURABLE ITEMS</b>					

**Table IV. Loan Cost**

Particulars			
Amount of Loan	A	Php	
Rate of service charge	B	%	
Service charge	C = A x B	Php	
Interest rate per month	D	%/month	
Number of months	E	months	
Interest charge	F = D x E	Php	
Loan cost	G = C + F	Php	
Amount to be repaid	A + G	Php	

**Table V. Product Cost**

Particulars		Amount	Per Unit Area	Per Plant
1. Labor cost				
Hired labor cost	A	0		
Family labor cost	B	0		
Total Labor cost	$C = A + B$	0		
2. Farm input & service costs	D	0		
3. Crop establishment & durable items	E	0		
4. Loan cost	F	0		
Total cost (excluding family labor)	$A + D + E + F$	0		
Total cost (including family labor)	$C + D + E + F$	0		
Total amount loaned				

**Table VI. Income (Various Yields)**

Product: \_\_\_\_\_ Medium yield: \_\_\_\_\_

Particulars	Kg	Price/kg	Amount	Product Cost	Income
Sales					
Low Yield			0		
Medium Yield			0		
High Yield			0		

**Table VII. Income (Various Prices)**

Product: \_\_\_\_\_ Medium price: \_\_\_\_\_

Particulars	Kg	Price/kg	Amount	Product Cost	Income
Sales					
Low Price			0		
Medium Price			0		
High Price			0		

Adapted from Ferris, Shaun, Rupert Best and Paul Mundy (2013) *Seven Steps of Marketing: Course on agroenterprise and market development for field agents*. CRS: Baltimore, Maryland, United States.

# TOOLKIT 2.3



## Meeting Guide: The Production Module

Corresponds to Step 2.2 Creating a Production Module



Local Research Team (LRT)



This meeting presents to the cluster members the LRT's proposed Production Module of the crop selected for agroenterprise that was formulated based on information gathered from the key informant interviews of good farmer producers. The LRT guides the cluster members to review and comment on the proposed module, after which the farmers are asked to decide to adopt it by consensus. This toolkit contains:

- ◇ *Tool 2.3.1 Production Module: Recommended Farming Practices*
- ◇ *Tool 2.3.2 Production Module: Costs and Returns with Financing Plan*
- ◇ *Tool 2.3.3 Measure of Profitability*
- ◇ *Tool 2.3.4 Measure of Efficiency*



- ◇ Explain what a Production Module is and why it is important
- ◇ Present a recommended Production Module for the selected product for agroenterprise development
- ◇ Facilitate a cluster decision to adopt a Production Module



- ◇ The LRT reviews the consensus on the proposed Production Module resulting from their key informant interviews in the previous activity and for presentation to the clusters for approval
- ◇ The Cluster Leaders have organized the schedule for the cluster meeting



- ◇ Flipchart paper with the proposed Production Module on the cards created in **Tool 2.3.1** – Recommended farming practices and blank cards to use in adjusting the practice, based on feedback and consensus of the clusters regarding farming practices, to write up the cluster's final Production Module (**Tool 2.3.1**)  
*Note: Use card to fill up the table on Recommended Farming Practices so it is easy to adjust the practice based on feedback and consensus of the clusters regarding farm practices (Figure 16 in Step 2.2)*
- ◇ Flipchart paper of the proposed Production Module – Costs and Returns with Financing Plan (**Tool 2.3.2**)
- ◇ Flipchart paper of the unfilled table on the Production Module – Costs and Returns with Financing Plan (**Tool 2.3.2**)
- ◇ Flipchart paper with the assessment table on Measure of Profitability (**Tool 2.3.3**)
- ◇ Flipchart paper with the assessment table on Measure of Efficiency (**Tool 2.3.4**)
- ◇ Marking pens, masking tape



- ◇ 4 hours



- ◇ Cluster members



## 1. Introduction and background

- ◇ **State that the discussion focus in the meeting is the Production Module.** Open the discussion by mentioning that one of the challenges of small farmers in marketing is that they are not competitive. *Invite comments by asking: Why do you think farmers are often not competitive in marketing their farm product?*  
*Key points:*
  - Competitiveness requires that the farmers can deliver to the buyers the promised quality, quantity, schedules at competitive price offer.
  - To be competitive is to have a productive and profitable farm which poses challenges for farmers.
- ◇ **Mention that a tool that helps farmers** to become competitive is the Production Module. Define a Production Module and cite examples.  
*Key points - What is a Production Module?* A Production Module is a standard unit of measure in farm production that is agreed upon by the cluster as their guide to undertake standardized units of production across cluster members. The standard unit can be area in hectare, area in square meters, in a can or container of seeds, or number of trees or plants.  
Examples of these standards or modules: rice – 1 hectare, tomatoes – 500 square meters, bulb onion – 1 can of seeds (400 grams planted in 1500 square meters), and coffee – 500 trees.
- ◇ **List the two main points contained in a Production Module.**  
*Contents of the Production Module: (a) Recommended Farming Practices, and (b) Costs and Returns with Financing Plan.*  
*Key point on financing:* Source of financing can be from the family, relatives, loan from traders or financing institution, others.
- ◇ **Relate that to develop a Production Module for their selected crop**, the LRT identified at least three farmers in the community who are good producers of the selected crop, and interviewed them as key informants on what their good farming practices are with their costs and returns. And on the basis of the study of good practices of the key informants, the LRT formulated a proposed Production Module.

## 2. Present the proposed Production Module as a tool for farm planning

- ◇ **Present the flipchart paper with the proposed module** from the KIs and go through the contents. Start with the Recommended Farming Practices (**Tool 2.3.1**) and point to the different columns:
  - **First:** Days when the activity was carried out (with reference to 0 as the planting date, land prep 14 days before planting is -14; fertilization 20 days after planting is +20). The activity is both in production and postharvest activities done by the key informant.
  - **Second:** Farm activity.
  - **Third:** Labor needed (specified if family or hired); explain that person-day is a measure of labor of one person in a day with eight hours; person-animal-day is a measure of labor of one person together with a draft animal in a day with eight hours
  - **Fourth:** Farm requirements that are non-sprayable (i.e. seeds, granular fertilizers, etc)
  - **Fifth:** Farm requirements that are sprayable (i.e. insecticide, foliar fertilizers, etc)
- ◇ **Present the costs corresponding to the farming practices being followed and the Financing Plan**, i.e. either family financed or through a loan (**Tool 2.3.2**)
- ◇ **Invite comments as you discuss the contents of the Production Module.** Use the cards, moving them around and adjusting the farming practices, to facilitate a participatory conversation. If adjustments are suggested by the farmers, come to an agreement with the clusters through consensus or voting by hand. If there are adjustments, make corresponding changes on the Costs and Returns with Financing Plan using the flipchart paper with the unfilled table of the Production Module: Costs and Returns with Financing Plan (**Tool 2.3.2**)



## LESSON LEARNED: BE PREPARED TO ADJUST THE PRODUCTION MODULE

It is not enough for facilitators to tell the farmers that they can adjust the proposed Production Module. The process must be encouraging for farmers to do this. Thus, the importance of using cards that can be moved around when farmers share with each other their farming experiences on best practices.

### ◇ Next, deepen their understanding of the Production Module as an important tool.

*Key points:*

- The Production Module as a tool helps the farmer manage her/his farm in a business-like way, resulting in a productive, profitable and competitive farm.
- A farmer can be business-like in her/his management of the farm through having a Production Module that provides the ready answers to a set of questions. Ask this set of questions and draw answers from the farmers on the proposed module being reviewed.

*Set of questions for business-like farming drawn from the Production Module:*

- How do you produce the product based on the planned market? (Answer in **Tool 2.3.1** – recommended farming practices)
- What quantity of product will you produce? (Answer in **Tool 2.3.2** – quantity of harvest in the Production Module)
- What are your costs in the farm production? What is the cost of producing your product? (Answer in **Tool 2.3.2** – total cost of production, and breakeven cost)
- How will you finance your farm production? (Answer in **Tool 2.3.2** – Financing Plan)
- How much is your expected sales and profit? (Answer in **Tool 2.3.2** – Costs and Returns table)

### 3. Present the proposed Production Module as a tool for assessment

#### ◇ Relate business-like farm management with the farmer's assessment to improve her/his crop performance. Point out that having a Production Module enables her/his to do this assessment.

#### ◇ Mention the two areas of self-assessment. Post the flipchart papers with the two assessment tables written, namely: (a) Measure of Profitability - **Tool 2.3.3**; and (b) Measure of Efficiency - **Tool 2.3.4**.

*Two areas for assessment:*

- Profitability – the highest income (revenue - costs)
- Efficiency – the least cost to earn the highest income

#### ◇ Explain how to fill up the assessment tables by showing how to compute the various assessment measures using the figures in the proposed Production Module. Explain the meaning of the figures in the table.

*Key points:*

- Return on investment is a measure of the income per unit cost
- Income per kilogram is a measure of net income per kilogram of yield
- Breakeven cost is the cost to produce a unit of the product
- Breakeven yield is the minimum product quantity to cover the total cost

### 4. Get consensus on the Production Module

#### ◇ Before ending the meeting, ask the farmers to make a final decision on whether they will adopt the proposed Production Module (incorporating their proposed adjustments or changes) to guide each one in the cluster in their farming practices for the selected crop. Be open to suggestions to change some practices. The important thing is that they agree by consensus as a cluster on the final Production Module to follow.

## 5. Next steps

- ◇ **End the meeting by telling the farmers that their next meeting** will be a discussion on their **Cluster Supply Plan**.

### TOOL 2.3.1 PRODUCTION MODULE: RECOMMENDED FARMING PRACTICES

Product:	Module description:	Location:
Area:	Date:	Planting distance:

Days	Activities	Labor	Requirements (non-sprayable)	Requirements (sprayable)
	<b>Nursery</b>			
	<b>Land Prep</b>			
	<b>Tranplanting &amp; Maintenance</b>			
	<b>Harvesting</b>			
	First harvest (selection)			
	Succeeding harvest (frequency)			
	<b>Postharvest Activities:</b>			
	Hauling			
	Sorting			
	Packaging			

## TOOL 2.3.2 PRODUCTION MODULE: COSTS AND RETURNS WITH FINANCING PLAN

Crop:	Cluster location:	Module (description):
Date:	Area:	Number of plants or hills:
Planting distance:		

### Production

Particulars	Measure	Qty	Unit	Amount	Rate Per	FINANCED	Farmer's
<b>I. ACTIVITY/LABOR</b>							
a. Nursery							
1..				-			
2..				-			
3..				-			
b. Land preparation							
1. Plowing				-			
2. Harrowing				-			
3. Bed preparation				-			
4. Manure/lime spreading				-			
c. Transplanting				-			
e. Fertilization				-			
1. Basal				-			
2. Sidedress				-			
f. Spraying (___ times)				-			
g. Weeding (___ times)				-			
h. Irrigating/watering (___ times)				-			
i. Hilling up				-			
j. Staking/Tying				-			
k. Harvesting and packing				-			
l. Hauling				-			
<b>Sub-Total</b>				-	<b>#DIV/0!</b>	-	-
<b>II. MATERIALS</b>							
a. Seedling tray (good for ___ plantings)	pieces			-		-	
b. Seeds	grams/sachet			-		-	
c. Fertilizers							
1..				-		-	
2..				-		-	
3..				-		-	
d. Insecticide & Fungicides							
1..				-		-	
2..				-		-	
3..				-		-	
d. Others							
1. Crates	pieces			-		-	
2..				-		-	
<b>Sub-Total</b>				-	<b>#DIV/0!</b>	-	-
<b>III. OTHER COST</b>							
Coop - market facilitation fee	per crate (per kg?)			-			
Loan interest							
Land rental							
<b>Sub-Total</b>				-	<b>#DIV/0!</b>		
<b>TOTAL</b>				-	<b>#DIV/0!</b>	-	-

### Breakeven Cost with Financing Plan

Particulars	Amount		Amount	Amount	Amount
a. Total production cost	-		Sales	-	-
b. Yield (kg) <i>(yield/plant X population)</i>	-		Cost	-	-
<b>c. Break-even cost (pesos) <i>a/b</i></b>	<b>#DIV/0!</b>		Net Income	-	-
			Add: Labor	-	-
<b>d. Breakeven volume (kg) <i>a/e</i></b>	<b>#DIV/0!</b>		<b>Cash Income</b>	-	-
e. Selling price					
<i>fYield (kilogram per plant):</i>			Yield (kg)	-	-
			Price (Per kg)	-	-

*Note: assumptions can be 3 yield levels or 3 price levels*

### TOOL 2.3.3 MEASURE OF PROFITABILITY

Measure	Base figure (average yield)	Low yield	High yield
Net income = Income - Cost			
Cash income = Net income + Farmers' counterpart in the cost			

### TOOL 2.3.4 MEASURE OF EFFICIENCY

Measure	Base figure (average yield)	Low yield	High yield
Return on Investment (ROI) = Net income/cost			
Yield per module			
Income per kilogram = Net income/yield			
Break-even cost = Cost/yield			
Break-even yield = Cost/selling price			

# TOOLKIT 2.4



## Meeting Guide: The Cluster Supply Plan

Corresponds to Step 2.3 The Cluster Supply Plan



Learning Research Team (LRT)



This meeting enables the cluster to determine how much each member will plant of the selected crop, expected yield, and the committed yield that is earmarked for the collective marketing. This information is organized in the Cluster Supply Plan. This toolkit contains:

- ◇ *Tool 2.4.1 Cluster Supply Plan*
- ◇ *Tool 2.4.2 Cluster Supply Plan summary*



- ◇ Explain the Cluster Supply Plan
- ◇ Guide the clusters to determine the total quantity of product that the cluster members can produce together based on their Production Modules and the quantity that they will consolidate for their group marketing



- ◇ Cluster leaders have organized the cluster meeting for the Cluster Supply Plan formulation



- ◇ Flipchart paper with the cluster-agreed Production Module (*Tool 2.3.1 and Tool 2.3.2*)
- ◇ Flipchart paper drawing of the Cluster Supply Plan table and summary written on it (*Tool 2.4.2*)
- ◇ Marker pens, masking tape
- ◇ Calculator



- ◇ 3 hours



- ◇ Cluster members, multiple clusters if they are planning to consolidate product



### 1. Introduction

- ◇ **Explain that you will discuss the Cluster Supply Plan.**

*Key points*

**What it is?** A Cluster Supply Plan is a table that lists the cluster members' Production Modules, expected yields, their product quantity committed into the group marketing and their schedules of supply

**Why it is important?** It presents the product quantity that the cluster members are capable of producing together based on total yields, and what they are capable of marketing together based on committed yield. Thus, it helps the clusters to successfully consolidate products for the agreed target markets.

**How does one make a Cluster Supply Plan?** In answer to this question, show the drawing of the Cluster Supply Plan table written on a flipchart paper.

- ◇ **Present one flipchart paper of the Cluster Supply Plan to each cluster to fill in.** Before filling in the table, discuss that in a Cluster Supply Plan, each member needs to provide information of her/his planned total number of Production Modules, the expected yield from the total modules, and the quantity out of the expected total yield that she/he will commit for cluster product consolidation at particular schedules. Explain that the schedule for the cluster member to deliver to the cluster consolidation is also related to planting and harvesting times. (Note: Use **Tool 2.4.1a** for permanent crops, and **Tool 2.4.1b** for the short-term crops that need to be planted.)



## 2. Filling in the Cluster Supply Plan

- ◇ **Allow time for the clusters to agree on their schedules for the short-term crops.** Emphasize that for cash crops, it is important that they will be able to stagger their planting if needed, and accordingly, their harvest schedules, so that they can build business partnerships with buyers resulting from a continuous or sustained supply for a particular period of time.
- ◇ **Guide the clusters to start filling in the Cluster Supply Plan** by asking their Cluster Leaders to first write the cluster names in the first column marked “Suppliers.”
- ◇ **Ask the cluster members to write (on the flipchart paper with the Cluster Supply Plan)** on the line where their names appear, and under various columns, the appropriate information which includes number of Production Modules they will grow, the date they plan to plant and the corresponding dates they expect to harvest (i.e. in the case of the cash crops), their estimated total yield, their committed yield distributed in the different supply periods of about three months.
- ◇ **To get the total figures of a particular cluster,** guide them to add the figures of the cluster members under the columns estimated total yield, committed yield and yield in various periods.
- ◇ **To sum up the figures of all the clusters,** sum the totals of all the clusters. It is best to add by hand and write it on the flipchart for everyone to see. Then cluster members can walk around and see their own and other clusters’ Supply Plans. Facilitators then support Cluster Leaders to fill in the summary table, post and share with everyone.

### LESSON LEARNED: THE POWER OF PRODUCT CONSOLIDATION

When farmers see what quantity they can sell when they consolidate their product, they are often amazed at their market power. By working as a group, they can now see clearly how much more powerful they are.



- ◇ **Clarify to the clusters that the Cluster Supply Plan they filled in is a preliminary one.** Tell them that it will be finalized when the market chain study can be done and the identified buyer requirements (both in quantity and supply schedules on particular dates) can be determined. As such, the members do not have to sign in the last column as this is done in Step 4 (Cluster commitment-setting) when they finalize and commit to the Supply Plan for the collective marketing.

### 3. Next steps

- ◊ **End the meeting by informing the clusters that in another meeting, the Cluster Supply Plans they just made will be reviewed and adjusted** after the market chain study is done when buyers can be identified, and their product requirement and delivery schedules are also set. Accordingly, planting dates will also be adjusted based on buyer requirement, i.e. whether one time delivery which requires all members to plant one time; or in staggered periodic deliveries which will need spread out planting schedules to match the buyer's requirement of continuous supply.

### TOOL 2.4.1 CLUSTER SUPPLY PLAN

Province:	Number of clusters:	Number of farmers:
Municipality / City:	Product:	As of (date):
Barangay:	Module (description):	Yield/Module:
Sitio:	Area and/or number of plants:	

#### Tool 2.4.1a Permanent crops

Suppliers NAME	No. of Modules	Estimated Total Yield	Committed Yield	Month _____				Month _____				Month _____				Signature
				Wk 1	Wk 2	Wk 3	Wk 4	Wk 1	Wk 2	Wk 3	Wk 4	Wk 1	Wk 2	Wk 3	Wk 4	
CLUSTER-01																
1																
2																
3																
4																
5																
6																
7																
8																
9																
10																
<b>Total Supply</b>																

Note: for use if permanent crop (e.g. coffee beans)

#### Tool 2.4.1b Short-term crops

Suppliers NAME	No. of Modules	Estimate d Total Yield	Committed Yield	Date of Planting	Start of Harvest	Month _____				Month _____				Month _____				Signature
						Wk 1	Wk 2	Wk 3	Wk 4	Wk 1	Wk 2	Wk 3	Wk 4	Wk 1	Wk 2	Wk 3	Wk 4	
CLUSTER-01																		
1																		
2																		
3																		
4																		
5																		
6																		
7																		
8																		
9																		
10																		
<b>Total Supply</b>																		

Note: for use with short term crops

## TOOL 2.4.2 CLUSTER SUPPLY PLAN SUMMARY

Province:	Number of clusters:	Number of farmers:
Municipality / City:	Product:	As of (date):
Barangay:	Module (description):	Yield/Module:
Sitio:		
Area and/or number of plants:		

### Tool 2.4.2a Permanent crops

Suppliers	No. of Modules	Estimated Total Yield	Committed Yield	Month _____				Month _____				Month _____			
				Wk 1	Wk 2	Wk 3	Wk 4	Wk 1	Wk 2	Wk 3	Wk 4	Wk 1	Wk 2	Wk 3	Wk 4
<b>NAME</b>															
CLUSTER-01															
<i>Sub-Total</i>															
CLUSTER-02															
<i>Sub-Total</i>															
CLUSTER-03															
<i>Sub-Total</i>															
<b>Total Supply</b>															

Note: for use if permanent crop (e.g. coffee beans)

### Tool 2.4.2b Short-term crops

Suppliers	No. of Modules	Estimated Total Yield	Committed Yield	Date of Planting	Start of Harvest	Month _____				Month _____				Month _____			
						Wk 1	Wk 2	Wk 3	Wk 4	Wk 1	Wk 2	Wk 3	Wk 4	Wk 1	Wk 2	Wk 3	Wk 4
<b>NAME</b>																	
CLUSTER-01																	
<i>Sub-Total</i>																	
CLUSTER-02																	
<i>Sub-Total</i>																	
CLUSTER-03																	
<i>Sub-Total</i>																	
<b>Total Supply</b>																	

Note: for use with short term crops

# TOOLKIT 3.1



## Activity Guide: Market Chain Study

Corresponds to Step 3.3 Conducting the Market Chain Study (MCS)



Local Research Team (LRT)



The Market Chain Study (MCS) is done by the LRT. It is conducted to gather information on the market actors, their marketing activities, costs and incomes. It consists of five activities, namely: Market Chain Mapping, selecting buyers and BDS providers to interview, key informant interviews, direct observation and studying of price behavior. This toolkit contains:

- ◇ *Tool 3.1.1 Market Chain Map*
- ◇ *Tool 3.1.2 Questions for buyer interviews*
- ◇ *Tool 3.1.3 Tips for conducting the interview*
- ◇ *Tool 3.1.4 Buyer Comparison Table*



- ◇ Gather information on the actors (i.e. buyers and business service providers) involved in the market flow of the selected product, and the activities undertaken with the corresponding costs to bring the product from the project site up to the various buyers in the market chain.
- ◇ Determine market demand from prospective buyers and describe their buying practices.
- ◇ Collect historical data on price movements of the selected product and analyze their trend.
- ◇ Organize and analyze the data collected in the MCS to help the farmers decide on their marketing plans.



- ◇ The LRT discusses in a meeting the market chain study (MCS) activities that will be conducted.
- ◇ The LRT conducts informal interviews with local trader agents, transport providers and business practitioners on potential buyers outside of the project site for the selected product.
- ◇ The LRT comes up with the list of the buyers and service providers to be interviewed, the schedules for the market visits, and the transport and accommodation (particularly for markets outside of the project site).



- ◇ Flipchart papers for the market mapping (*Tool 3.1.1*)
- ◇ Marking pens, masking tape
- ◇ Copies of the list of buyer interview questions (*Tool 3.1.2*)
- ◇ Copies of the tips for conducting the interview (*Tool 3.1.3*)
- ◇ Buyer Comparison Table to record the buyer interview responses (*Tool 3.1.4*)
- ◇ Notepad for recording observations in the activities of market actors
- ◇ Calculator



- ◇ 2 to 4 weeks for the five MCS activities  
(Depends on the number of products and the market actors, with their location)



- ◇ Interviewees - selected buyers and business service providers involved in the market chain of the selected product



### Activity 1: Market Chain Mapping

Timeframe: 1 – 2 hours

- ◇ The LRT undertakes Market Chain Mapping. The map shows the flow of the selected crop from the farms to their various existing buyers and BDS providers, with identified activities undertaken (such as drying, milling, storage, transport) **Tool 3.1.1**.  
(Note: If more than one product is being considered in the agroenterprise, a separate Market Chain Map is drawn for each of the other products.)
- ◇ **Discuss who and where the potential buyers for the selected product are** within and outside of the project site.  
(Note: As preparation for this activity, the LRT has already gathered information on the alternative markets through informal interviews of transport providers in the market, as well as local trader agents who procure from the farmers and consolidate for bigger traders, and key informants from the business sector who are familiar with the product and its industry.)
- ◇ **Expand the Market Chain Map** by including the identified potential buyers and BDS providers. This is called the **Future Market Chain Map Brainstorm**. It can take the form of an expanded diagram and/or notes about potential buyers and BDS providers to interview.

### Activity 2: Selecting buyers and business development service (BDS) providers to interview

Timeframe: 1 – 2 hours

- ◇ Based on the Future Market Chain Map Brainstorm, **make a list of buyers and BDS providers to visit** (i.e. traders, wholesalers, processors, restaurants, etc.) as well as the business service providers. Determine the best dates to conduct the market visit and the interviews. Base the listing on the market actors drawn in the Market Chain Map, making sure that at least three buyers are to be interviewed at various points (i.e. local market, in the next town or the regional market, and the institutional or formal markets).
- ◇ **Undertake a planning meeting for the market visit** to organize the details of the arrangements for a buyers' interview (i.e. who to interview, schedules, transport, food and accommodation for the market visits outside of the project site).
- ◇ **Decide on the distribution of the assignments** among the LRT Team members (i.e. Facilitator Team with the two farmer representatives) in the buyers' interview. For a team of four conducting the activity, at least two should interview so they can support each other in asking the questions, one will document, and one will undertake direct observation of the buyers' marketing activities and the business services.
- ◇ **Conduct a review of the interview questions through a role-play**, simulating the actual interview with the LRT taking up roles as interviewers based on assignment, and as the interviewee. Study the tips for conducting the interview so that it will be an interactive and stimulating process, instead of a rigid question-and-answer activity. (**Tool 3.1.2** and **Tool 3.1.3**)

### LESSON LEARNED: PRACTICE ASKING THE QUESTIONS BEFORE THE INTERVIEW

The buyer's interview is a new experience. Deciding what to ask can be difficult. It is vital that the checklist of interview questions is translated into the farmers' own dialect. And the best way to practice information-gathering is through a role-play.



**Make contact beforehand to set up appointments** with buyers and service providers to be interviewed.

### **Activity 3: Key informant interviews (KIIs) of selected buyers and BDS providers**

Timeframe: 1 – 2 days for markets within the project site, 2 – 4 days for markets that include outside of the project site

#### *Buyer interviews*

- ◇ **Conduct the buyers' interview guided by the list of questions** in the survey form (**Tool 3.1.2**). Meanwhile, the assigned note-taker in the LRT will write the answers in the Buyer Comparison Table (**Tool 3.1.4**). And the one assigned to the observation will write her/his observations of the buyer's facilities, marketing activities, products handled and their packaging, quality specs, etc. *Notes:* Be sure the person interviewed has the time. If not, rearrange the schedule. Do not take more than 15 minutes of each person's time (Having two to interview, one to document and one to observe saves time). Stop asking questions when the interviewee is attending to customers or clients.

#### *BDS provider interviews*

- ◇ **The LRT also conducts key informant interviews of service providers.** They can include those providing transport, packaging, warehousing, postharvest equipment use, etc. Questions are asked on the services being provided as observed (e.g. packaging, loading, transport) and the charges for those services.
- ◇ **Note the service with the corresponding cost and incorporate it in the product flow diagram,** guided by the Market Chain Map from the farms to the prospective buyers being interviewed. This interview that focuses on the services and charges completes the information on the product flow to the chosen buyers.

#### *Tips for conducting interviews*

- ◇ **Introduce yourselves** as the LRT, and say why you are conducting an interview.
- ◇ **Express thanks to the interviewee** for her/his time and information.
- ◇ **After all the interviews have been conducted, assess the activity and review the findings written in the Buyer Comparison Table,** checking if the information needed is documented for the analysis of information in the next activity.

### **Activity 4: Direct observation**

- ◇ **Augment interviews with direct observation of the activities of the buyers and BDS providers at each point.** For example, a buyer may tell the LRT that they buy in crates, but only through direct observation can the LRT see how the buyer actually packs the products into the crates, how other producers transport to that buyer, whether the staff and equipment seem trustworthy and whether there are other logistical details to consider that might not have come out in the interview.
- ◇ Based on these direct observations, **ask additional questions** to market actors, including specific financial and logistical details. This information will be critical for calculating the actual costs of participating in the future value chain and supporting farmers to make informed choices

### **Activity 5: Study of price behavior**

- ◇ **Discuss the importance of price monitoring** focused on the selected crop for market planning and as a reference in market negotiation and pricing the product. Price monitoring should be an activity initiated by the LRT, and later turned over to the assigned leaders in the clusters who will repeatedly and regularly carry it out for their collective marketing.

- ◊ **Look back at historical price behavior** by gathering this information readily available through the internet from the government's statistics office. Review the prices over the previous two years, and summarize the information using the graphs for ease in analysis of seasonality or pattern in the price movements.
- ◊ **Set up a regular price-monitoring procedure to be carried out by assigned members in the clusters** (e.g. two days' weekly price monitoring of the selected crop in the wholesale market nearest the project site). A reliable market contact in the wholesale market can be identified so that regular price monitoring can be carried out by the clusters with the buyer using a mobile phone. This information is particularly important in analyzing market opportunities and how competitive the farmers are relative to the traders as the suppliers.
- ◊ **Emphasize to the two selected farmers that it is essential that the clusters take responsibility for price monitoring** because when they conduct their actual marketing, they will need to monitor traders' prices to determine how competitive they are relative to other suppliers.

### Consolidation and analysis of the MCS data

- ◊ **Convene an LRT meeting to organize the MCS findings** for analysis and use in business planning. Review the buyer interview responses in the Buyer Comparison Table (**Tool 3.1.4**). Analyze the MCS findings' implications to the farmers through these questions:
  - Choosing the preferred future buyers: Of the various buyers interviewed, who is the most promising? What will the farmers have to do to tap the market opportunities of the promising buyers?  
*Note:* As the above discussion is conducted, and when the preferred future buyer(s) is chosen, the Market Chain Map is redrawn as a Value Chain Map, with the preferred buyer(s) marked on the map. This indicates that the relationship to be established with the preferred buyers is going to be a mutually beneficial one where value addition will be shared.
  - Choosing the service providers: What are the essential services for farmers to be able to link to the preferred future buyers? What are the benefits of tapping these services? What are their costs and how can the farmers financially support these services?  
*(Note:* These service providers are also indicated in the Value Chain Map)
  - Overcoming the marketing challenges: As the product flows to the preferred future buyers, what possible marketing challenges will be confronted? How might they be overcome?

### TOOL 3.1.1 MARKET CHAIN MAP (SAMPLE)



## TOOL 3.1.2 QUESTIONS FOR BUYER INTERVIEWS

Interviewee: Contact number (mobile phone or landline): Name of business: Position in the business:		Interviewers:  Date:	
QUESTIONS	Product 1 ( )	Product 2 ( )	Product 3 ( )
1. What is the product quality that you require?			
2. What product packaging or containers do you require?			
3. How frequently do you buy? And what is the minimum quantity of every purchase? The maximum quantity?			
4. What is your buying price at present? ( <i>specify unit/measure</i> ) Over the past 12 months, what was your highest buying price? Lowest buying price?			
5. What is your preferred payment method: cash or term? If terms, how long ( <i>days, weeks, months</i> )?			
6. Do you collect or is the product delivered to you? If delivered, where?			
7. In the past 12 months, what were the three months of highest quantity that you purchased? The three months of lowest quantity?			
8. Where do you get the products you are selling? Who is/are your preferred suppliers?			
9. To whom do you sell your products?			
10. Are you interested in buying from small farmers?			

## TOOL 3.1.3 TIPS FOR CONDUCTING THE INTERVIEW

### Before the interview:

1. Wear presentable clothing
2. Be prepared and master the interview by conducting a mock interview with your fellow LRT members.
3. Set up an appointment with the identified interviewee.
4. Be punctual.
5. Agree who will conduct the interview. (At most, three LRT members per interview including the note-taker to be assigned)
6. Bring the interview guide, notebook and pen, and tape recorder (optional)

### After the interview:

1. Review and process the data
2. Present to the LRT members
3. Highlight the significant findings;
4. Product quality
5. Preferred packaging
6. Buying frequency
7. Buying price
8. Price ranges – past 12 months
9. Preferred payment arrangement
10. Other important information

### During the interview:

1. **Introduce** yourself (your organization)
2. State your **purpose**.
3. Be sure that the interviewee has time for the interview or **arrange for a better time**.
4. **Ask permission** from the interviewee for the interview to be recorded. If not, ask somebody from your team to be a note-taker.
5. Always **respect** an interviewee's time; do not take more than 15 minutes. (*Note: Having a recorder and assistant recorder assigned saves time.*)
6. If interviewing in a market, **stop questions when the person is dealing with a customer**.
7. Stress **confidentiality**.
8. Ask **simple and clear questions**.
9. Be **friendly** and relaxed.
10. Be prepared to **listen and learn**.
11. Ask the most **sensitive questions last** (related to detailed business transactions)
12. **Avoid leading questions**.
13. Always **thank them** for their participation in the interview. Explore the possibility of a future partnership.

## TOOL 3.1.4 BUYER COMPARISON TABLE

Province:	Product:	Date:
Municipality / City:	Date consolidated by:	
Barangay:		
Sitio:		

Name of buyer/ Address/ Contact person/ Contact phone no.	What is the product quality that you require?	What containers or packaging do you require?	How frequently do you buy?	What is the minimum and maximum volume that you buy?	What is your buying price at present?	What was your highest and lowest price in the past 12 months?	What is the payment arrangement, cash or terms? If "terms", how long?
Buyer 1							
Buyer 2							
Buyer 3							
Buyer 4							
Buyer 5							

Name of buyer/ Address Contact person/ Contact phone no.	Do you collect, or is the product delivered to you?	In the past 12 months, what were the three months of HIGHEST supply?	In the past 12 months, what were the three months of LOWEST supply?	Where do you get the products you are selling? Who is/ are your preferred supplier/s and why?	Where do you sell the product?	Would you be interested in buying from us/farmers?
Buyer 1						
Buyer 2						
Buyer 3						
Buyer 4						
Buyer 5						

# TOOLKIT 3.2



## Activity Guide: Analyzing MCS findings and preparing presentation

Corresponds to Step 3.4 Consolidation and analysis of MCS information and Step 3.5 LRT Presentation



Lead Facilitator



The LRT compiles a report of the key findings of Step 3 (Market Chain Study), relates this with findings in Step 2 (Product Selection and Supply Assessment), and proposes an Agroenterprise Objective (or a business objective for the collective marketing). This objective is presented to the clusters for validation and approval by consensus. This toolkit contains:

◇ *Tool 3.2.1 PSSA-MCS information and Agroenterprise Objective*



- ◇ Compile a report that matches product supply with market opportunity
- ◇ Formulate a proposed Agroenterprise Objective for presentation to the clusters



- ◇ Lead Facilitator has organized a one-day session with the rest of the LRT for compilation of the Step 2 and 3 results



- ◇ Copy of the preliminary Cluster Supply Plan (*Tool 2.4.1*)
- ◇ Buyer Comparison Table (*Tool 3.1.4*)
- ◇ Redrawn Market Chain Map (from *Toolkit 3.1*)
- ◇ Notes of direct observation during the market visit, and results of interview of business service providers
- ◇ Flipchart paper
- ◇ Marking pen, masking tape
- ◇ Calculator



- ◇ One day  
(Note: Within a week of the market chain study)



- ◇ LRT



- ◇ **The LRT conducts a review of the key findings with the analysis of Step 2 (PSA) and Step 3 (MCS).** These findings are organized based on an outline to help simplify the presentation to the cluster members for consultation and decision-making. These include:
  - Clusters formed with the cluster members – taken from *Tool 1.3.2*
  - Production Module description – selected product, module description, estimated yield – from *Tool 2.3.1* and *Tool 2.3.2*
  - Consolidated cluster supply – total modules, total yields, committed yields and supply periods; adjusted based on requirements of preferred future buyers – from *Tool 2.4.1*
  - Value Chain Map, Value Chain Diagram – drawn based on information from the MCS
  - Projection of marketing cost and income – computed based on information from the MCS

- ◇ Come up with a proposed Agroenterprise Objective that incorporates the preferred future markets and which is matched by clusters' product supply capacity.
- ◇ **Assign a lead writer from within the LRT to prepare the presentation "PSSA-MCS information and Agroenterprise Objective" to the clusters in a meeting.**

### LESSON LEARNED: STIMULATE THE FARMERS' INTEREST IN THE PRESENTATION

The findings of the PSSA-MCS have to be presented in a simple and creative way, combining verbal and visual messages through maps, diagrams and tables and a conversation between the LRT farmer representatives that stimulates discussion leading towards a common action.



*Suggested report outline is as follows:*

1. Background – Cluster Supply Plan
2. Agroenterprise Objective
3. Value Chain Map
4. Value Chain Diagram (with costs)
5. Estimate of Marketing Costs and Income

## TOOL 3.2.1 PSSA-MCS INFORMATION AND AGROENTERPRISE OBJECTIVE

Name of cluster:	Date	No. of clusters:
Province: Municipality / City: Barangay: Sitio:	Product:	Total members:
<b>1. Background: Cluster Supply Plan</b>		
Module:	Total modules:	Total yield:
Yield/module:	Participating cluster members:	Committed yield:

### 2. Agroenterprise Objective

To collectively market to \_\_\_\_\_ buyers, namely \_\_\_\_\_, a total quantity of \_\_\_\_\_ good quality \_\_\_\_\_, in \_\_\_\_\_ (frequency of deliveries), from \_\_\_\_\_; coming from \_\_\_\_\_ clusters with altogether \_\_\_\_\_ participating farmers, and earn a net marketing income of P \_\_\_\_\_.

### 3. Value Chain Map

### 4. Value Chain Diagram with costs and returns per-unit analysis

A. Farmers: Price at farm gate P _____	B. Marketing costs Description: <span style="float: right;">Per kg (or per sack)</span> _____ _____ _____ _____
C. Buyer: Buying price	D. Total value addition [C - (B + A) = P]

## 5. Marketing costs and income to move products to future markets

### A. Per supply or delivery unit

Particulars	Buyer 1	Buyer 2	Total
Unit (sack)			
Quantity per unit (kg)			
Total quantity (kg)			
Selling price per kg			
<b>Sales (a x b)</b>			
Cost (Paid to farmers P _____/kg)			
<b>Gross Income (c – d)</b>			
<b>Marketing costs</b>			
Weighing, packing, sorting			
Trucking with loading and unloading			
Total marketing costs			
<b>Net income (e – f)</b>			
Net income per kg (g / a)			

### B. Total delivery (\_\_\_\_\_ number of deliveries for a period of \_\_\_\_\_ to \_\_\_\_\_)

Particulars	Buyer 1	Buyer 2	Total
Unit (sack)			
Quantity per unit (kg)			
Total quantity (kg)			
Selling price per kg			
<b>Sales (a x b)</b>			
Cost (paid to farmers – P _____/kg)			
<b>Gross income (c – d)</b>			
Marketing costs			
Weighing, packing, sorting			
Trucking with loading and unloading			
<b>Total marketing costs</b>			
<b>Net Income (e – f)</b>			
Net income per kg (g / a)			

Date:

Local research team:

Facilitator team:

Two selected farmer representatives:

# TOOLKIT 4.1



## Meeting Guide: Presentation of MCS findings and report

Corresponds to Step 4.1 Sharing and finalizing the LRT Presentation



Local Research Team (LRT)



The LRT presents the results of Step 2 (Product Selection and Supply Assessment) and Step 3 (Market Chain Study) to the clusters with a proposed Agroenterprise Objective (or a business objective for the collective marketing) for their validation and approval by consensus. This toolkit contains:

- ◇ *Tool 4.1.1 Suggested activity flow for the LRT Presentation*
- ◇ *Tool 4.1.2 Diagram of the eight-step Clustering Approach to agroenterprise development*



- ◇ Present a report of Step 2 and 3 results through the LRT Presentation
- ◇ Solicit commitment from clusters for the proposed Agroenterprise Objective



- ◇ The LRT has organized the meeting flow of discussions and assigned the task of meeting facilitation
- ◇ The two farmer representatives in the LRT tasked to present the report have reviewed the presentation materials prepared by the LRT-assigned report writer
- ◇ The Cluster Leaders have organized the cluster meeting for the commitment-setting for an Agroenterprise Objective



- ◇ Flipchart paper with the preliminary Cluster Supply Plan table written on it (*Tool 2.4.1*)
- ◇ Flipchart papers with the PSSA-MCS information and Agroenterprise Objective (*Tool 3.2.1*)
- ◇ Flipchart paper with the suggested activity flow (*Tool 4.1.1*)
- ◇ Flipchart paper with the diagram of the eight-step Clustering Approach to agroenterprise development (*Tool 4.1.2*)
- ◇ Flipchart paper, marking pen and masking tape



- ◇ 4 hours



- ◇ Cluster members  
(Note: If the number of cluster members reaches 100, then only the Cluster Leaders are directly involved and they will report the information and decisions back to their cluster members.)



### 1. Introduction and presentation of the meeting flow

- ◇ **Introduce yourself as facilitator** and then introduce the rest of the Partner Facilitators with the two selected farmer representatives that make up the Local Research Team. Mention the purpose of the meeting and its expected outputs. Present the suggested activity flow (*Tool 4.1.1*).
- ◇ **Validate the clusters** formed by asking the Cluster Leaders to introduce their cluster members.

## 2. Reviewing agroenterprise and Steps 1 to 3 in the Clustering Approach

- ◇ **Conduct an interactive review of agroenterprise and stimulate discussion** by asking these questions:
  - Based on the agroenterprise introduction given to you during the first meeting when we organized our clusters, what comes into your mind when we talk about agroenterprise?
  - Why do we go into agroenterprise? What are the objectives?
  - What are the advantages of collective marketing? (*Note: You can relate the discussion to the concept of the market chain and value addition in a value chain.*)
  - Why do we have to form our clusters? What is the importance of organization?
  - How do we undertake agroenterprise? Relate the preparation and market engagement through the journey of eight steps in the Clustering Approach.
  - What will make it succeed? Important to mention self-reliance, being responsible for the changes that are needed, etc. Refresh their memories on the role-play *River Code: Crossing the river of challenges*.
  
- ◇ **Emphasize to the clusters they are on Step 4** – Cluster commitment-setting. Post a diagram on the board (or wall) of the eight-step Clustering Approach drawn on a flipchart paper (**Tool 4.1.2**). As you mention the steps, draw the farmers' attention to the particular step.
  
- ◇ **Explain that the clusters are asked to commit to an Agroenterprise Objective** (which is a business objective for collective marketing). Explain further that an Agroenterprise Objective is made based on the findings on product supply (Step 2) and market opportunities (Step 3) through the information-gathering activities done by a group of SWG facilitators together with two farmer leaders representing the clusters. This group for information-gathering is called the LRT.

## 3. Presenting the LRT findings and getting consensus on the Agroenterprise Objective

**Present the PSSA-MCS information and Agroenterprise Objective (Tool 3.2.1).** In the presentation, follow the sequence of topics in the outline. Invite comments and feedback after every topic presented. Be ready to make adjustments on the proposed agroenterprise objective based on farmers' feedback and suggestions that will come out.



### LESSON LEARNED: THE LRT FARMERS ARE THE BEST PRESENTERS

Experience has shown that farmers' attention and acceptance are immediately gained when it is the farmers in the LRT who present the report.



- ◇ **Ask the Cluster Leaders to convene their members and get their commitment to support the objective.** Instruct the Cluster Leaders to enable members to manifest this commitment by **affixing their signatures** on their adjusted Cluster Supply Plan (**Tool 2.4.1**).

## 4. Selecting the set of cluster leaders

- ◇ At this stage, mention that **the clusters will have to also choose sub-leaders** who will assist the Cluster Leader. List these sub-leaders as follows: Production Coordinator, Postharvest Coordinator, Secretary and Treasurer. Discuss their roles in the cluster before asking members to choose them.

Sub-leader position	Responsibility	Records
<b>Production Coordinator</b>	Is the lead grower, demonstrates practices in the Production Module	Agreed Production Module and Cluster Supply Plan Cluster summary information ( <b>Tool 4.2.2 – B</b> )
<b>Postharvest Coordinator</b>	Organizes and checks postharvest work and product consolidation for the cluster collective marketing	Agroenterprise Plan, Product Supply Forecast Cluster summary information ( <b>Tool 4.2.2 – C</b> )
<b>Secretary</b>	Records meeting proceedings and cluster agreements	Minutes of meetings Cluster summary information ( <b>Tool 4.2.2 – A</b> )
<b>Treasurer</b>	Handles the financial transactions	Financial records and reports of transactions – sales, purchases, loans, payments, savings, etc Cluster summary information ( <b>Tool 4.2.2 – D</b> )

- ◇ **Explain that cluster commitment-setting includes agreement with their cluster policies.**  
Add that their cluster policies will be formulated by their leaders and will be presented to them in the next meeting.

### 5. Next steps

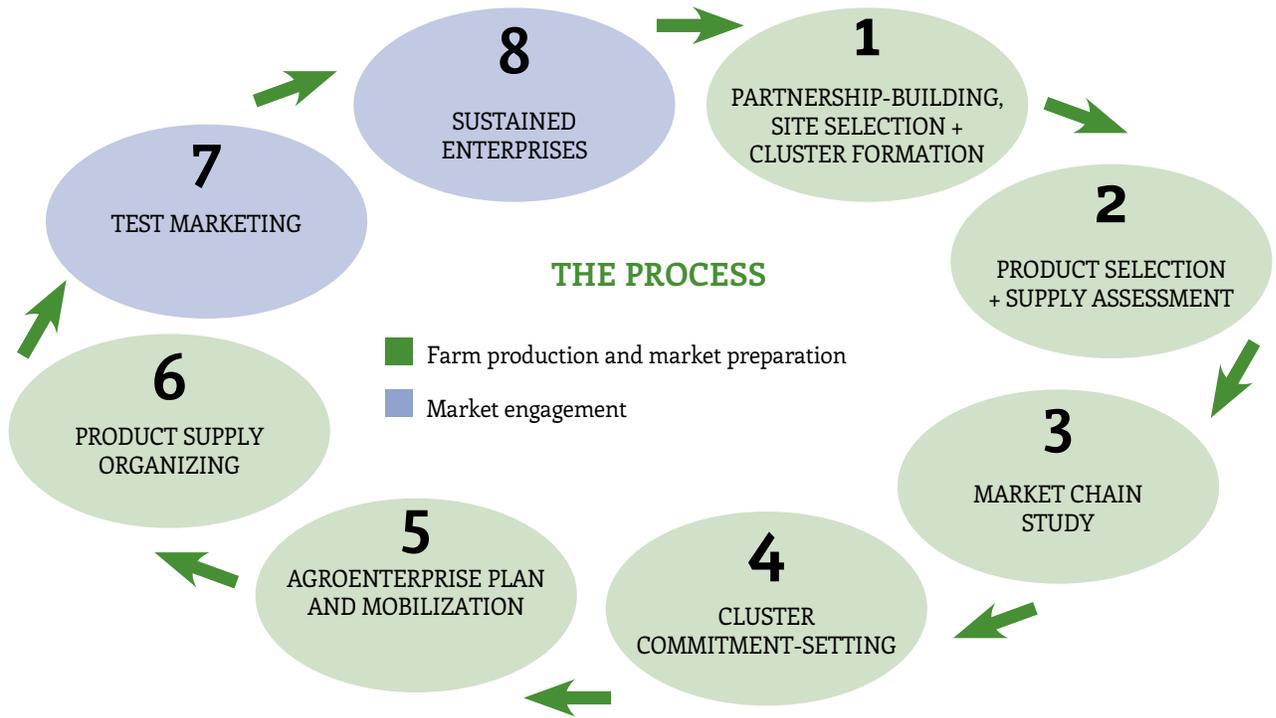
- ◇ **End by telling the farmers that in their next meeting, they will also discuss Step 5: Agroenterprise Plan and Mobilization. The Agroenterprise Objective, which is a one-sentence expression of the Agroenterprise Plan, is the starting point of Step 5.** Then explain the rest of the steps (Steps 6, 7 and 8) so the clusters have an idea of the activities ahead leading to the actual collective marketing. As you mention the steps, draw the farmers' attention to that particular step as shown on the flipchart paper with the diagram of the eight-step Clustering Approach. This will emphasize to the farmers that agroenterprise is a process that takes time.

## TOOL 4.1.1 SUGGESTED ACTIVITY FLOW FOR THE LRT PRESENTATION

Time (minutes)	Activity	Person responsible
15	Introduction of participants and the LRT Meeting objectives	
60	Review of agroenterprise	
90	Report presentation	<i>Farmer representatives in the LRT</i>
30	Discussion and commitment-setting	
30	Discussion on cluster management Election of sub-leaders	
15	Synthesis	

From Tool 3.2.1

**TOOL 4.1.2 DIAGRAM OF THE EIGHT-STEP CLUSTERING APPROACH TO AGROENTERPRISE DEVELOPMENT**



**Highlight: Report puts together Steps 2 and 3 findings and is validated in Step 4**

# TOOLKIT 4.2



## Meeting Guide: Monthly cluster meetings and recordkeeping

Corresponds to Step 4.3 Monthly cluster meetings and recordkeeping



Facilitator Team



In this meeting, the Facilitator Team explains to the Cluster Leaders and sub-leaders the importance of keeping cluster records that document the meetings, the business decisions made and the results of their business activities. This toolkit contains:

- ◇ Tool 4.2.1 Minutes of cluster meetings
- ◇ Tool 4.2.2 Cluster summary information
- ◇ Tool 4.2.3 Cluster members' Harvest and Sale Record



- ◇ Explain the importance of documenting information on the cluster and its agroenterprise-related activities (i.e. planned and actual production, financing, and marketing)
- ◇ Demonstrate the use of the cluster record forms



- ◇ Clusters have chosen their set of leaders (Cluster Leader, Production Coordinator, Postharvest Coordinator, Secretary and Treasurer)
- ◇ The Facilitator Team has organized the meeting of the clusters' set of leaders to discuss cluster recordkeeping



- ◇ Copies of the form for cluster meeting minutes (**Tool 4.2.1**)
- ◇ Copies of the form for the cluster summary information (**Tool 4.2.2 – A to D**)
- ◇ Copies of the form for the cluster member's Harvest and Sale Record (**Tool 4.2.3**)



- ◇ 3 hours
- ◇ Monthly for meeting documentation and quarterly for agroenterprise-related information



- ◇ Cluster leaders and sub-leaders



### 1. Introducing the topic

- ◇ **State** that you will be discussing **cluster monthly meetings and cluster recordkeeping**. Mention the expected outputs of the meeting.
- ◇ **Explain the importance of the cluster having a system to regularly record information** on the clusters, particularly decisions in the monthly cluster meetings, as well as the quarterly updates on the progress of their agroenterprise.  
*Key points:* A system to record key information provides the basis for clusters to assess how they are doing relative to their plans and to plan for solving problems or undertaking new activities. Recording information is not just at the level of the cluster but also at the level of each cluster member.

## 2. Presenting the cluster records

- ◇ **Mention that there are three main records to keep:**
  - Minutes of the cluster meetings
  - Cluster summary information
  - Cluster members' Harvest and Sales RecordAlso mention that recordkeeping is an activity that will be shared among the cluster's set of leaders, as well as the cluster members.
- ◇ **Distribute copies of the minutes of the meetings (Tool 4.2.1)**, and show how this is filled in and compiled by the cluster Secretary.
- ◇ **Distribute copies of the cluster summary information (Tool 4.2.2)** to be filled in by the cluster sub-leaders. Also go through their contents.
  - Organizational information – by Secretary (**Tool 4.2.2 – A**)
  - Production and cluster supply – by Production Coordinator (**Tool 4.2.2 – B**)
  - Collective marketing information – by Postharvest Coordinator (**Tool 4.2.2 – C**)
  - Financial information – by Treasurer (**Tool 4.2.2 – D**)
- ◇ **Distribute copies of the cluster member's Harvest and Sale Record (Tool 4.2.3)** to be filled in by the cluster members. Explain that while the production costs and returns are standardized in the Production Module, the harvest of each cluster member will be variable. Distribute copies of the cluster member Harvest and Sales Record and explain each column to be filled in.  
(Note: Separate records will be kept per crop)

### LESSON LEARNED: THE APPROACH BECOMES EASIER WITH PRACTICE

It will take time for farmers to adopt new ways of doing things such as keeping records. When computations are involved, it can be confusing. Be prepared to repeat your explanations and provide hands-on guidance. Encourage them with the positive message that with more practice, it will become easier.



## 3. Next steps

- ◇ **Get consensus that the clusters will implement the cluster recordkeeping** in the next meeting, with the Cluster Secretary already documenting their meeting minutes, and having them approved by the cluster. Also, that each cluster sub-leader and the cluster members will undertake recordkeeping.  
(Note: It is suggested that the Facilitator Team guides the assigned cluster sub-leaders in filling in the form, including presentation to the members, twice or within two quarters.)

## TOOL 4.2.1 MINUTES OF CLUSTER MEETINGS

<b>Cluster meeting:</b>		
Members	Set of cluster leaders	Others
Date and time:	Venue:	Facilitator:
	Minute taker:	Noted by Cluster Leader:
<b>Attendance</b> (list names)		
<b>Agenda items</b> (with highlights):	Remarks/follow-up	Tasks and timeframe
Other matters		
<b>Announcements / new information:</b>		
Date of next meeting:	Time of next meeting:	Venue of next meeting:
Others:		
Signature of minute taker:		
Noted:		

## TOOL 4.2.2 CLUSTER SUMMARY INFORMATION

### A. Cluster Secretary's quarterly report

Name of cluster:
------------------

#### Cluster location:

Province:
Municipality / City:
Barangay:
Sitio:

<b>Affiliated to a formal organization:</b> Give name (if applicable):
---------------------------------------------------------------------------

<b>Date prepared:</b>
-----------------------

Report period (from/to):
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<b>Cluster secretary:</b>  Prepared by secretary:
---------------------------------------------------------

Noted by Cluster Leader:
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#### Cluster membership:

Members dropped:		Male:	Female:
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New members:		Male:	Female:
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Total members:		Male:	Female:
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<b>Cluster leadership</b> ( <i>Names</i> ) Cluster Leader:	Male:	Female:
---------------------------------------------------------------	-------	---------

Secretary:	Male:	Female:
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Treasurer:	Male:	Female:
------------	-------	---------

Product Coordinator:	Male:	Female:
----------------------	-------	---------

Postharvest Coordinator:	Male:	Female:
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#### Cluster meetings:

Dates of meetings:	Regular	Special	No. of attendees:	Male:	Female:

#### Other cluster activities:

Dates of meetings:	Regular	Special	No. of attendees:	Male:	Female:

#### Leader's meetings:

Dates of meetings:	Kind of activity:	No. of attendees:	Male:	Female:

<b>Leaders' training</b> Training/activity sponsor:	Names of attendees:	Schedule	Location:	Training provider/ sponsor:

### B. Cluster Production Coordinator's quarterly report

Name of cluster:	Total cluster members:	Male:	Female:
<b>Cluster location:</b> Province:  Municipality / City:  Barangay:  Sitio:	Cluster leader:	Report period (From/To):	
	Production Coordinator:	Date updated:	
	Prepared by Production Coordinator:	Noted by Cluster Leader:	

#### Production and cluster supply (Note: Only for collectively marketed products)

Name of crop (eg tomato):	This quarter	Annual total
a. Module description		
b. Participating cluster members		
c. No. of modules		
d. Yield per module		
e. Estimated total yield ( <i>specify units</i> )		
f. Committed quantity ( <i>specify units</i> )		
g. Actual consolidated quantity ( <i>specify units</i> )		

Name of crop (eg coffee):	This quarter	Annual total
a. Module description		
b. Participating cluster members		
c. No. of modules		
d. Yield per module		
e. Estimated total yield ( <i>specify units</i> )		
f. Committed quantity ( <i>specify units</i> )		
g. Actual consolidated quantity ( <i>specify units</i> )		

### C. Cluster Postharvest Coordinator's quarterly report

Name of cluster:	Total cluster members:	Male:	Female:
<b>Cluster location:</b> Province:  Municipality / City:  Barangay:  Sitio:	Cluster Leader:	Report period (From/To):	
	Postharvest Coordinator:	Date updated:	
	Prepared by Postharvest Coordinator:	Noted by Cluster Leader:	

#### Collective marketing information

Name of crop (eg tomato):	This quarter	Annual total
a. Total volume marketed ( <i>specify units</i> )		
b. Participating cluster members		
c. Total sales ( <i>quantity</i> )		
d. Sale to institutional buyers ( <i>quantity</i> )		
e. Sale to <i>bagsakan</i> /traders ( <i>specify units</i> )		

Name of crop (eg coffee):	This quarter	Annual total
a. Total volume marketed ( <i>specify units</i> )		
b. Participating cluster members		
c. Total sales ( <i>quantity</i> )		
d. Sale to institutional buyers ( <i>quantity</i> )		
e. Sale to <i>bagsakan</i> /traders ( <i>specify units</i> )		

## D. Cluster Treasurer's quarterly report

Name of cluster:	Total cluster members:	Male:	Female:
<b>Cluster location:</b> Province:  Municipality / City:  Barangay:  Sitio:	Cluster Leader:	Report period (From/To):	
	Cluster Treasurer:	Date updated:	
	Prepared by Treasurer	Noted by Cluster Leader:	

Collective marketing information	This quarter:	Annual total:
<b>Marketing costs and income</b>		
Total sales	a. Product 1 ( <i>specify</i> )	
	b. Product 2 ( <i>specify</i> )	
	c. Product 3 ( <i>specify</i> )	
	Total sales ( <i>in pesos</i> )	
	<i>Less: Cost of sales</i>	
	Gross income	
	<i>Less: Expenses</i>	
	a	
	b	
	c	
	d	
	Total expenses	
	Net marketing income	
<b>Individual savings</b>		
	Agreed scheme	
	Amount collected	
<b>Organizational Fund/Savings</b>		
	Agreed scheme	
	Amount collected	
<b>Production loan availed and payment performance</b>		
<b>Production financing</b>		
Name of loan provider		
a. Total amount of loan availed		
b. Number of farmers who availed loan		
c. Number of farmers who paid on time		
d. Number of farmers with past due loan		
e. Total loan amount outstanding for the period		



# TOOLKIT 5.1



## Meeting Guide: Compiling the Agroenterprise Plan

Corresponds to Step 5.2 Compiling an Agroenterprise Plan and 5.3 Making a Business Action Schedule



Facilitator Team



The Facilitator Team guides the clusters to utilize the results of the Local Research Team's activities in Step 2 (Product Selection and Supply Assessment) and Step 3 (Market Chain Study) to prepare the Agroenterprise Plan. The summary of these findings is contained in the PSSA-MCS information and Agroenterprise Objective which was presented to the clusters for validation and approval as part of Step 4. They are the source documents that the Facilitator Team uses to lead clusters to compile their Agroenterprise Plan. The Facilitator Team further guides the clusters to make a Business Action Schedule to ensure that their plan is implemented. This toolkit includes:

- ◇ Tool 5.1.1a Agroenterprise Plan Table
- ◇ Tool 5.1.1b Agroenterprise Plan Table sample
- ◇ Tool 5.1.2 Business Action Schedule Table



- ◇ Explain what an Agroenterprise Plan is, and the importance of having an Agroenterprise Plan before undertaking collective marketing
- ◇ List four components of an Agroenterprise Plan and discuss how they are integrated with one another
- ◇ Compile an Agroenterprise Plan and make a Business Action Schedule to translate the plan into action



- ◇ The Facilitator Team studies the PSSA-MCS information and Agroenterprise Objective (**Tool 3.2.1**) which is a source document for the Agroenterprise Plan.
- ◇ The facilitators also go through a sample of an Agroenterprise Plan (**Tool 5.1.1b**) to be able to lead the interactive discussion with the farmers. Cluster leaders have organized the cluster meeting to discuss the Agroenterprise Plan.



- ◇ Flipchart paper of the LRT Presentation – PSSA-MCS information and Agroenterprise Objective (**Tool 3.2.1**)
- ◇ Flipchart paper of the Cluster Supply Plan (**Tool 2.4.1**)
- ◇ Flipchart paper with the sample of an Agroenterprise Plan (**Tool 5.1.1b**)
- ◇ Flipchart paper with the Agroenterprise Plan Table (**Tool 5.1.1a**)
- ◇ Flipchart paper with the Business Action Schedule Table (**Tool 5.1.2**)
- ◇ Marker pens, masking tape
- ◇ Calculator



- ◇ 4 hours



- ◇ Clustered farmers



## 1. Introduction

- ◇ **Explain that you will discuss the Agroenterprise Plan.** Mention that now that the clusters have all committed to a common Agroenterprise Objective (Step 4), the farmers are ready to talk about Step 5 – which is coming up with an Agroenterprise Plan, and with it, the Business Action Schedules. *Key point:* The Agroenterprise Objective gives a clear direction to their collective marketing. How it will be done is contained in their Business Action Schedules.
- ◇ Define an Agroenterprise Plan. Show the Agroenterprise Plan table written on a flipchart paper posted on the wall or on a flipchart board for everyone to see (**Tool 5.1.1a**). *Key points:* **What it is?** An Agroenterprise Plan is a “road map” that guides the farmers through their group marketing business. It is a combination of four small plans, namely: Market Plan, Cluster Supply Plan, Management Plan and Financial Plan.
- ◇ Then draw out from the farmers the importance of having an Agroenterprise Plan before undertaking collective marketing. *Key point:* **Why is an AE Plan important?** The Agroenterprise Plan provides a common direction in the group’s marketing business, specifies the financial targets in the business, provides a basis for measuring business performance, and acts as a tool to engage financiers and buyers.

## 2. Review

- ◇ **Explain how the Agroenterprise Plan is created.** Mention that the Agroenterprise Plan is a product of earlier work to gather information that enables the farmers to analyze product supply and market choices. These are in Step 2 and Step 3.

Explain that they did not go through all the details of work in Step 2 and 3. These were done by a smaller group called the Local Research Team composed of the Facilitator Team and two farmers representing them.

The result of their work is the Agroenterprise Objective that was validated by the clusters and which is basically a general statement of the Agroenterprise Plan. Show flipchart paper of the Agroenterprise Objective (**Tool 3.2.1**)

- ◇ **Run through the important findings of the PSSA-MCS Information and Agroenterprise Objective.** Relate that the findings are the building blocks for compiling or putting together an Agroenterprise Plan (**Tool 5.1.1**). *Key information to review as the building blocks to compile the Plan:*
  - **Total product supply** from the clusters is \_\_\_\_\_. Capacity of the cluster to supply together is the **committed supply** that adds up to \_\_\_\_\_. *Mention that this information goes into the Cluster Supply Plan in the AE Plan.*
  - Existing markets for the product are \_\_\_\_\_. But preferred **future markets** are \_\_\_\_\_. Net value addition resulting from selling to the preferred markets translates into \_\_\_\_\_. *Mention that this information goes into the Market Plan of the AE Plan.*
  - **Marketing projections of costs and returns** (both for **single delivery** and for targeted **total number of deliveries** within the marketing period) is P\_\_\_\_\_ and P\_\_\_\_\_, respectively. *Mention that this information goes into the Financial Plan of the AE Plan.*
- ◇ **Summarize** with these points. *Key points:*
  - An Agroenterprise Plan is like a jigsaw puzzle where the **four plans are interconnected** to complete the whole picture. If one part is missing, then the plan is not comprehensive.

- A good Agroenterprise Plan is easy to make if the data-gathering in Step 2 and Step 3 that goes into the preparation of the PSSA-MCS information and Agroenterprise Objective is done well. Like the construction of a house, **Step 2 and Step 3 are the foundations**, the Agroenterprise Plan and the Business Action Schedule are the posts (Step 5), and the resulting collective marketing is the roof. The house is as strong as its foundations and posts.

### 3. Facilitation of interactive agroenterprise planning

- ◊ **Present a sample of an Agroenterprise Plan** created by a farmer so they can appreciate that the Agroenterprise Plan does not have to be complicated (**Tool 5.1.1a**).  
(Note: If possible, invite a farmer to present their group's Agroenterprise Plan)
- ◊ **Draw attention** back to the flipchart with the Agroenterprise Plan Table (**Tool 5.1.1a**) and **engage the clusters in interactive discussion**, filling in the details in each of the plans as they answer your questions from the results of the PSSA-MCS information and Agroenterprise Objective. As the details are filled in, these are written on the flipchart paper. Use a separate flipchart paper for each of the four plans (market, supply, management, financial).

#### LESSON LEARNED: FARMERS' OWNERSHIP OF THE AGROENTERPRISE PLAN

Initially, facilitators expectedly take a hands-on role in putting together the Agroenterprise Plan since farmers are not expected to have the capacity to do it at the start on their own. What is important is that the facilitator walks them through each of the component plans by engaging them in questions and answers, driving home the point that this is their plan and, in time, they should be able to do it on their own.



#### Questions to fill in the details of the Market Plan

(Note: Information taken from the Value Chain Map and Value Chain Diagram of **Tool 3.1.1**)

- **Target buyers:** Who are your target buyers and why were they chosen? Of these buyers, who is the primary or main buyer(s)? And the contingency buyers for products that do not meet the standards of the main market?
- **Product:** How do you describe the product and what are the quality specifications required per buyer?
- **Target sales:** What are the target sales in quantity/volume and in value based on set price per buyer? What is the total target sale?
- **Payment terms/conditions/procedures:** What are the payment terms for each buyer – cash or credit? If credit, what are the terms and how long before the payment must be received?
- **Promotions:** How do you make your market offer attractive to your buyers?

#### Questions to fill in the details of the Cluster Supply Plan

(Note: Information taken from the Cluster Supply Plan **Tool 2.4.1** and from the marketable product supply, Value Chain Map and Value Chain Diagram in **Tool 3.1.1**)

- **Suppliers and target supply volume:** How many clusters and participating members in each cluster will be involved in the marketing? How many modules per cluster are produced? What is the committed product volume per cluster and what are their corresponding supply periods?
- **Product quality management:** What are the “must do” practices in farm production, harvesting and postharvest to attain the product quality specification required by the buyers?
- **Operational flow:** What are the activities with the corresponding timeframe and responsible persons in moving the product from the cluster member farm through delivery to the buyer and up to payment remittance to the farmers?
- **Materials, facilities and others:** What needs to be prepared in materials, equipment and facilities for the collective marketing? Specify if to be purchased, rented, borrowed, etc.

#### Questions to fill in the details of the Management Plan

(Note: Information taken from the cluster summary information **Tool 4.2.2** and from the Value Chain Map and Value Chain Diagram in **Tool 3.1.1**)

- **Management set-up:** How is the management of the collective marketing to be undertaken? Make a drawing of the set-up with those involved and their specific responsibilities.
- **Agreements:** What are the agreements related to product supply from the cluster member, product consolidation, marketing, payments and fund transfer, allocation of incomes, meetings and reporting?

#### Questions to fill in the details of the Financial Plan

Note: Information taken from the marketing income projections in **Tool 3.2.1** and the cluster summary information **Tool 4.2.2**.

- **Projected marketing costs and returns:** What are the estimates of marketing costs and returns with breakdown per buyer? What is the net income per unit of the product?
- **Allocation of marketing income:** How is the income to be divided or shared? What goes back to the members as rebates for taking part in the collective marketing? What is retained as individual savings? What is set aside as an organizational fund that can be used for capital or for reserve?

(Note: An additional section “Marketing loan and repayment” is added before Marketing Costs and Returns if a fund is accessed as a loan to support the logistical and marketing activities. In most cases, marketing loans are accessed after the test marketing activities are done and the agroenterprise is being scaled up.)

### 4. The Business Action Scheduling

- ◇ **Introduce the importance of making a Business Action Schedule.** Show the table for the Business Action Schedule. (**Tool 5.1.2**)

*Key points:*

- The Business Action Schedule puts the Agroenterprise Plan into action.
- It defines the work that needs to be completed before the first test marketing, who is responsible for that work and when it is to be carried out.

- ◇ **Guide the farmers to fill in the prescribed table** for the Business Action Schedule (**Tool 5.1.2**). Get them to **list the activities** that they need to carry out from the time they make the Agroenterprise Plan until they can undertake the group marketing, with the corresponding **person responsible** and the **timeframe**.

### 5. Next steps

- ◇ **End the meeting by informing the clusters** that with their Agroenterprise Plan for collective marketing and the Business Action Schedule completed, it is time to focus their energies in **producing the product and organizing their product supply** which is the next step (Step 6 – Product Supply Organizing) in their Clustering Approach.

## TOOL 5.1.1a AGROENTERPRISE PLAN TABLE

As of (date):	Name of farmer organization:
Province:      Municipality/City:      Barangay:	Crop:
Total clusters:	Delivery schedule:
Total members:	Participating members:

### Business objective

To collectively market to \_\_\_\_\_ buyers, namely \_\_\_\_\_, a total quantity of \_\_\_\_ good quality \_\_\_\_\_, in \_\_\_\_ (frequency of deliveries), from \_\_\_\_\_; coming from \_\_\_\_ clusters with altogether \_\_\_\_ participating farmers, and earn a net marketing income of P\_\_\_\_\_.

### A. MARKETING PLAN

#### 1. Target markets

Target markets

Contingency

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

#### 2. Product

Specific quality	Buyer 1	Buyer 2
Classification		
Quality specifications		
Packaging		
Delivery requirements		

#### 3. Target sales

Buyers	Packaging	Volume of sacks	Price	Amount
1.				
2.				
<b>Total</b>				

#### 4. Payment terms/procedure

Buyer 1	Buyer 2

#### 5. Promotions

_____
_____
_____
_____

**B. SUPPLY PLAN**

**1. Suppliers and target supply volume**

Cluster	No. of farmers	No. of module	Committed volume (kg)	Month 1	Month 2	Month 3	Month 4
<b>Total</b>							

**2. Product quality management**

Must do in production

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Must do in harvesting

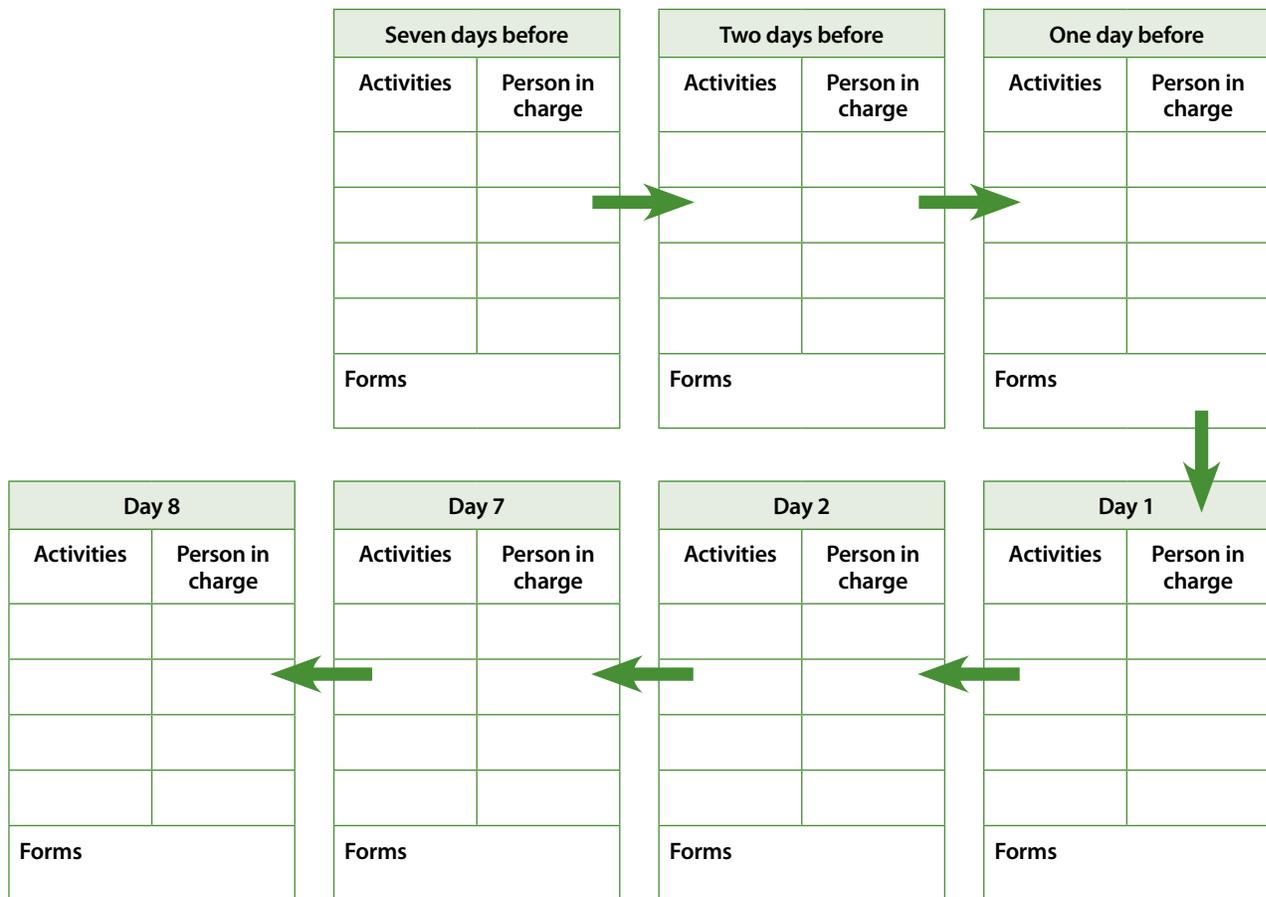
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Must do in postharvesting

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**3. Operational flow**

**Collective marketing**



**4. Materials, facilities, others**

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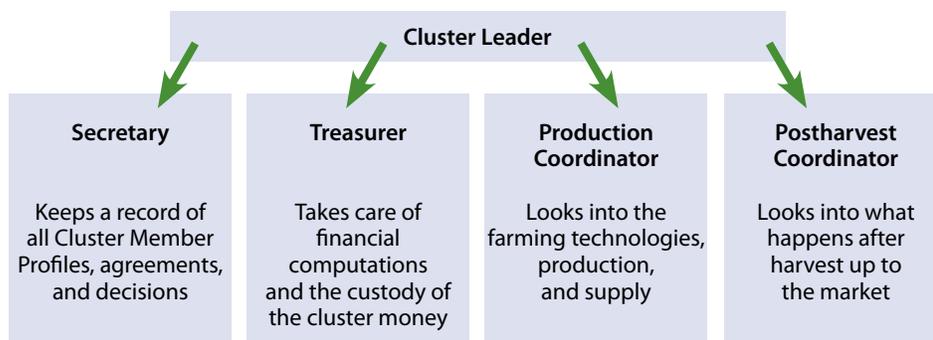
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## C. MANAGEMENT PLAN

### 1. Management set-up



### 2. Cluster agreements

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## D. FINANCIAL PLAN

### 1. Projected costs and returns

Particulars	Buyer 1	Buyer 2	Total
Unit (sack)			
Quantity per unit (kg)			
a. Total quantity (kg)			
b. Selling price per kg			
<b>c. Sales (a x b)</b>			
d. Cost paid to farmers (pesos/kg)			
<b>e. Gross income (c - d)</b>			
<b>Marketing costs</b>			
Honorarium and meals (P500/trip)			
Trucking loading/unloading (P0.80/kg)			
Shipping (pick-up at port by consolidator) (P100/sack at 80kg/sack = P1.25/kg)			
Communication (mobile phone and fax) (P50/delivery)			
<b>f. Total marketing costs</b>			
<b>g. Net income (e - f)</b>			
<b>h. Net income per kg (g ÷ a)</b>			

### 2. Allocation of earnings

Rebate to cluster members		
Savings/capital build-up		
Organizational capital		
	<b>100%</b>	

## TOOL 5.1.1b AGROENTERPRISE PLAN TABLE (SAMPLE)

As of: <i>January 2014</i>	Name of farmer organization: <i>No formal organization yet</i>
Province: <i>Bukidnon</i> Municipality: <i>Municipality 1,</i> Barangay: <i>Barangay 1</i>	Crop: <i>Squash</i>
Total clusters: <i>2</i>	Delivery schedule: <i>May to August 2014</i>
Total members: <i>22</i>	Participating members: <i>22</i>

### Business objective

To collectively market to wholesale buyers in Cagayan de Oro City and Consolidator in Cebu City for supermarket markets, 192 metric tons of good quality squash within the period of 4 months (1st week May - 4th week August 2014) in 16 weekly deliveries, coming from 2 clusters (with altogether 22 members) and earn a projected net marketing income of P. 308,000.

### A. MARKETING PLAN

#### 1. Target markets

##### Target markets

- Wholesalers, Cagayan de Oro*
- Consolidator, Cebu City to sell to supermarkets*

##### Contingency

- Traders from Malaybalay City and adjacent municipalities*
- Employees from government and private offices*
- Direct consumers through peddling*

#### 2. Product

Specific quality	Buyer 1	Buyer 2
Classification	<i>All-in (minimum of 1kg size)</i>	<i>Minimum of 3kg per fruit/de</i>
Quality specifications	<i>Mature, 25% ripe powdery</i>	<i>Mature, 25% ripe powdery</i>
Packaging	<i>80kg/sack</i>	<i>80kg/sack</i>
Delivery requirements	<i>Delivered to CdO trading post</i>	<i>Delivered to Cebu port</i>

#### 3. Target sales

Buyer	Packaging	Volume of sacks (at 80kg)	Price	Amount
<i>Wholesaler, CdO City</i>	<i>80kg sack</i>	<i>960 (76,800 kg, 40%)</i>	<i>P5.50/kg</i>	<i>422,400.00</i>
<i>Consolidator, Cebu City</i>	<i>80kg sack</i>	<i>1,440 (115,200 kg, 60%)</i>	<i>P7.50/kg</i>	<i>864,000.00</i>
<b>Total</b>		<i>2,400 (192,000 kg)</i>		<i>1,286,400.00</i>

#### 4. Payment terms/procedure

<i>Wholesaler, CdO City</i>	<i>Consolidator, Cebu City</i>
<i>Cash on delivery</i>	<i>One-week term; bank to bank transfer</i>

#### 5. Promotions

- Direct supply from farmers - quality is assured with management done at the farm.*

## B. SUPPLY PLAN

### 1. Suppliers and target supply volume

Cluster	No. of farmers	No. of module	Committed volume (kg)	Month 1	Month 2	Month 3	Month 4
Cluster 1	10	32	96,000	24,000	24,000	24,000	24,000
Cluster 2	12	32	96,000	24,000	24,000	24,000	24,000
<b>Total</b>	<b>22</b>	<b>64</b>	<b>192,000</b>	<b>48,000</b>	<b>48,000</b>	<b>48,000</b>	<b>48,000</b>

### 2. Product quality management

Must do in production

1. Use of prescribed seed variety. 2. Planting distance

Must do in harvesting

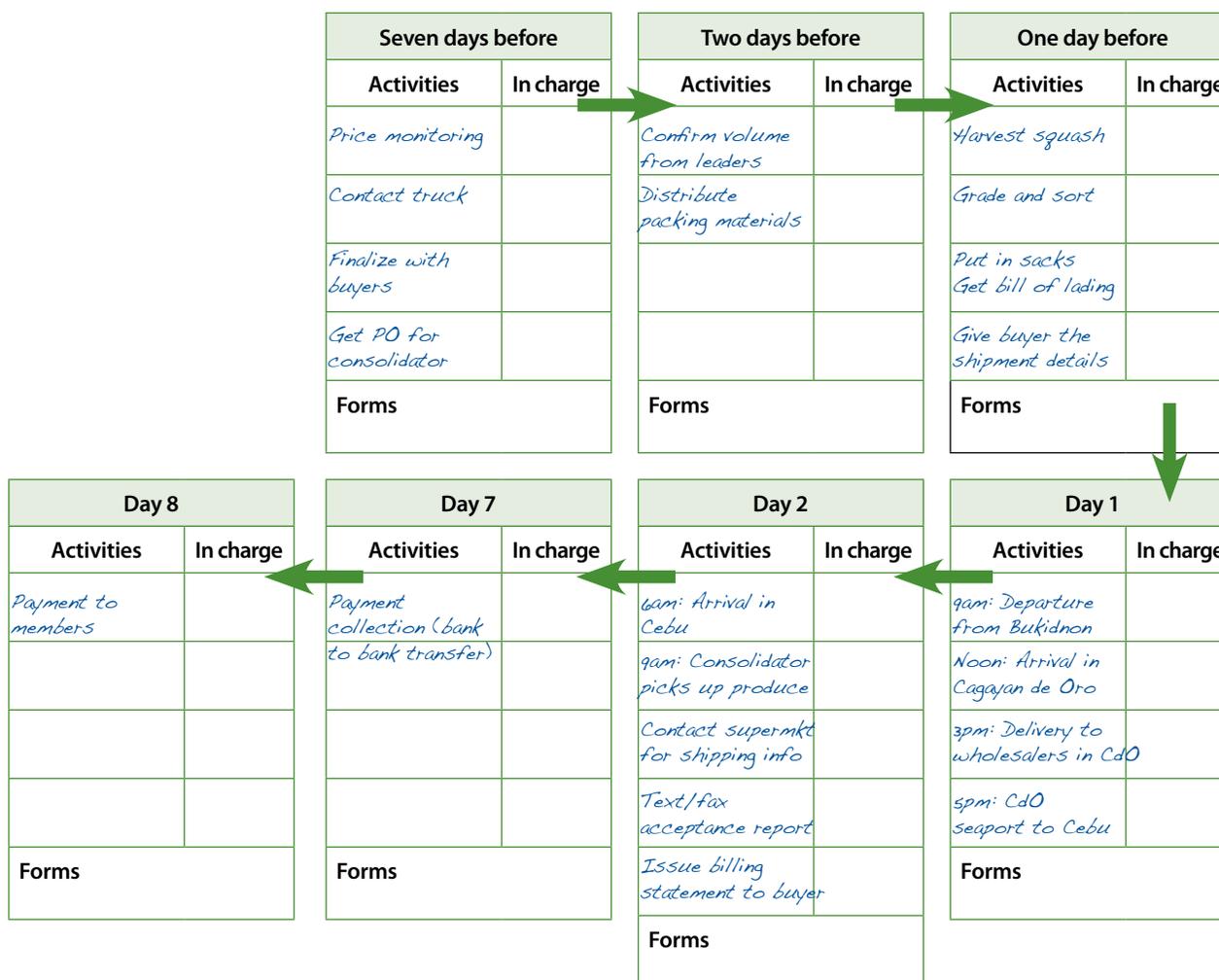
1. Preferably no rain during harvesting. 2. Harvest only mature fruit (25% ripe, powdery)

Must do in post-harvesting

3. Immediately grade fruit

### 3. Operational flow

#### Squash collective marketing

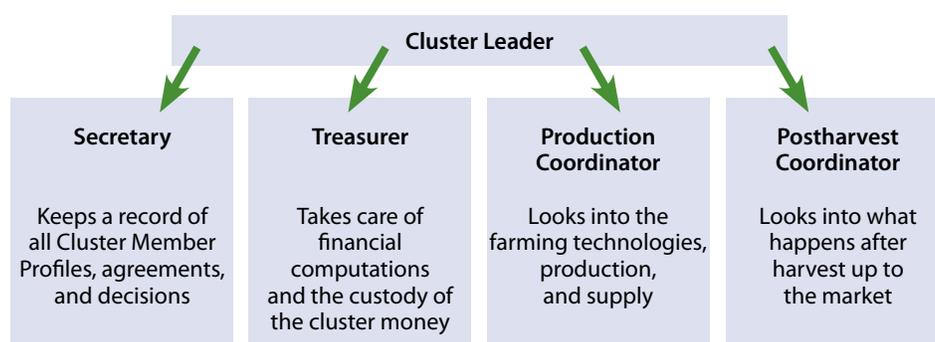


### 4. Materials, facilities, others

- \*Weighing scale
- \*Twine
- \*Truck for harvesting
- \*Sacks (80kg capacity)
- \*Permanent marker

## C. MANAGEMENT PLAN

### 1. Management set-up



### 2. Cluster agreements

1. Participating farmers have to be cluster members.
2. Members should attend regular meetings/training and seminars as needed. Their commitment will be bounded by adherence to "three absences out" policy.
3. Clusters contribute the required quality products for cluster marketing as promised in the supply plan; field monitoring managed by production coordinator.
4. Cluster members follow the agreed product operation flow (from farm to the consolidation point); product consolidation managed by postharvest coordinator.
5. Cluster members agree to pay a market facilitation fee equivalent to P0.30/kg of consolidated product for the cluster marketing services.
6. Allocation of the net income from the collective marketing:
  - 40% Rebate to the participating cluster member (based on quantity of product given for group marketing)
  - 20% Individual capital savings. 40% Organizational capital.
7. Clusters must open a bank account where the capital build-up and the organizational capital will be deposited.

## D. FINANCIAL PLAN

### 1. Projected costs and returns

Particulars	Buyer 1	Buyer 2	Total
Unit (sack)			
Quantity per unit (kg)			
a. Total quantity (kg)	38,400.00	57,600.00	96,000.00
b. Selling price per kg	5.5	7.5	
c. Sales (a x b)	211,200.00	432,000.00	643,200.00
d. Cost paid to farmers (pesos/kg)	134,400.00	201,600.00	336,000.00
e. Gross income (c - d)	76,800.00	230,400.00	307,200.00
<b>Marketing costs</b>			
Honorarium and meals (P500/trip)	1,600.00	2,400.00	4,000.00
Trucking loading/unloading (P0.80/kg)	30,720.00	46,080.00	76,800.00
Shipping (pick-up at port by consolidator) (P100/sack at 80kg/sack = P1.25/kg)		72,000.00	72,000.00
Communication (cellphone and fax) (P50/delivery)		400.00	400.00
f. Total marketing costs	32,320.00	120,880.00	153,200.00
g. Net income (e - f)	44,480.00	109,520.00	154,000.00
h. Net income per kg (g ÷ a)	1.16	1.90	

### 2. Allocation of earnings

Rebate to cluster members	40%	61,600.00
Savings/capital build-up	20%	30,800.00
Organizational capital	40%	61,600.00
	<b>100%</b>	<b>154,000.00</b>

## TOOL 5.1.2 BUSINESS ACTION SCHEDULE TABLE

Area of work	Activity (What should be done?)	Person responsible (Who will do it?)	Timeframe (When?)	Remarks on Status (Completed)
Farmer organizing/ Business Organization				
Financing				
Farm production				
Postharvest				
Marketing related				
Monitoring				
Others				

# TOOLKIT 6.1



## Meeting Guide: Compiling Planting and Harvesting Calendar and Field-Monitoring Table

Corresponds with Step 6.1 Organizing supply and managing cost and 6.2 Cluster Field-Monitoring Table



Facilitator team



The Facilitator Team introduces **1)** the Planting and Harvest Calendar as a tool in scheduling the farm production of each cluster member so that the Cluster Supply Plan matches the sales target in the Agroenterprise Plan, and **2)** the Field-Monitoring Table to ensure reliable forecast of the cluster product supply for the collective marketing. This toolkit contains:

◇ *Tool 6.1.1 Planting and Harvest Calendar with Field-Monitoring Table*



- ◇ Discuss the importance of the Planting and Harvest Calendar and the Field-Monitoring Table as the crops are growing
- ◇ Build consensus on the production schedules of the cluster members and the cluster field-monitoring procedure



- ◇ Cluster leaders have organized the meeting for the cluster plan review and the field-monitoring procedures



- ◇ Flipchart paper with the Cluster Supply Plan (**Tool 2.4.1**)
- ◇ Flipchart paper with the Marketing Plan section of the Agroenterprise Plan (**Tool 5.1.1a**)
- ◇ Flipchart paper with the Planting and Harvest Calendar with Field-Monitoring Table (**Tool 6.1.1**)
- ◇ Flipchart papers
- ◇ Marker pens, masking tape
- ◇ Calculator



- ◇ 4 hours



- ◇ Cluster members



### 1. Introduction

- ◇ **Explain that the discussion will focus on two topics:**
  - Setting the **production target of each cluster member** through the Planting and Harvest Calendar
  - Coming up with a **cluster field-monitoring** procedure to ensure the reliable forecast of the cluster product supply for collective marketing
- ◇ **Explain the expected outputs** of the meeting.

## 2. Review of Cluster Supply Plan vs. Market Plan in the Agroenterprise Plan

- ◇ **Post on the board the flipchart with the Cluster Supply Plan.** Briefly review that in Step 2, the cluster made a Cluster Supply Plan (**Tool 2.4.1**), and that in Step 4, the cluster members affirmed their commitment to be part of the cluster marketing's objective by affixing their signatures on the Cluster Supply Plan.
- ◇ **Explain that in Step 5, an Agroenterprise Plan was made. Post on the board the flipchart with the Marketing Plan** section of the Agroenterprise Plan (**Tool 5.1.1a**). Discuss that the sales target (in quantity) in the Market Plan will have to be matched with the Cluster Supply Plan. Explain that to achieve this, each cluster member will have to produce a certain quantity of the product and deliver it at a particular date.
- ◇ **Do a quick comparison of sales target (in quantity) with total cluster's committed supply.** Direct attention to the Market Plan and use the sales target figure to fill in the bottom rows of the Cluster Supply Plan corresponding to the buyers' requirements.

Ask the cluster to check if the **sales target (in quantity)** for a specified period of time is supported by the **total committed yield of all the cluster members** corresponding to the specified period of time in the market plan.

*Take note of this cluster supply and market matching:*

- If the buyer is institutional and sorting and grading will have to be done, the committed yield has to be about 25% larger, the surplus to allow for enough products to comply with the quality specifications.
- If the buyer is on a spot market, the committed yield can be equal to the sales targets,
- If the sales target is a regular quantity at a regular frequency (e.g. two tons weekly), then the planting calendar has to be specific to this output schedule
- If the buyer can take any quantity at any time, then the planting schedules can also be flexible based on the cluster members' needs.

*Notes on the scheduling: Can be*

- One date for one cluster member (usually for one-time harvest crops like squash) – this means that the member will harvest on that particular date.
- One date for several cluster members (usually for extended harvest period like tomatoes)- each of the cluster members harvests a certain quantity each week. In the scheduling, it is noted that when the first batch of cluster members ends their harvest, the second batch is ready to start the harvest, and so on.
- Several dates for one cluster member - If a cluster member staggers her/his planting, then a planting code is used to identify the particular crop. Example: 2014\_Sq\_1 means that in 2014, this is the first planting of squash; 2014\_Sq\_2 means the second planting, and so on.

### LESSON LEARNED: FOR SMALL FARMERS, MARKETING IS OFTEN A PROBLEM OF SUPPLY

Farmers often think that marketing is a problem of not having buyers. When they start to market, they will discover that it is more a problem of having unorganized product supply that is not matched with the buyers' requirements. Facilitators help farmers prepare for marketing by enabling them to go through an organized and thoughtful process of planning their plantings, harvests and supply.



### 3. Ensuring the Cluster Supply Plan matches the Market Plan in the Agroenterprise Plan

- ◇ **Guide the cluster members in the matching process.** If the total quantity is lacking, see if some cluster members will add Production Modules, or the cluster agrees to increase the percentage of committed supply from their harvest for the cluster marketing (e.g. increasing commitment from 50% to 60% in the cluster marketing).

Go into the details of how many modules each member will grow and the committed quantity to be supplied for the group marketing, as well as the planting schedules. Put the planting schedule under planting date, and follow this with the expected harvest date written in the appropriate column (based on the crop being grown).

Use cards to facilitate the recording of the changes as the cluster members discuss and come to an agreement. Once the changes are finalized, rewrite the figures in a new flipchart so this becomes the finalized Cluster Supply Plan on which will be based the field monitoring.

### 4. Field monitoring procedures

- ◇ **Introduce the topic by** mentioning that a crop has to be observed and monitored throughout its growing season because its yield can be affected by several factors. Draw out from the cluster what these factors can be.  
*Factors:* Too much rain, dry spell, pest and disease incidence, etc.
- ◇ **Discuss the importance** of field monitoring.  
*Key point:* The field monitoring gathers updates on the cluster members' crops as they are growing and alerts of production-related problems (e.g. pests, disease, too much rain, etc.) that have a possible effect on supply.
- ◇ **Mention that the person responsible** for field monitoring is the **Production Coordinator**. The best time to gather the field updates on the crop status of each member is during the monthly cluster meeting. This guides the Production Coordinator to prioritize field visits to members that have immediate farm production concerns to be addressed.  
*Notes:* Caution that there will be problems such as **pests or disease incidence that cannot wait for the monthly meeting**, thus the individual cluster member may inform the Production Coordinator directly via mobile phone. Give the Production Coordinator's mobile phone number to cluster members.
- ◇ **Explain how to create a cluster Field Monitoring Report** by presenting a flipchart paper with a filled-in sample Field-Monitoring Table (**Tool 6.1.1**). Go through the contents, pointing to the different columns:
  - Crop and module information – a report is done per product
  - Name – all cluster members growing the particular crop
  - Modules – specify the number of modules for each member
  - Target plant population – list the expected number of plants based on total number of modules
  - Dates of planting and the expected date of first harvest (*Note:* If a member staggers her/his planting, then there will be several entries under a farmer's name, and each entry has a planting code. See above notes on scheduling)
  - First monitoring – Number of plants at transplanting (if applicable that the crop is transplanted)
  - Second monitoring – percentage or number of actual plants after Month 1
  - Third monitoring – percentage or number of actual plants after Month 2
  - Fourth monitoring – percentage or number of actual plants after Month 3
- ◇ **Guide the cluster to fill in their Field Monitoring Report.** Post the flipchart paper with the empty Field-Monitoring Table, and ask the Production Coordinator to write the cluster names in the first column, their corresponding number of modules in the second column, the target number of plants based on their module, and the date of field planting or transplanting with the corresponding date of expected harvest.

Then ask the cluster members to write in the first column the population of their plants at transplanting time, and the current status of their crop in the first month. This will be updated at the next monthly meeting with the information for the second month.

- ◊ **Relate that the results of the Field Monitoring Report will be used** to adjust the marketable product quantity in the Cluster Supply Plan based on percentage of survival of plants during the growing period and at harvest time. If there is 50% damage to the crop, then the committed supply of the cluster member to the collective marketing will also be reduced. In this case, the cluster will have to tackle how the other cluster members can offset the reduced supply by contributing more into the cluster supply.

### 5. Next Step: Product Supply Forecast

- ◊ **End the meeting** by informing the farmers that in about a month before they start their marketing, you will show them how to make a Product Supply Forecast that uses the results of the cluster field-monitoring report. This will be the updated supply for the collective marketing.

## TOOL 6.1.1 PLANTING AND HARVEST CALENDAR WITH FIELD-MONITORING TABLE

Date:		
Product	No. of clusters:	No. of farmers:
Province:	Product:	
Municipality / City:	Module description:	
Barangay:	Yield/Module:	
Sitio:		

Name	No. of modules	No. of plants	Date of planting	Date of harvest	Harvest period	% of plants surviving				
						Month 1	Month 2	Month 3	Month 4	Month 5
Cluster 1										
Farmer 1										
Farmer 2										
Farmer 3										
Farmer 4										
Farmer 5										
Farmer 6										
Farmer 7										
Farmer 8										
Farmer 9										
Farmer 10										
<b>Total</b>										

# TOOLKIT 6.2



## Meeting Guide: Product Supply Forecast

Corresponds to Step 6.3 Product Supply Forecast



Facilitator Team



This meeting enables the cluster to adjust their Cluster Supply Plan based on their cluster field-monitoring results. This updated Cluster Supply Plan is then translated into the Product Supply Forecast, which the cluster uses for market negotiation and test marketing activities. This toolkit includes:

◇ *Tool 6.2.1 Product Supply Forecast*



◇ Guide the clusters to come up with their Product Supply Forecast for actual marketing



◇ The Production Coordinator together with the Cluster Leader have updated the Cluster Supply Plan based on the cluster field-monitoring report

◇ Cluster leaders have organized the clustering meeting for the Cluster Supply Plan formulation



- ◇ Flipchart paper with the Cluster Supply Plan (*Tool 2.4.1*)
- ◇ Flipchart paper with the Field-Monitoring Table (*Tool 6.1.1*)
- ◇ Marker pens, masking tape
- ◇ Calculator



◇ 3 hours



◇ Cluster members



◇ **Explain that you will discuss the Product Supply Forecast.** Post on the wall the three flipcharts (preliminary Cluster Supply Plan, adjusted Cluster Supply Plan after field monitoring, and Product Supply Forecast) to show the relationship of this supply information.

*Key points*

- Review that the Product Supply Forecast is just the Cluster Supply Plan that was updated based on the results of the cluster field monitoring.
- A Product Supply Forecast is a projection of supply based on information from monitoring on the actual stand of the crops as they are growing up to a month before harvest period.

### LESSON LEARNED: SURPRISES ARE NOT ALLOWED

Institutional buyers always program their supply procurement. They have to be assured that if there are changes in supply arrangements made with them, they will be given advance notice so they have time to find alternative supply sources. The Cluster Supply Forecast gives the farmers the confidence to relate realistically with their buyers based on what harvests will be realized.



- ◇ **Discuss the implications.** If the resulting supply in the **Product Supply Forecast is lower than the sales target**, then the cluster has two options:
  - Contact the buyers to inform them that the cluster will reduce supply. Explain the reasons. (Note: It is important that an institutional buyer is informed a month ahead so it can source an alternative supplier.)
  - The cluster will work out among the members who can supply more to meet the deficit. In this case, there will be members who will agree to provide a higher percentage of committed yield to the cluster to offset the shortage of other members.
  
- ◇ **Allow time for the clusters to discuss their options and come to a consensus on the next steps.** Before closing the meeting, update the Product Supply Forecast based on the option that will be decided upon.
  
- ◇ **End the meeting** by explaining that the Product Supply Forecast will be the basis of the cluster's negotiation with the intended buyers.

### TOOL 6.2.1 PRODUCT SUPPLY FORECAST

Date:		
Product	No. of clusters:	No. of farmers:
Province:	Product:	
Municipality/City:	Module description:	
Barangay:	Yield/Module:	
Sitio:		

Suppliers Last name	No. of modules	Expected yield (kg)	Committed yield (kg)	Month				Month				Signature
				Wk 1	Wk 2	Wk 3	Wk 4	Wk 1	Wk 2	Wk 3	Wk 4	
Cluster 1												
1												
2												
3												
4												
5												
6												
7												
8												
9												
10												
Total supply												
Volume required: Buyers												
1												
2												
Total requirement												
Supply allowance (extra)												

# TOOLKIT 7.1



## Meeting Guide: Test marketing preparation

Corresponds to Step 7.1 Test marketing activities



Facilitator Team



The Facilitator Team guides the clusters to conduct test marketing preparation. This comprises three main activities: cluster review, production of business forms for recording and reporting, and validation of buyer negotiation. This toolkit includes:

- ◇ Tool 7.1.1 Critical activities leading to test marketing
- ◇ Tool 7.1.2 Forms for recording and reporting the marketing transactions
- ◇ Tool 7.1.3 Guide: What to negotiate with buyers



- ◇ Review the plans and list the critical activities leading to test marketing
- ◇ Explain the use of the business forms for recording and reporting the test marketing transactions
- ◇ Designate two Cluster Marketing Representatives who will validate the marketing arrangements with the buyers and the business service (BDS) providers just before product delivery



- ◇ The Facilitator Team has reviewed the Agroenterprise Plan and the Product Supply Forecast
- ◇ Cluster Leaders have organized a cluster meeting for the test marketing preparation discussion



- ◇ Flipchart paper with the Agroenterprise Plan (**Tool 5.1.1a**)
- ◇ Flipchart paper with the Product Supply Forecast (**Tool 6.2.1**)
- ◇ Notes of the latest buyer negotiation and agreement
- ◇ Flipchart paper with the critical activities leading to test marketing table (**Tool 7.1.1**)
- ◇ Copies of the sample business forms (**Tool 7.1.2**)



- ◇ 3 hours



- ◇ Cluster members



### 1. Introducing test marketing preparatory activities

- ◇ **Explain the importance of test marketing preparation.**

*Key points:*

- Test marketing preparation is very important “homework” to accomplish before going to the market to undertake a series of at least three test marketing transactions.
- Experiences have shown that good preparation ensures that the test marketing activities will most likely succeed because avoidable problems are already anticipated and attended to.

- ◇ **List the three preparatory activities.**
  - Cluster meetings to review the test marketing plans
  - Production of the forms for recording and reporting the test marketing transactions
  - Validation of arrangements with buyers and BDS providers

## 2. Discussing the details of the preparation

### Activity 1: Cluster meetings to review the test marketing plans

- ◇ **Explain that the review** covers the Cluster Supply Plan commitments, the operational flow, and the key agroenterprise targets.
- ◇ Post on the board the flipchart paper with the Product Supply Forecast made by the Production Coordinator (**Tool 6.2.1**) and ask each member to **validate her/his supply commitment**. Make adjustments on the Product Supply Forecast if there is any change in the member's supply so that the supply matches the sales target under the market plan in the Agroenterprise Plan.
- ◇ Then present the flipchart paper with the operational flow under the Cluster Supply Plan in the Agroenterprise Plan (**Tool 5.1.1a**) showing the product flow from the member's farm to the buyers. Go through the details in the operational flow with the timeframe, those responsible, and the form/documents needed. Be open to suggestions and make adjustments in the operational flow that may be needed.
- ◇ From the discussion on the operational flow, **draw out a list of critical tasks to be carried out based on the operational flow**, the person responsible, and the timeframe. Write these in the table of critical activities leading to test marketing. (**Tool 7.1.1**).  
(Note: Involve the set of Cluster Leaders as well as the members in the tasking of the activities.)
- ◇ **Present the flipchart paper with the cluster agreements** related to marketing, as listed under the management plan in the Agroenterprise Plan (**Tool 5.1.1a**). Review the agreements so the cluster members are reminded.

### LESSON LEARNED: CAREFUL ATTENTION TO DETAIL

The time and effort given to reviewing the details of the plan, especially the product supply from the cluster members and the operational flow from their farms to the buyers, will be worth it. In practice, how well-organized and coordinated the sequence of activities is will often determine success or failure in the test marketing.



- ◇ **Synthesize the review by going through the key targets** under the Financial Plan in the Agroenterprise Plan (**Tool 5.1.1a**).  
*Targets:*
  - **Projected sales** – Check if the target sales is supported with the Product Supply Forecast
  - **Projected costs** – Check if the figures correspond to the product flow from the farms to the buyers (Note: Examine if there are costs that were left out or so-called hidden costs. Example: Trucking provided as a subsidy of the local government for the test marketing should be treated as a real cost but recorded as part of income with the category of “donation”).
  - **Projected marketing income** – Check how much income is targeted after deducting costs from the sales.

## Activity 2: Presentation of the sample business forms for recording and reporting of test marketing transactions

- ◇ In the same cluster review meeting, the **Facilitator Team presents** the sample business forms that will be used in the test marketing to record and report the test marketing transactions, and which is the responsibility of the Treasurer. These are the minimum forms recommended. There may be additional forms depending on the type of buyer. Examples include certain institutional buyers that will use supply agreements or purchase order forms and billing statements for payment collection. As each form is discussed, distribute copies of the form.

### *For recording:*

- **Receiving Form (Form 1)** records the quantity of products received by the cluster from each cluster member during product consolidation.
- **Product Receiving Summary (Form 2)** summarizes by product what the cluster members supplied for cluster marketing.
- **Delivery Receipt (Form 3)** records the quantity of products delivered by the cluster to the buyer, and acknowledged as received by the buyer.
- **Sales Invoice (Form 4)** records the quantity and value of the products sold to and accepted by the buyer from the cluster (*Note: If the cluster is a formal business entity such as a cooperative, it will be required to have printed sales receipt and/or official receipt.*)
- **Cash Receipt (Form 5)** records the acknowledgment of cash received that can cover cash sales and others such as payment of credit sales made.
- **Payment Acknowledgement Form (Form 7)** records the acknowledgement of payments received that are not issued official receipts by the payee. This covers costs paid out (e.g. payment of products from the cluster member or the cost of sales) and expenses incurred in the marketing transaction (*Note: As a matter of procedure, official receipts are always asked for by the cluster for evidence of the expense. But there may be cases when an official receipt is not available, for example, the payment of the honorarium of the cluster member accompanying the product delivery.*)

### *For reporting:*

- **Summary of Cash Received (Form 6)** puts together all the cash received for the sold products based on the sales invoice, as well as other cash payments (e.g. collection of sales on credit)
- **Summary of Cash Paid Out (Form 8)** consolidates all the cash paid for the costs and expenses paid
- **Summary of Non-Cash Transactions (Form 9)** notes all costs incurred but not yet paid (i.e. are still payable) or sales transacted on credit and still to be collected
- **Report of Marketing Income (Form 10)** summarizes all the sales and the resulting net income of the marketing transaction after deducting costs and expenses
- **Cluster Member's Product Payment Computation (Form 11)** records the computation of product payment due to the cluster member for marketing through the cluster

## Activity 3: Designation of the authorized Marketing Representatives for validation of buyer negotiation and the BDS arrangements before product delivery

- ◇ Explain that the clusters will have to **designate at least two people** that they will authorize to be their **Marketing Representatives**. They can be Cluster Leaders or Postharvest Coordinators chosen from among the Cluster Leaders.  
(*Note: In a formal business organization like a cooperative, they can be the Cooperative Manager and the Chairman or a member of the board.*)
- ◇ Guide the Marketing Representatives to follow up at least three days before the marketing transaction through mobile phone communication (or through a visit) with the **negotiated buyers and the BDS providers to validate the marketing arrangements earlier agreed** when they were visited as part of the Agroenterprise Planning activity.

Important items in the arrangement to validate with the buyers include (**Tool 7.1.3**):

- Product (quantity, quality specifications, packaging)
- Price
- Collected or delivered (get exact location)
- Supply date and receiving time
- Payment arrangements (in cash, by check, bank-to-bank transfer, specified term or number of days if on credit)
- Buyer's contact person who will receive the supply (name, designation and mobile phone or email contact)

(Note: It is recommended that a product sample is shown to the buyer of the product particularly for quality specification so that acceptable quality with the packaging is understood clearly between the cluster and the buyer.)

### Next steps

- ◊ **End the meeting by facilitating the agreement of the communication system** between the Marketing Representatives and the Cluster Leaders who will take charge to be the channel of communication to each cluster member. Distribute the list of the mobile phone numbers of the Marketing Representatives and the Cluster Leaders so each will have contact of one another for good coordination.

## TOOL 7.1.1 CRITICAL ACTIVITIES LEADING TO TEST MARKETING (SAMPLE)

Agroenterprise component	Task	Responsible	Timeframe/ Date	Remarks
Coordination with buyers	Price monitoring	Cluster PH Coordinator	7 days before	
	Finalize with buyers	Cluster PH Coordinator	7 days before	
	Get PO for supermarket consolidator	Cluster PH Coordinator	7 days before	
Transportation and Communication	Contact truck	Cluster PH Coordinator	7 days before	
	Confirm the trucking arrangements	Cluster PH Coordinator	2 days before	
	Get bill of lading at port	Cluster PH Coordinator	1 day before	
	Communicate to Cebu buyer the shipment details	Cluster PH Coordinator	1 day before	
Confirm volume and packing materials	Confirm the volume from leaders	Cluster Production Coordinator	2 days before	
	Distribute packing materials	Cluster Production Coordinator	2 days before	
Harvest and postharvest	Harvest of squash	Cluster members	1 day before	
	Grade and sort	Cluster members	1 day before	
	Put in sacks	Cluster members	1 day before	
Consolidation	Consolidation of squash	Cluster leaders	Day 1 - delivery	
Marketing	Delivery of squash to wholesale buyers in CdO	Cluster leader and PH coordinator	Day 1 - delivery to CdO	
	Bring produce to seaport to be sent to Cebu (for pick-up by consolidator)	Cluster leader and PH coordinator	Day 1	
	Contact supermarket for information in shipping; text or fax acceptance report	Cluster PH coordinator	Day 2	
	Issue billing statement to buyer	Cluster leader and PH coordinator	Day 2	
Payment	Payment collection (bank to bank transfer)	Cluster Treasurer	Day 7	
	Payment to members	Cluster Treasurer	Day 8	



### Form 4 Sales invoice

Date: \_\_\_\_\_

SI # \_\_\_\_\_ Reference: DRF # \_\_\_\_\_

Sold to: \_\_\_\_\_

Address: \_\_\_\_\_

Contact number: \_\_\_\_\_

( ) Cash ( ) Credit - Term \_\_\_\_\_

Quantity	Product	Description	Unit price	Total
Total				

Prepared by: \_\_\_\_\_

Checked by: \_\_\_\_\_

### Form 5 Cash receipt

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_

CR #: \_\_\_\_\_

Cash receipt

Received from \_\_\_\_\_

the sum of \_\_\_\_\_ (\_\_\_\_\_)

for payment of \_\_\_\_\_ (Reference SI # \_\_\_\_\_)

Checked by: \_\_\_\_\_

Received by: \_\_\_\_\_

### Form 6 Summary of cash received

Date	Particulars	Reference	Cash received	Explanation		
				Cash sales	Others	Amount
Total						

### Form 7 Payment acknowledgment form

Payee: _____	Date: _____
Payment acknowledgment form	
Received from _____ the sum of _____	
(p. _____)	
As payment for _____.	
Issued by: _____	Received by: _____

### Form 8 Summary of cash paid out

Date	Particulars	Reference	Cash paid out	Explanation		
				Purchases (Cost of sales)	Various payments	Amount
Total						

### Form 9 Summary of non-cash transactions\*

Date	Particulars	Explanation	Amount IN	Amount OUT
Total				

\*Expenses incurred but still payable, income in kind, sales on credit

### Form 10 Report of marketing income

For the period covering \_\_\_\_\_

Particulars	Amount
Sales	
<i>Total sales</i>	
Less: Cost of sales	
Gross income	
Expenses	
<i>Total expenses</i>	
Net income	

Prepared by: \_\_\_\_\_

Checked by: \_\_\_\_\_

## Form 11 Cluster Member's product payment computation

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Cluster: \_\_\_\_\_

Cluster member's product payment computation

SALES	CRF#	Product	Quantity	Unit price	AMOUNT
TOTAL SALES					
Less: Deductions	Particulars	Quantity	Cost/Unit	Amount	
	Trucking				
	Packaging				
	Others				
	TOTAL DEDUCTIONS				
NET PAYMENT					

Computed by: \_\_\_\_\_ Checked by: \_\_\_\_\_ Received by: \_\_\_\_\_

## TOOL 7.1.3 GUIDE: WHAT TO NEGOTIATE WITH BUYERS

Items to negotiate	Details to discuss with the buyer
Product	<ul style="list-style-type: none"> <li>• Product form (e.g. coffee berries, coffee green bean, roasted coffee)</li> </ul>
Quality	<ul style="list-style-type: none"> <li>• Quality specification required E.g. sorting (by size, color, maturity, visual appearance, etc)</li> <li>• Who will do the sorting?</li> <li>• How will the quality be checked?</li> <li>• Any postharvest procedure to follow – e.g. drying, moisture content</li> </ul>
Packaging	<ul style="list-style-type: none"> <li>• How should the product be packaged? Who will supply the packaging materials?</li> </ul>
Quantity	<ul style="list-style-type: none"> <li>• Measure, who will provide the weighing scale</li> <li>• How to handle shortfall or surplus products in delivery</li> </ul>
Frequency and schedule of supply	<ul style="list-style-type: none"> <li>• When will the sale transaction take place – on what date and at what time?</li> <li>• Is this a one-time sale or does the buyer require a regular supply through a certain period of time?</li> <li>• What is the quantity per supply or delivery?</li> </ul>
Place and transport	<ul style="list-style-type: none"> <li>• Will the buyer collect the product? Establish the collection point: whether at each farm, or at a consolidation point?</li> <li>• Or will the buyer require the product to be delivered to the buyer's place: establish the delivery point?</li> <li>• Who will pay for the transport, loading and unloading at various stages?</li> </ul>
Pricing	<ul style="list-style-type: none"> <li>• Is the price for mixed quality or all-in? Or is the price based on grade of product or quality? Or is the price based on volume or quantity of supply?</li> </ul>
Payment arrangement	<ul style="list-style-type: none"> <li>• When and how will the payment be made – immediately after delivery, or after a certain period of time or term?</li> <li>• What is the payment form – in cash, check, bank transfer, mobile or online transfer?</li> <li>• Is there a deduction – e.g. withholding tax?</li> <li>• Will the buyer provide a deposit or advance payment?</li> </ul>
Policy on non-compliance of agreement on either side	<ul style="list-style-type: none"> <li>• Is there a penalty for failure to deliver (on the part of the supplier) or to buy (on the part of the buyer) based on agreement made?</li> </ul>
Contact persons	Who will be directly transacting on the buyer and seller side?

# TOOLKIT 7.2



## Meeting Guide: Test marketing assessment

Corresponds to Step 7.1 Test marketing activities



Facilitator team



The Facilitator Team guides the clusters to conduct a Test Marketing Assessment to determine differences between planned and actual results based on the Agroenterprise Plan, and to identify the corrective measures to undertake or improvements to make in the Agroenterprise Plan. This toolkit contains:

- ◇ Tool 7.2.1 Test Marketing Assessment Table
- ◇ Tool 7.2.2 Corrective Measures and Agroenterprise Plan Improvement Table



- ◇ Compare the planned and actual results of the test marketing relative to the Agroenterprise Plan
- ◇ Identify the measures to address the gaps and improve the plan



- ◇ The Facilitator Team has reviewed the results of the test marketing and matched this with the targets in the Agroenterprise Plan
- ◇ Cluster leaders have organized a cluster meeting for the Test Marketing Assessment



- ◇ Flipchart paper with the clusters' Agroenterprise Plan (**Tool 5.1.1a**)
- ◇ Flipchart paper with the Test Marketing Assessment Table (**Tool 7.2.1**)
- ◇ Flipchart paper with the Corrective Measures and Agroenterprise Plan Improvement Table (**Tool 7.2.2**)
- ◇ Flipchart paper with the summary of delivery, sales and the report of marketing income (taken from **Form 3**, **Form 4** and **Form 10** of **Tool 7.1.2**)
- ◇ Two colors of cards, writing pens, masking tape
- ◇ Calculator



- ◇ 3 hours



- ◇ Clustered farmers  
(Note: If there is only one cluster, then all cluster members should attend. But if there are several clusters, the assessment is done by at least the Cluster Leaders, Postharvest Coordinators and Treasurers.)



### 1. Introducing the Test Marketing Assessment

- ◇ Mention that the farmers have just undertaken their test delivery, and right after the delivery it is important to undertake an assessment. Explain what Test Marketing Assessment is and its importance.  
*Key points:*
  - The test marketing assessment is the comparison of marketing results with the projections.
  - It is a hands-on learning experience. But the learning process takes place only if the cluster discusses their experience and the results, and acts on what needs to be done to correct problems and improve the Agroenterprise Plan.

- ◇ **Mention the expected outputs of the meeting.**

## 2. Draw out the experiences and present the test marketing results

### **Open the assessment by asking the Marketing Representatives to share their test marketing experiences:**

The “story” or chronology of events, positive experiences, problems encountered, their own thoughts of what needs to be done for improvement. Post on the board the flipchart paper with the Test Marketing Assessment Table (**Tool 7.2.1**) and during the discussion, write on cards the key idea and message shared by the Marketing Representatives on the two columns:

- What went well? Positive experiences/results
- What went wrong? Negative experiences/problems  
(*Note: Use two colors of cards to delineate the two sets of answers above.*)

- ◇ **Next, ask the Treasurer to present the financial results of the test marketing transaction,** in particular: the summed quantity of product delivered vs. quantity accepted by the buyer (i.e. delivery and sales), and the resulting income or loss (*Note: Information is taken from **Form 3**, **Form 4** and **Form 10** of **Tool 7.1.2***). Write the financial figures on the cards and put on the flipchart of the Test Marketing Assessment Table (**Tool 7.2.1**). Summarize by answering these questions:

- Relative to the Agroenterprise Plan, did we attain the target sales? i.e. quantity, price and resulting sale value
- Were we able to meet our cost estimates?
- Did we attain the target income? i.e. sales less marketing costs  
(*Note: If the answers to the above questions are positive, put the card with the financial information under the column “What went well?”. If the answer is negative, put the cards under the column “What went wrong?”*)

- ◇ **Emphasize the importance of having records and reports** of the marketing transaction.  
*Key point:* Test Marketing Assessments will not be complete without the financial records and reports. Financial documentation will enable the cluster to objectively making the assessment from a business point of view.

- ◇ **Group the cards together** where they relate to the components of the Agroenterprise Plan (i.e. Market, Supply, Management and Finance).

## 3. Facilitating the structured assessment

- ◇ **Post on the board the flipchart of the Agroenterprise Plan (**Tool 5.1.1a**)** beside the flipchart with the **Test Marketing Assessment Table (**Tool 7.2.1**) that has the grouped cards** categorized in the two columns: Positive experiences/results “What went well?” Negative experiences/problems “What went wrong?”

- ◇ **Draw attention to the column on the negative experiences/problems.** Mention that the problems will have to be corrected before the next test marketing so that if there are challenges in the second test marketing, they will not be a repetition of the first test marketing. Explain that the challenges are actually the gaps in the plan and the actual implementation of the plan.

### **LESSON LEARNED: ALWAYS ASSESS AFTER EVERY TEST MARKETING EXERCISE**

It is reasonable to expect test marketing challenges because it is a new experience. What is important is that the problems encountered are corrected in the first test marketing exercise so that if there are problems in the second, they will not be a repetition of those in the first.



- ◇ From the grouped cards on the negative experiences/problems, **draw out from the cluster the most critical ones** that need to be immediately addressed before the second test marketing exercise, and which need immediate corrective measures. Use these as the basis for a structured assessment of the test marketing exercise referenced with their Agroenterprise Plan.
- ◇ **Post on the board the flipchart with the Corrective Measures and Agroenterprise Plan Improvement Table (Tool 7.2.2).** Point to the six columns: Agroenterprise Component (Item), Planned, Actual, Corrective Measure or Plan Adjustment, Timeframe and Tasking. Write the first problem on the third column marked “Actual.” Then facilitate interactive discussion through these questions:
  - Why is this a gap or problem? What was planned? Write the answer on the second column marked “Planned”
  - Where in the Agroenterprise Plan does this relate? Ask them to identify the Component Plan (e.g. Cluster Supply Plan) and the specific item (e.g. Operational Flow) – Write the answers on the first column “Agroenterprise Component and Item”
  - How do we correct this problem? Or what adjustment in our plan do we need to do? Write the answer on the fourth column “Corrective Measure or Plan Adjustment”
  - What is the deadline for this action to be undertaken? Write date on the fifth column “Timeframe”
  - Who will be responsible? Write the name of the person(s) on the fifth column “Tasking”
- ◇ **Point out that it may also be possible that the Agroenterprise Plan may have to be adjusted to be realistic.** Explain that the adjustments can be made. If the adjustment is in the financials, rework the marketing projections to reflect the actual figures.
- ◇ **Summarize** by reviewing the corrective measures and the adjustments in the Agroenterprise Plan agreed. Mention that the exercise of assessment is very important because they are still learning marketing, and it is realistic to expect that there will be problems encountered.

#### 4. Next steps

- ◇ **End the assessment by highlighting that in business** there will always be challenges and problems. What is important is that the cluster can correct the problems fast and they are not the same problems in the next test marketing. Mention that in the second Test Marketing Assessment, you will bring the results of the first assessment so the clusters can determine if this in fact is what happened.

### TOOL 7.2.1 TEST MARKETING ASSESSMENT TABLE

What went well? Positive experiences and results	What went badly? Negative experiences/Gaps/Problems

## TOOL 7.2.2 CORRECTIVE MEASURES AND AGROENTERPRISE PLAN IMPROVEMENT TABLE

Cluster	Location		Product		
Delivery date	Assessment date				
AE Plan (item)	Planned	Actual	Corrective action or plan adjustment	Timeframe (specify dates)	Tasking (assignment)
Marketing Plan					
Cluster Supply Plan (operational flow)					
Management Plan (Item: operational flow)	Product delivered at 9 am (based on buyer's agreed receiving time of between 8am and noon)	Late product delivery to buyer (3pm)	Negotiate for an alternative vehicle so there is always a back-up vehicle in case of a problem of the first vehicle; and always confirm the vehicle the day before delivery	Within two days of test delivery (Date:____)	Postharvest Coordinator
Financial Plan					

# TOOLKIT 7.3



## Meeting Guide: Cluster Self-Assessment of Readiness for Step 8

Corresponds to Step 7.3 Cluster Self-Assessment of Readiness for Step 8



Facilitator Team



The Facilitator Team guides the clusters to conduct a self-assessment of their readiness to go into Step 8, which is Sustained Enterprises. This toolkit includes:

- *Tool 7.3.1 Reflection guide for Cluster Self-Assessment of Readiness for Step 8*
- *Tool 7.3.2 Framework for Agroenterprise Development in Stages*



- ◇ Reviewed the performance of the three test marketing activities
- ◇ Decided on the next steps to take – whether to continue with test marketing or to move to Step 8 (sustained enterprises)



- ◇ The Facilitator Team have reviewed the results of the three test marketing transactions and their individual assessments
- ◇ Cluster leaders have organized the cluster meeting to assess readiness for Step 8



- ◇ Flipchart paper with the reflection guide for Cluster Assessment of Readiness for Step 8 (*Tool 7.3.1*)
- ◇ Flipchart paper with the Framework for Agroenterprise Development in Stages (*Tool 7.3.2*)
- ◇ Cards (five colors), pens, masking tape
- ◇ Drawings of an infant crawling, a young person walking, and a young person running (on separate sheets)



- ◇ 3 hours



- ◇ Cluster members  
(*Note: If there is only one cluster, then all the cluster members participate. If there are several clusters coordinating, then the Cluster Leaders and sub-leaders (i.e. Production Coordinator, Postharvest Coordinator, Secretary and Treasurer) participate and represent cluster members.*)



### 1. Opening the session

- ◇ **Start the reflection session** by mentioning that the clusters have just done the three test marketing activities, and with their hands-on experience and learning, they will now conduct an assessment of what they want to do next.
- ◇ **Present the expected outputs of the meeting.**

## 2. Reviewing briefly the test marketing experiences and results

- ◇ **Briefly recall the highlights of the three test marketing exercises conducted** by presenting a summary of the key positive experiences/results and negative experiences/problems (**Tool 7.2.1**), and the Corrective Measures and Agroenterprise Plan Improvements that have also been done (**Tool 7.2.2**) after the test marketing activities. Always include in the presentation the financial report because agroenterprise as a business needs to have results in terms of income or loss.

## 3. Facilitating the reflection process

- ◇ **Explain that you will give them guide questions for a cluster self-assessment of readiness to go into Step 8.** Post the flipchart with the reflection guide for the Cluster Self-Assessment of Readiness for Step 8 (**Tool 7.3.1**), and go through each guide question. Encourage questions if there is need for clarification to be sure that the questions are understood well.

Give instructions: Readiness is indicated with the smiley/happy face and non-readiness with the sad face. Ask those who indicated a sad face to answer the column on “Things to do to build preparedness.”

**Divide the clusters into groups of five to answer the self-assessment questions.** Allow 30 minutes for discussion and reflection. Distribute one flipchart per group.  
(*Note: If there are 15 members in the cluster, then there will be three groups. However, if there are three clusters, then the grouping is by cluster.*)

- ◇ **Facilitate a gallery walk so all can view the group responses.** Encourage discussion. Then summarize the responses to come out with the clusters’ general Self-Assessment of Readiness for Step 8.

- ◇ **Conclude the reflection session by posting three pictures on the wall.** These are:

- An infant crawling
- A young person walking
- A young person running

Ask individuals to reflect which of the pictures they can relate to regarding readiness to move from Step 7 to Step 8. Ask individuals to stand in front of the picture to express their responses.

- ◇ **Process the reflection by relating the pictures to three decisions they can choose after test marketing:**

- Continue with test marketing because so much needs to be adjusted or corrected and learned (*infant crawling*)
- Move into Step 8 but work with the same value chain to improve on it (*a young person walking*)
- Move into Step 8 and pursue several value chains to scale up the agroenterprise (*a young person running*).

- ◇ Post on the board the flipchart with the Framework for Agroenterprise Development in Stages (**Tool 7.3.2**). Explain that agroenterprise development from Step 7 to Step 8 in the Clustering Approach is really in three stages: initiating, continuing and scaling up.

*Key points:* The targets related to agroenterprise or collective marketing are as follows:

- **Step 7: Initiating stage** – market links
- **Step 8: Continuing stage** – more stable markets. The clusters work on the same value chain but with the involvement of more farmers and more product quantity.
- **Step 8: Scaling up** – long-term business partnerships. The clusters work on several value chains with more products and markets, and a larger number of farmers. The clusters may also form networks with other producers.

## LESSON LEARNED: DO NOT RUSH THE PROCESS!

The test marketing can include more than three transactions. If the clusters feel they need more experience and improvements, then provide for more time. There is no point in going on to Step 8 unless the clusters feel confident and ready.



- ◇ **Get the consensus of the clusters on their decision regarding their collective marketing;** whether to conduct additional Test Marketing (Step 7) or to move forward to Sustained Enterprises (Step 8).

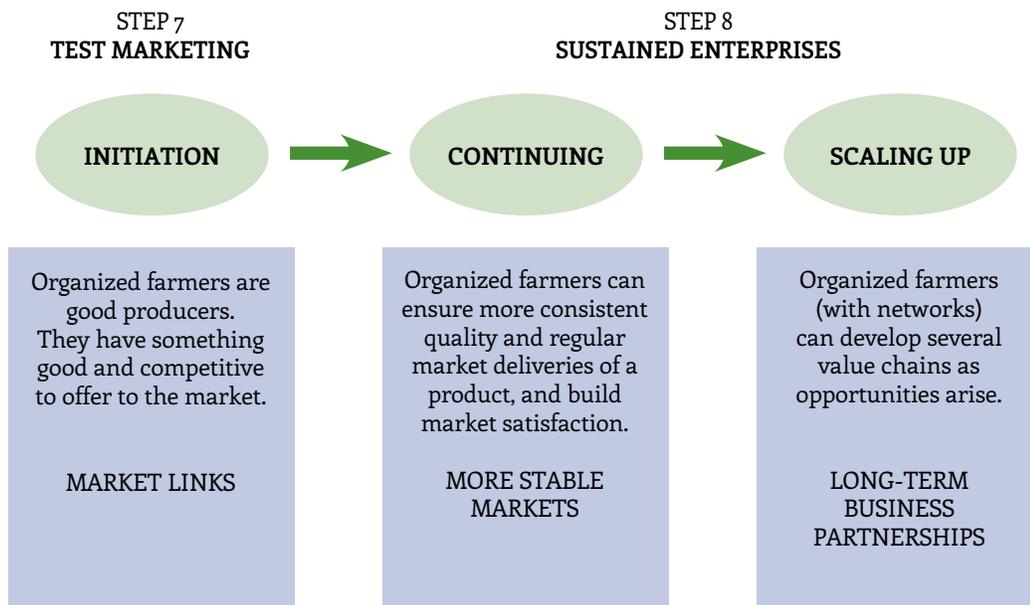
### 4. Next steps

- ◇ **End the session** by explaining that with the decision of the clusters to undertake Step 8, they will next conduct Agroenterprise Planning for a bigger marketing decision. Otherwise, they agree to add more test marketing activities until they feel confident to move on to Step 8.

## TOOL 7.3.1 REFLECTION GUIDE FOR CLUSTER ASSESSMENT OF READINESS FOR STEP 8

Key element	Guiding question	😊	☹️	Things to do to build preparedness
Cluster	Are majority of the cluster members willing to go on with their agroenterprise after their test marketing experiences?			
Market	Is the current market regular and growing?			
	Are there new market opportunities that can be tapped?			
Supply	Can the market requirement be met by the product supply of existing clusters?			
	If not, are there new farmers that are interested in joining?			
Management	Can the Cluster Leaders and members perform their tasks as expected?			
	Are cluster meetings held regularly?			
	Are policies and procedures written and followed?			
Financial	Did the test deliveries yield increasing levels of net incomes or decreasing levels of losses?			
	Is there a reducing trend in subsidies extended by the service providers during the test marketing activities?			

## TOOL 7.3.2 FRAMEWORK FOR AGROENTERPRISE DEVELOPMENT IN STAGES



# TOOLKIT 8.1



## Activity Guide: Financial Viability Assessment

(Corresponds to Step 8.1: Sustained enterprises: Two stages)



Facilitator Team



The Facilitator Team guides the clusters to discuss and decide bigger marketing operations in Step 8 (Sustained Enterprises). The Facilitator Team with the Cluster Leaders reviews the results of the test marketing and comes up with a proposed Agroenterprise Plan under Step 8 for approval of the clusters. This toolkit contains:

◇ *Tool 8.1.1 Exercises for Financial Viability Assessment*



- ◇ Explain the Agroenterprise Planning under Step 8 (Sustained Enterprises)
- ◇ Present a proposed Agroenterprise Plan under Step 8 with a Financial Viability Assessment



- ◇ The Facilitator Team with the Cluster Leaders have studied the Test Marketing Assessment results and the financial report of the transactions, and have formulated a proposed Agroenterprise Plan for Step 8
- ◇ Cluster leaders have organized the clustering meeting to decide on the proposed Agroenterprise Plan for Step 8



- ◇ Flipchart paper with the Framework for Agroenterprise Development in Stages (**Tool 7.3.2**)
- ◇ Flipchart paper with the proposed Agroenterprise Plan for Step 8 (**Tool 5.1.1a**)
- ◇ Flipchart paper with the tables for the Financial Viability Assessment (**Tool 8.1.1**)
- ◇ Flipchart paper, marker pens, masking tape
- ◇ Computer with MS Excel and LCD projector (if available); or flipchart paper with calculator (*if computer and LCD not available*)



- ◇ 1 week (for preparation) and 4 hours for presentation/discussion



- ◇ Cluster set of leaders (Cluster Leader, Production Coordinator, Postharvest Coordinator, Secretary and Treasurer) who will cascade the information to the their cluster members (*Note: Can be with all the cluster members if the size is not more than 60*)



### Activity 1: Preparation

- ◇ **Review test marketing financial reports** and make projections to scale up in Step 8 (either continuing or scaling up). In the scaling up, use the information from the Test Marketing Assessment of how the farmers want to expand their agroenterprise. State this as an Agroenterprise Objective for Step 8 (either continuing or scaling up).
- ◇ Come up with an **Agroenterprise Plan** for the marketing operations under Step 8. Break up the Agroenterprise Plan into its four component plans (i.e. market, supply, management and finance).

Note: This is the same process in Step 5 (Refer to Step 5 Toolkit) but the difference in the Agroenterprise Planning for sustained enterprises is that more intensive study is done in the financial plan to ensure that the plan is financially viable (i.e. income is realized after deducting costs from the sale).

- ◇ Break up the financial plan components in the Agroenterprise Plan into **detailed financial computations for the Financial Viability Assessment**. (Note: It will help if there is a person with a background in finance or accounting who can assist or guide the process).

### LESSON LEARNED: BE CONSERVATIVE WITH YOUR FINANCIAL PROJECTIONS

The clusters always want to see income in their agroenterprise. But, so that the financial projections are realistic, they have to be guided not to overestimate income and underestimate costs. Computations should be referenced with actual financial figures experienced and learned during the test marketing transactions.



## TOOL 8.1.1 EXERCISES FOR FINANCIAL VIABILITY ASSESSMENT

**Exercise 1: Make financial assumptions on costs, categorize into capital, fixed and variable costs**

Particulars	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Capital Expenditures												
Loans												
Fixed Costs												
Variable Costs												
Revenues												

**Exercise 2: Come up with the various costs**

Particulars	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Fixed Costs												
Variable Costs												
Total Expenses												



## Activity 2: Presentation to the clusters

- ◇ **Provide first a background of Step 8.** Explain that sustained enterprises is the stage when the clusters decide to continue and scale up their agroenterprise after having conducted several test marketing activities in Step 7, and experienced observable successes that make the clusters comfortable to take on bigger risks and plan longer term. Remind them of the cluster Self-Assessment of Readiness by showing the pictures of the infant crawling, a young person walking and a young person running.
- ◇ **Explain that Step 8 is actually a transition into two stages of development**, namely continuing and scaling up. Present the visual aid on the Framework for Agroenterprise Development in Stages (**Tool 7.3.2**). (*Note:* It is prudent to first undertake continuing activities before going into the scaling-up phase).  
*Key points:* Moving from Step 7 to Step 8 with the different objectives in collective marketing:
  - Step 7 – Initiating stage (the objective is to initiate market links through test marketing)
  - Step 8 – Continuing stage (to build more stable markets)
  - Step 8 – Scaling up (to establish long term business partnerships)
- ◇ **Mention that you will discuss Step 8 (Sustained Enterprises) of the Clustering Approach.** Situate the farmers by reviewing that in Step 7 they undertook their test marketing and, based on their assessment that their cluster is ready to go on to Step 8, you will present a proposed Agroenterprise Objective and plan, with the details of the Financial Viability Assessment.  
*Key points:*
  - Sustained enterprises mean bigger marketing activities and, accordingly, more resources being invested.
  - The Financial Viability Assessment is very important because the business will not be sustainable if it is not viable, i.e. the costs are covered by the income, and they can continue to invest with the earnings.
  - Loans may be accessed to support the bigger scale of marketing operations and the clusters have to consider what can be internally sourced (i.e. that which will come from the cluster members' saving or marketing incomes), and those that will be financed from external borrowing (e.g. bank loans).
- ◇ **Run through the proposed Agroenterprise Objective, Agroenterprise Plan, and results of the exercises in the Financial Viability Assessment.** Present the results of the Financial Viability Assessment by showing the flipcharts of the various filled in tables that resulted from the exercises. Engage the clusters in interactive discussion on the proposed Agroenterprise Plan.
- ◇ **End the presentation by getting the consensus** of the clusters to adopt the proposed Agroenterprise Plan under Step 8. Be ready to make adjustments if there is consensus among cluster members to do so.

# TOOLKIT 8.2



## Meeting Guide: Checking the progress of the agroenterprise

Corresponds to Step 8.2 Checking the progress of the agroenterprise



Facilitator Team



The Facilitator Team guides the clusters to set up a regular monitoring procedure so that they can periodically review their progress and know whether their collective marketing business is doing as well as planned or not. Information is compiled from the cluster records, and is used in the review with reflection on the gains, gaps and learnings in their agroenterprise. This toolkit contains:

◇ *Tool 8.2.1 Cluster Progress Report*



- ◇ Explain the importance of setting up the procedure to periodically check the progress of the agroenterprise
- ◇ Agree on the procedure to gather the information that will be useful to identify gains, gaps and learnings to improve the management of the agroenterprise



- ◇ The Facilitator Team has reviewed the cluster summary information (*Tool 4.2.2*) that is the source of information for checking the progress of the agroenterprise
- ◇ Cluster leaders have organized a cluster meeting to discuss the procedure of checking the progress of the agroenterprise



- ◇ Flipchart paper with a list of the reports to be prepared by the cluster's set of leaders, namely the Production Coordinator, Postharvest Coordinator, Treasurer and Secretary (*Tool 4.2.2 A-D*)
- ◇ Flipchart paper with the information summarized in Cluster Progress Report (*Tool 8.2.1*)



- ◇ 3 hours



- ◇ Cluster members



### 1. Introducing the topic

- ◇ **Introduce the activity to periodically check the progress of the agroenterprise** and mention its purposes.

*Key points:*

- Checking the progress of the agroenterprise is the process of compiling information that will be useful to gauge the performance of the agroenterprise based on the plan, i.e. whether the agroenterprise is doing as well as planned or not.
- It identifies the gains, gaps and the lessons that become the basis to improve decision-making and the business management of the agroenterprise.

- ◇ Mention the expected outputs of the meeting.

## 2. Explaining the references for checking the progress of the agroenterprise

- ◇ **Mention that the starting point for checking progress is the Agroenterprise Plan (Tool 5.1.1a).** Explain that it is important to set up a procedure for checking whether the plan is being implemented and whether the target results in the Agroenterprise Plan are attained.
- ◇ **Review that in Step 4,** a set of leaders was chosen to assist the Cluster Leader. They are: (a) Production Coordinator, (b) Postharvest Coordinator, (c) Secretary, and (d) Treasurer. Cite their main responsibilities and the reports that they are tasked to make. Present one flipchart showing the various reports made in the cluster by the set of Cluster Leaders (**Tool 4.2.2 A to D**).
- ◇ **Emphasize that this practice of shared leadership removes the dependency** of the cluster on only one person, the Cluster Leader. Distribute copies of the various reports that the set of Cluster Leaders maintain and share with the members.

## 3. Presenting the reports to check the agroenterprise progress

- ◇ **Show the flipchart of the Cluster Progress Report (Tool 8.2.1) where key information from the various reports is consolidated.** Mention that every quarter, this table is presented by the Cluster Leaders to the members so they are updated on the status of their agroenterprise.
- ◇ **Encourage discussion from the members** on the progress report, and facilitate so that the discussion can be a source of learning for the whole group.

*Key points:*

- The progress report provides a very good opportunity for discussion of findings and lessons, and the implication to the agroenterprise in terms of adjustments to their action plans.
- It is good practice that quarterly reports offer opportunities for the group to discuss next steps in their agroenterprise.

### LESSON LEARNED: CHECKING PROGRESS SHOULD BE MORE THAN JUST HAVING THE RECORD AND INFORMATION

Always keep in mind that the cluster progress monitoring practice will succeed only if the cluster finds it useful for learning and improvement.



*Questions for discussion and reflection on the progress report:*

- What did you plan in terms of the market, supply, management and marketing income?
- What did you achieve? What does the information tell you?
- Gains: What is doing well? What are the reasons for this? What does it mean for you?
- Gaps: What problems are you having? What are the reasons for this? What does it mean for you?
- What should we do in the next quarter?
- 

## 4. Next steps

- ◇ End the meeting by establishing with the clusters that every quarter, they will set the practice to discuss their Cluster Progress Report.

## TOOL 8.2.1 CLUSTER PROGRESS REPORT

### Cluster location:

Province:
Municipality / City:
Barangay:
Sitio:

Total clusters:
-----------------

<b>Affiliated to a formal organization:</b> Give name (if applicable):
---------------------------------------------------------------------------

Cluster leader:
-----------------

Date prepared:
----------------

### Quarterly report period:

From:
-------

To:
-----

## 1. UPDATES ON THE ORGANIZATION

### Cluster membership:

Members dropped this quarter:		Male:	Female:
-------------------------------	--	-------	---------

New members this quarter:		Male:	Female:
---------------------------	--	-------	---------

Total members for the period:		Male:	Female:
-------------------------------	--	-------	---------

Other cluster activities/ attendees:		Male:	Female:
-----------------------------------------	--	-------	---------

		Male:	Female:
--	--	-------	---------

		Male:	Female:
--	--	-------	---------

		Male:	Female:
--	--	-------	---------

		Male:	Female:
--	--	-------	---------

### Total meetings:

For members:	Regular:	Special:
--------------	----------	----------

### Total meetings:

For leaders:	Regular:	Special:
--------------	----------	----------

### Leaders' training

Training activity	Name of person attended	Schedule	Location	Training provider/sponsor

## 2. UPDATES ON SUPPORT FROM THE SWG AND OTHER INSTITUTIONS

### SWG institution and support

MFI support	LGU support	From others (academe, NGOs, etc)
-------------	-------------	----------------------------------

### Other institutions' support

Institution	Institution:	Institution
Support	Support	Support

### 3. UPDATES ON THE AGROENTERPRISE

Component	Planned	Actual	Difference	Remarks/actions
<b>MARKET</b>				
a. Buyers				
b. Products				
c. Sales in quantity				
<b>SUPPLY</b>				
a. Clusters				
b. Participating farmers				
c. Committed supply for collective marketing				
<b>FINANCIAL</b>				
a. Sales				
b. Expenses				
c. Net income				
d. Loan				

# Acronyms

<b>AE</b>	Agroenterprise
<b>AED</b>	Agroenterprise Development
<b>ARB</b>	Agrarian Reform Beneficiary
<b>ARC</b>	Agrarian Reform Community
<b>BARBD</b>	Bureau of Agrarian Reform Beneficiaries Development
<b>BDS</b>	Business Development Service
<b>CIAT</b>	Centro Internacional de Agricultura Tropical (International Center for Tropical Agriculture)
<b>CRS</b>	Catholic Relief Services
<b>CBED</b>	Community-Based Enterprise Development
<b>DA</b>	Department of Agriculture
<b>DAR</b>	Department of Agrarian Reform
<b>ESFMP</b>	Expanded Small Farms and Marketing Project
<b>FARM</b>	Farmer Alliances for Resource Strengthening and Marketing Project
<b>FEP</b>	Farmer Entrepreneurship Program
<b>FFP</b>	Food for Progress
<b>JFC</b>	Jollibee Foods Corporation
<b>JGF</b>	Jollibee Group Foundation
<b>KII</b>	Key Informant Interview
<b>LGU</b>	Local Government Unit
<b>LRT</b>	Local Research Team
<b>MAO</b>	Municipal Agriculture Office/r
<b>MCS</b>	Market Chain Study
<b>MFI</b>	Microfinance Institution
<b>MOU</b>	Memorandum of Understanding
<b>NGA</b>	National Government Agency
<b>NGO</b>	Non-Governmental Organization
<b>NLDC</b>	National Livelihood Development Corporation
<b>PO</b>	Purchase Order
<b>PSSA</b>	Product Selection and Supply Assessment
<b>SEARSOLIN</b>	Southeast Asia Rural Social Leadership Institute
<b>SWG</b>	Site Working Group
<b>USDA</b>	United States Department of Agriculture
<b>XU</b>	Xavier University

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***Moving Together to the Market:  
The Clustering Approach to Agroenterprise Development for Small Farmers***

**ISBN 978-971-93973-2-8**

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