

THE CLUSTERING APPROACH TO AGROENTERPRISE DEVELOPMENT FOR SMALL FARMERS: The CRS-Philippines Experience

A Guidebook for Facilitators



About the cover

Organized clusters can be the key to successful agroenterprise development. The illustration on the cover represents the eight-step participatory process where clusters of small scale farmers become active players gainfully engaging in the dynamic market. Innovated by CRS-Philippines Agri/NRM Program from the CRS-CIAT Learning Alliance on Agroenterprise Development, the process continues and progresses towards the empowerment of the clusters and the building of new ones.

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A Guidebook for Facilitators

Catholic Relief Services – USCCB
Philippine Program
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Acronyms

AE	Agroenterprise
AMAD	Agricultural Marketing Assistance Division
A/NRM	Agriculture/Natural Resource Management
BAS	Bureau of Agricultural Statistics
BLGU	Barangay Local Government Unit
CAG	Cluster Advisory Group
CDO	Cagayan de Oro City
CIAT	Centro Internacional de Agricultura Tropical (a.k.a. International Centre for Tropical Agriculture)
COPAR	Community Organizing through Participatory Action Research
CRS-SEAPRO	Catholic Relief Services – Southeast Asia Pacific Regional Office
DA	Department of Agriculture
DAR	Department of Agrarian Reform
DTI	Department of Trade and Industry
GEM-USAID	Growth with Equity in Mindanao Program - USAID
IHD	Integral Human Development
Kasilak	Kasilak Development Foundation, Inc.
Kaanib	Kaanib Foundation, Inc.
Kadtuntaya	Kadtuntaya Foundation, Inc.
KRA	Key Result Area
LGU	Local Government Unit

MCS	Market Chain Study
NFTS	Natural Farming Technology System
NGO	Non-Government Organization
NSO	National Statistics Office
PCEEM	People Collaborating for Environmental and Economic Management in Davao Foundation, Inc.
PME	Participatory Monitoring and Evaluation
PSA	Product Supply Assessment
PQMP	Product Quality Management Plan
RMA	Rapid Market Assessment
SFMP	Small Farms Marketing Project
SWOT	Strengths, Weaknesses, Opportunities and Threats
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
WG	Working Group
XAES	Xavier Agricultural Extension Service

Glossary of Terms

Agroenterprise - refers to a business venture, typically small-scale, that can be undertaken either on-farm, or a service that can be used to support other businesses (CIAT ERI Guide 2). An agroenterprise operates in a defined territory which may be a barangay (village), municipality, or group of municipalities.

Agroenterprise Plan – a business plan which contains the Market, Supply, Management and Financial Plans of the cluster. The AE Plan serves a guide for the cluster and its members in their production and marketing activities.

Cluster – a group of 5-15 farmers who are committed to establish a market-linked agroenterprise within a defined territory.

Cluster Advisory Group - formerly the Working Group at post cluster formation. The WG farmer-members who joined the cluster are no longer included in the Cluster Advisory Group.

Facilitator – refers to Community Organizer, Marketing Facilitator, Marketing Officer, Agricultural Technologist, Development Facilitator, and similar change agents charged with the task of assisting farmers in the areas of organizing, extension, technical assistance, marketing linkage, and AE development.

Financial Plan – the component of the AE Plan which reflects the capital requirements and the projected costs and returns of the cluster's business.

Management Plan – the component of the AE Plan which indicates the management structure, tasks, responsibilities

and compensations, and policies and procedures of the cluster.

Market Plan – the component of the AE Plan which indicates the product/s to produce and market, the sales targets, the payment arrangements and procedures, and the promotion strategies.

Marketing - the process of moving products from the point of production to the point of consumption to satisfy the needs and wants of customers or buyers at a profit.

Small-scale farmer – refers to a farmer who falls in any of the following three types of poor as qualified by CRS-Philippines:

1. **Resourceful poor** - consistently able to sustain at least a small margin above a minimum livelihood , have sufficient resources to fall back on when there are extraordinary economic or environmental shocks and to “grow” their livelihood options.
2. **Poor** - vulnerable to extraordinary economic or environmental shocks but otherwise able to sustain a livelihood that meets their basic needs and to minimally improve their livelihoods.
3. **Chronic or ultra poor** - resources are at or below a bare minimum for daily survival, they are extremely vulnerable all or most of the time and have the greatest difficulty of all three groups in improving their situation.

For purposes of developing clusters that can initiate and pump-prime more AEs, CRS-Philippines worked with **resourceful poor** farmers.

Supply Plan – the component of the AE Plan which shows the suppliers (of the products to be marketed), the estimated volumes of supply, the quality management processes and

requirements, the product operational flow, and the materials, equipment and other needs.

Territorial Approach - a participatory and an area-defined scheme in rural enterprise development developed by the International Center for Tropical Agriculture. The territory may be a barangay (village), municipality, or group of municipalities.

Working Group – composed of farmers, NGOs, Local Government Units, local business sector, and Peoples Organizations. The Group is tasked to conduct Community-Based Market Research and Product Selection and other relevant activities. The WG may also be called the **Local Planning Team** or the **Local Research Team**.

Preface

Over the past several years, a new trend in the marketing of agricultural produce has emerged driven by the increasing population of urban consumers with higher incomes and dynamic lifestyles. The increase in the demand for high quality and safe produce, coupled with the want for leisure and convenience, gave rise to the rapid growth of supermarkets, quick service restaurants and food manufacturers/processors. Globalization, which made it easier to move a variety of high quality products across geographical areas, has fueled this demand and contributed to this dramatic change in the markets.

With funding support from the United States Department of Agriculture – Food for Progress Act of 2004, Catholic Relief Services (CRS) Philippines started implementing in mid 2004 the Small Farms Marketing Project (SFMP) in the following provinces of Mindanao: Bukidnon, Compostela Valley, Maguindanao, Zamboanga Sibugay and the upper watershed of Davao City. All CRS agriculture and natural resource management programs are guided by the following six principles: [1] *Work with farmers as partners*; [2] *Treat farming as a family business, acknowledging that rural communities are linked to markets and that farm families need income for off-farm products and services*; [3] *Focus on farming systems, supporting diverse production - crops, livestock, trees and fish*; [4] *Promote agricultural practices that do not deplete or damage resources, linking production to conservation*; [5] *Use watershed approaches, fostering cross-community collaboration for resource protection, natural disaster mitigation, and upstream/downstream cooperation to meet competing water needs*; and [6] *Ensure immediate benefits; invest in long-term production*.

CRS Philippines, through the Small Farms Marketing Project, has organized small farmers into marketing clusters

to enable them to equitably participate in the opportunities of evolving dynamic markets. Through the clusters, farmers can proactively plan their production in cooperation with the big consolidators servicing these high value markets, manage quality, and consolidate significant product supply. The clustering strategy has enabled farmers to introduce reforms in the marketplace, gradually replacing adversarial relationship with some traders into collaborative arrangements with product consolidators and institutional buyers. This has resulted in innovative supply chains that cut layers towards the dynamic markets and gave small farmers, acting collectively, the benefits of more stable markets and/or higher returns.

This guidebook, “*The Clustering Approach to Agroenterprise Development for Small Farmers, the CRS – Philippines Experience*,” has been designed for Field Facilitators who have adequate field experience in community development work. The production of this guidebook was also made in response to the request of other development organizations to assist them on how to adopt, adapt and implement Agroenterprise Development in linking small farmers to modern markets.



PEDRO TERRY R. TUASON

Program Manager

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Foreword



In recent years, CRS programs in Africa, Latin America and Asia have promoted market driven strategies for poor, marginalized small farmers. This manual, *The Clustering Approach to Agroenterprise Development for Small Farmers, the CRS-Philippines Experience*, is an exciting new addition to the best practice guides being developed by CRS.

The manual is a *Guidebook for Field Facilitators*. It provides a stepwise practical approach to understanding markets, identifying market opportunities and then preparing farmers to supply selected market types. The guide uses novel methods for clustering farmers and linking them into higher value market chains that would not have been open to individual farmers.

This guidebook is valuable for all practitioners. It builds on existing knowledge, is grounded in a local situation, and adds new concepts on setting up farmer groups for marketing and clustering groups to achieve high volume for sales. The process of developing this guide comes through a strong partnership between CRS, research, farmer associations and traders. These partners are essential to make markets work for the poor farming communities.

A critical part of CRS' work is finding sustainable solutions for the poor that provide livelihood pathways out of poverty. This process includes engaging with markets and playing an active and innovative role in market chains. This guide provides us with the stepwise approach to that goal of sustainability. All of this takes much time and effort but through these types of

guides CRS staff and partners are better able to facilitate the process of positive change.

We congratulate the CRS and partner agribusiness team in The Philippines for the excellent guide. It's important to document our work and share it with the broader CRS community and others engaged in similar work.

Agroenterprise approaches are proving successful mechanism to lift poor farmers out of subsistence living and into sustainable livelihoods. This manual is a significant contribution to CRS' work with the poor and marginalized.

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Foreword

The task of teaching small farmers and fishers modern and sustainable technologies and convincing them to organize themselves into associations or cooperatives so they could expand into processing and marketing enterprises are enormous challenges that the Department of Agriculture family cannot perform and bankroll alone. Thus, we continuously seek the support of concerned groups and institutions, here and abroad.

In this case, we wholeheartedly appreciate the initiatives of the Catholic Relief Services and the United States Department of Agriculture in the packaging and publication of this valuable document.

Indeed, this guidebook will serve as a valuable reference for community organizers and facilitators, agriculture technicians and extension workers in helping organize small farmers into groups or clusters, link them directly with the markets, and pave the way to establishing their respective agro enterprises.

We therefore commend the men and women of CRS-Philippines, its partner NGOs and farmer-leaders who shared their respective experiences and spent painstaking hours to complete this book, which we expect will serve its purpose well in transforming farmers into market-oriented producers and entrepreneurs.

Mabuhay ang CRS at USDA!
Maraming salamat sa inyong patuloy na tulong!


ARTHUR C. YAP
Secretary





Message

The production of *“The Clustering Approach to Agroenterprise Development for Small Farmers, the CRS –Philippines Experience”* is the result of years of experience and effort by CRS staff and partners in Mindanao. It started over ten years ago with the idea of assisting farmers in Mindanao to increase productivity through improved environment-friendly farming techniques.

As the interaction grew between CRS, the farmers and the other project stakeholders, the focus of the project evolved from “farmer-to-farmer” training to “integrated pest management” to “landcare” to “marketing” to the “clustering approach to marketing”. The current program continues to incorporate all of these aspects but with an emphasis on the “clustering approach”. The manual is an attempt to share this learning process.

Many talented and dedicated people were involved in this effort starting with the farmers groups and the local government units. Archbishop Antonio Ledesma actively supported the first successful “calamansi” projects in the Ipil Prelature. Paul Hicks and Terry Tuason of CRS led the transformation of the idea into a concrete proposal and initiative. Joan Uy provided the intellectual framework for the “clustering” approach which was indispensable to the program. Danny Ocampo provided steady management support through rough periods. Our NGO partners - Kasilak, Kaanib, Kadtuntaya, XAES, and PCEEM - were instrumental in leading the process of inclusion of and consultation with government at the local and provincial levels. Senator Ting Paterno and Bobby Ansaldo helped promote the program among the business community.

Finally, the program could not have succeeded without the support and encouragement of the Department of Agriculture of the Republic of the Philippines and the United States Department of Agriculture.

A handwritten signature in black ink that reads "Michael J. Frank". The signature is written in a cursive style.

Michael J. Frank
CRS Ph Country Representative



Message


Philippine agricultural development is key in moving the country forward and it is widely known that sustained expansion of the national economy will likewise require sustained growth in the agricultural sector. Various economic and sophisticated developmental models have been designed for this although many times, they remain as such, all theory and speculation.

Translating theory into reality is easier said than done and this is usually the case in developing countries whose agricultural sectors are predominantly in the hands of small-scale farmers. As the world rapidly changes and the dynamics of rural social systems continue to shift, identifying the appropriate mix of developmental interventions require patience and innovation.

The Clustering Approach to AgroEnterprise Development for Small Farmers: The CRS-Philippine Experience goes beyond identifying the tools for change by integrating, among others, certain essential management disciplines in the development process.

Drawing from proven and tested countryside developmental experience, the guidebook is not only deliberate, determined and instructional; it is also practical, realistic and concise. It is the perfect companion for the field-extension worker and rural development planner.

I would like to congratulate all those involved in the preparation of this excellent guidebook and I assure you of my continued support


Emiko Purdy
Agricultural Counselor



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Message

Throughout Mindanao, on a seasonal or even daily basis, countless rural households sell their produce at the farmgate to middlemen for immediate cash, but at relatively low prices. These products range from the traditional crops of rice, corn, and coconuts to the more diversified and location-specific commodities like vegetables, rubber, seaweed, calamansi, coffee, and rural handicraft. At the end of the day, the products of small farmers and fishermen reach the tables of consumers through a multi-linked marketing chain that channels most of the profits to middlemen rather than to the primary producers.

It is this anomalous situation that the eight-step clustering approach explained in this CRS guidebook tries to remedy. From actual experience in pilot areas, this clustering approach has reaped dividends for many small farmer households—helping them to gradually transform their production areas into entrepreneurial and self-reliant communities.

Much study, discipline, and self-organization, however, are required. The eight steps focus on these prerequisites which can be viewed more as guideposts for the planned and conscious development of rural households—clustered together.

+ Antonio J. Ledesma, SJ
+ ANTONIO J. LEDESMA, S.J.
Archbishop of Cagayan de Oro

About this Guidebook

This Guidebook is published by the Catholic Relief Services – Philippines primarily, but not exclusively, for Facilitators who are tasked in assisting small farmers interested to organize themselves into marketing clusters and to develop their own agroenterprises linked with the market. It provides the 8-step process clustering approach that guides Facilitators in equipping farmers with innovative methods so they become market oriented in their farming and can actually engage the markets.

This book has four parts. Part I provides an overview with the discussion of the CRS Integral Human Development framework that helps the reader understand the holistic dimensions of an enabling development process for the poor. Part II describes the clustering approach comprising a set of eight activities within a stepwise process that provides facilitators with knowledge and skills in participatory methods that enable them to effectively assist farmers build agroenterprises and engage the market. Tool kits are included in Steps 1 to 6 to guide facilitation. Part III shares stories from different clusters, and Part IV presents the lessons distilled from program experiences and recommendations for future course of action that can build on the current work.

The contents of this Guidebook are based mainly on the experiences of CRS-Philippines in assisting farmers develop markets for their produce and build their agroenterprises, under its Agriculture/Natural Resource Management Program with its partner non-governmental organizations (NGOs) and Local Government Units (LGUs).

This Guidebook took shape in a span of two years during which time CRS-Philippines and its partners gathered several times in knowledge-sharing sessions called the learning alliance. Through these joint learning activities, the steps in

the clustering approach for agroenterprise development were clarified and simplified under different situations.

The clustering approach to agroenterprise development for small farmers is a work in progress. CRS-Philippines hopes that this Guidebook can lead or contribute to the development of approaches and strategies towards sustainable agroenterprises, especially among the small farmers.

How to Use this Guidebook

This Guidebook is for use by Facilitators of development service providers such as government agencies, NGOs or other private sector actors including businesses, cooperatives and farmers associations that assist small farmers organize themselves, assess their market opportunities, establish links with markets, and build their own agroenterprises.

The steps in clustering for agroenterprise development are presented with accompanying informational materials and tools to guide Facilitators in the conduct of training and market visits for farmers, and through the actual “learning by doing” process in enterprise operations.

The approach is designed to be followed from Steps 1 to 8 in a systematic process as the farmers go through the market preparation and engagement for the first time. The sequence of activities is planned so that the results of the previous step lead to the next.

When farmers gain marketing experience and move to the expansion stage (i.e. working with more producers, new products or higher value markets), they may skip certain steps and proceed to those appropriate to their immediate needs. For instance, when an organized cluster decides to market a new product, it can immediately proceed to Step 3, Market Chain Study.

The scenarios presented and options taken emphasize the realities of uncertainty and risk inherent in a business, and therefore the user of this Guidebook should be flexible in following the steps according to the needs, capacities and resources of the farmers and the development service provider.

The user of this Guidebook is encouraged to innovate. Feedback on its use is welcome.

Acknowledgements

The publication of this Guidebook has been made possible through the generous sharing of resources, time and information by a number of benefactors and partners, the encouragement from the business sector, and the trust and confidence of the participants on the CRS process. CRS-Philippines is especially grateful to the following:

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Local Government Units

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Business Sector

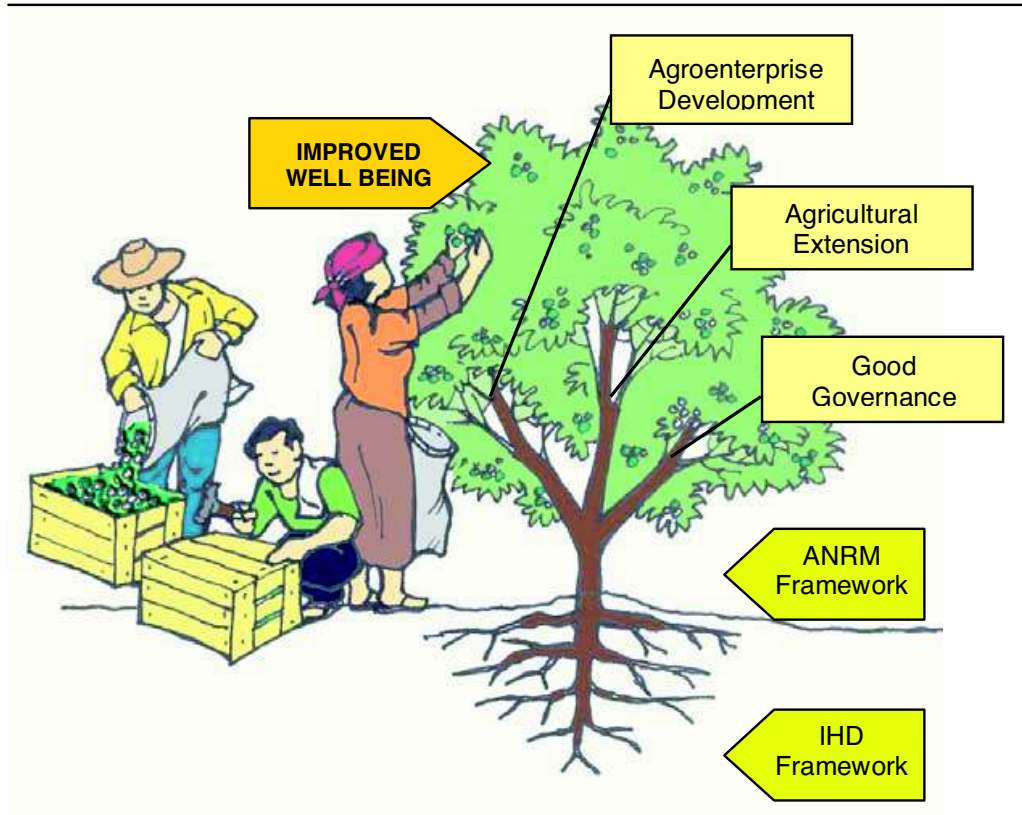
Northern Mindanao Vegetable Producers Association, Inc.; Vegetable Industry Council of Southern Mindanao and the institutional buyers, wholesalers/traders and supermarkets and business service providers for believing in and supporting the capability of small farmers to do business with them

The Working Groups and the Agroenterprise Clusters and their Leaders who journeyed with the staff of the CRS-Agri/NRM and its partners in evolving the 8-step process in the clustering approach for agroenterprise development.

The Guidebook Committee and the Writing Team who put all the significant experiences into this handy, practical and useful form.

Part I

Agroenterprise Development as a Strategy to Improve Well Being



INTRODUCTION

Part I of this Guidebook presents the emergence of Agroenterprise Development as a strategy to improve human well being. It traces the anchorage of this strategy which was adopted by CRS-Philippines through its Agriculture and Natural Resource Management Program to the Integral Human Development Framework of CRS.

THE INTEGRAL HUMAN DEVELOPMENT FRAMEWORK

The Catholic Relief Services or CRS is the official international relief and development agency of the Catholic community of the United States of America. As a general approach, it builds capacities to improve integral human development and people's environment as it aims to: (1) alleviate human suffering, (2) promote integral human development, (3) change unjust structures, and (4) promote solidarity. (See Figure 1 for the CRS IHD Framework.)

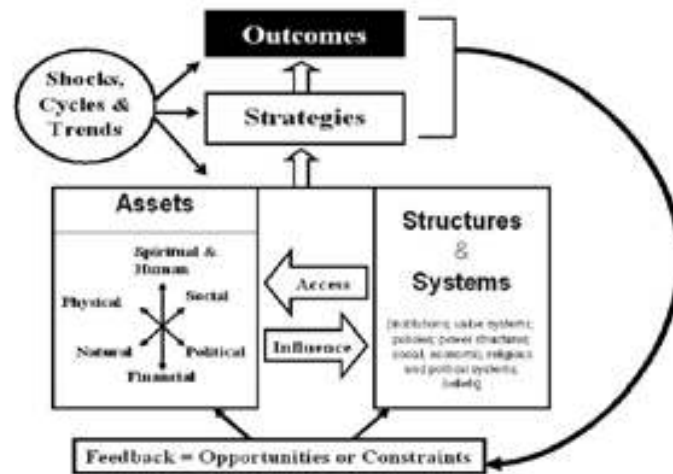


Figure 1. The CRS framework for Integral Human Development.

As a pro-poor organization, CRS seeks to enable people to protect and expand the choices they have to improve their lives, meet their basic human needs, free themselves from oppression and realize their full human potential. As pro-environment, it promotes responsible stewardship of the resources through support for programs and activities that are ecologically sustainable and are in harmony with the local environment. These have guided the development of the Agriculture/Natural Resource Management (Agri/NRM) Program of CRS – Southeast Asia Pacific Regional Office.

THE AGRICULTURE/NATURAL RESOURCE MANAGEMENT DEVELOPMENT FRAMEWORK

As a guide in implementing its program, CRS-Philippines conceptualized an Agri/NRM Development Framework and Process that is anchored on the IHD Framework. The goal of the Framework is to improve the quality of life of farm families through improved livelihood supported by (1) agricultural development interventions, (2) good governance, and (3) viable agroenterprise development services (Figure 2).

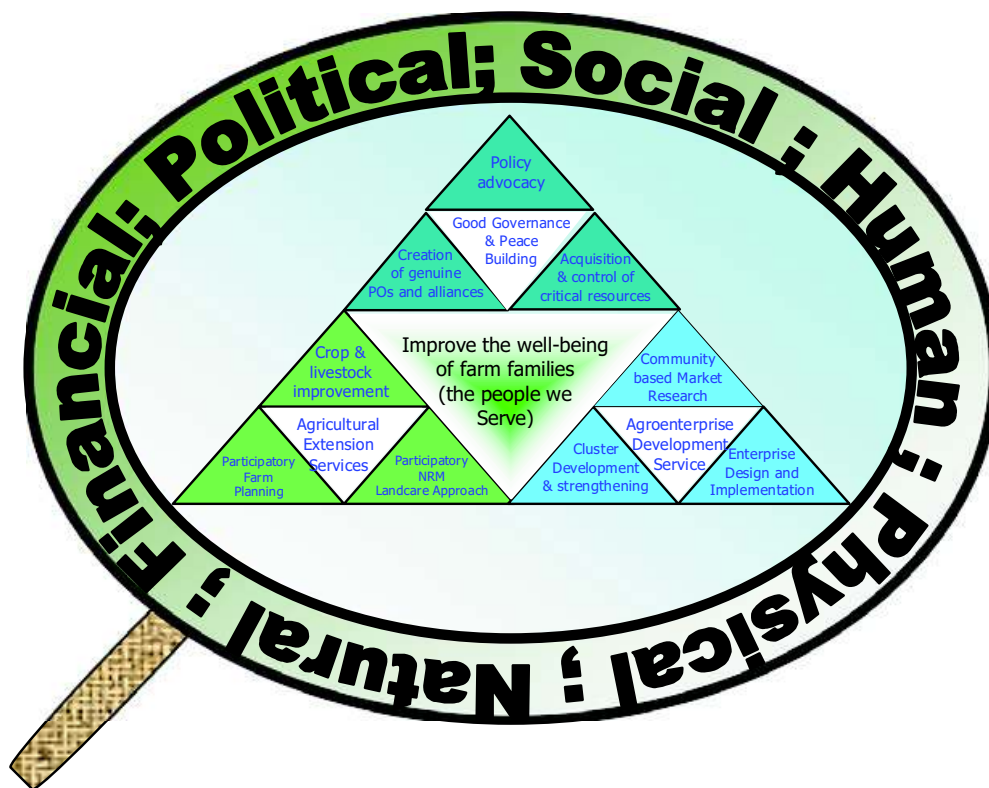


Figure 2. The Agri/NRM Development Framework and Process of CRS-Philippines.

THE AGROENTERPRISE DEVELOPMENT APPROACH

As defined by Chambers and Conway (1992), *livelihood* comprises “people, their capabilities and their means of living, including food, income and assets.” A livelihood is held to be

sustainable when “it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets, both now and in the future, while not undermining the natural resource base”. In line with this definition and qualification, CRS adopted the **Agroenterprise Development (AED) Strategy** to sustainable livelihood development.

Agroenterprise refers to a business venture, typically small-scale, that can be undertaken either on-farm, or a service that can be used to support other businesses (CIAT ERI Guide 2). The AED Strategy brings small holder growers together and guides their activities towards market-oriented and competitive farm business operations without necessarily forming a formal organization as a prerequisite. It combines good farming practices and business skills for farmers to develop sustainable production system that can respond to the need for food security, increased income, and sustainable resource base.

The CRS-Philippines experience in agroenterprise development stemmed from the 10-year experience of the International Centre for Tropical Agriculture (CIAT) in many collaborative projects in Latin America, Africa and Asia. The CIAT model which guided the first implementation stage of the CRS-SFMP uses the “territorial approach” as it develops community-based agroenterprises operating within defined geographical areas.

In an analogy presented at the introduction of Part I, agroenterprise development is one of the branches of the Agri/NRM tree that is anchored on the IHD Framework. The other branches of Agri/NRM are (1) agricultural extension, with emphasis on sustainable farm practices, and (2) good governance that promotes peoples’ participation in policies and programs that directly affect their livelihood. These three branches provide nourishment to the fruits, which represent the improved well being of the poor.