

Step 5

Cluster Plan Formulation



5.1 PROCESS OBJECTIVES

With the help of the Facilitator and the Cluster Advisory Group (CAG), Step 5 aims to enable the newly formed clusters to:

1. Appreciate the value of understanding markets in making an agroenterprise plan;
2. Utilize the findings of the PSA (Step 2) and MCS (Step 3) and validate the SWOT analysis, objective

and strategy in agroenterprise development done by the WG;

3. Translate the strategy into an agroenterprise plan that will guide the clusters when they set up the selected agroenterprise; and
4. Formulate an operational plan for the product deliveries in the test marketing.

5.2 INTRODUCTION

An agroenterprise plan is a “road map” that guides the farmers market their products, increase income and attain sustainable livelihood. As a plan, it helps prepare the clusters before they make that “leap,” their first product supply to the buyer.

A good agroenterprise plan depends on the following:

- The clusters’ understanding of how markets work and on an informed choice on how they can possibly participate in various market chains that offer them opportunities for income
- Good data gathering in Steps 2 and 3 (i.e. PSA and MCS) that provides the clusters with essential information to analyze their strengths, weakness, opportunities, threats, and which guides them towards a good strategy to be able to match the market opportunities with their product supply capacity.

Objective setting is an important activity in this Step. It is a decision to undertake a specific agroenterprise in a selected market chain. An example is the objective of the coffee clusters in the municipality of Maragusan, Compostela to be able to supply coffee beans to a chosen market chain which will bring their product to the buyer, Nestle Philippines, Inc.

5.3 FRAMEWORK OF AGROENTERPRISE DEVELOPMENT

The development of an agroenterprise follows a basic framework of identification and planning, implementation, and performance evaluation (Figure 19).

The planning component involves stages of work as discussed in Steps 1 to 4, the results of which are used in the design of the agroenterprise plan (Step 5).

The implementation component operationalizes the agroenterprise plan through the test marketing (Step 6) and the scaling up of marketing operations (Step 7).

The third component, enterprise performance evaluation, provides the feed backing that serves as the basis for continuous improvements and innovations necessary for the success of the agroenterprise.

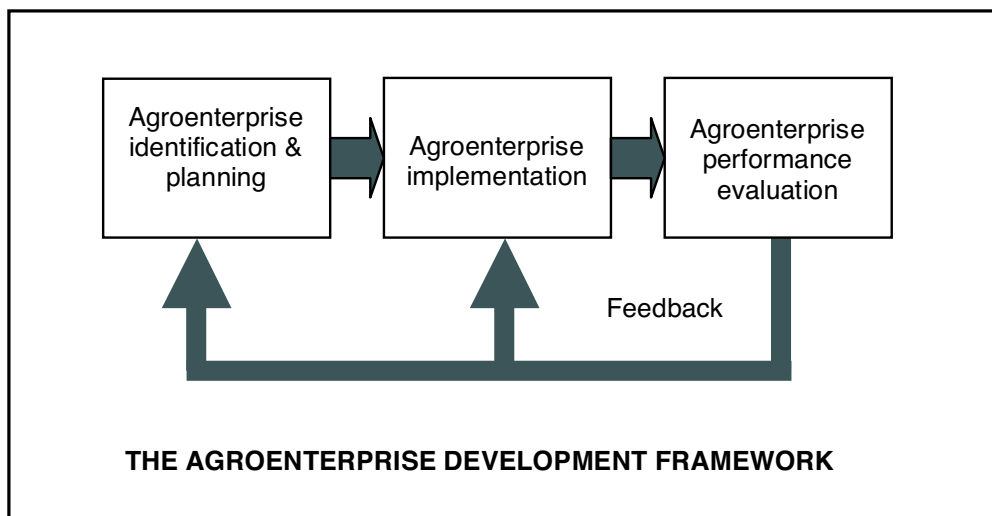


Figure 20. The framework of Agroenterprise Development.

5.4 THE AGROENTERPRISE PLAN

An agroenterprise plan has four basic components, namely: the **market plan**, the **supply plan**, the **management plan**, and the **financial plan**. The agroenterprise plan puts substance into a desired objective through the integration of the four component plans.

A framework containing basic information per component is the guide to make an agroenterprise plan. These sets of information are organized like a jigsaw puzzle. The absence of any information will render the puzzle incomplete and may make it hard for the player or players to appreciate and articulate the picture in its completeness.

Below is a general guide for agroenterprise planning:

GUIDE FOR AGROENTERPRISE PLAN	
Market Plan	<ul style="list-style-type: none"> • Buyer • Product • Quality specifications • Price • Sales target • Payment terms • Promotion
Supply Plan	<ul style="list-style-type: none"> • Suppliers • Estimated supply volume • Product Quality management • Operational flow • Materials/facilities needed
Management Plan	<ul style="list-style-type: none"> • Management set up/arrangement • Compensation • Policies and procedures
Financial Plan	<ul style="list-style-type: none"> • Financial requirements • Estimated cost and returns

A business begins and ends with a market, and so the first plan to make is the market plan.

The MCS (Step 3) provides the basis for choosing a buyer(s) for the market plan as well as the cost and returns projection in the financial plan. The PSA (Step 2) with information on the farmers, the harvest calendar that the clusters will make after cluster formation (Step 4) supports the information needs to draw up a product supply plan. The cluster formation with its network and linkages (Step 4) can be a basis for the management set-up.

Tools to Support the Agroenterprise Plan

These are the basic tools that guide each cluster member effectively support the agroenterprise plan and its implementation.

- 1. Cluster Map** – To show the farmers who joined the cluster with corresponding product volume commitment, the buyer(s) agreed by the cluster, the supporting businesses in their marketing activities and the alliances (LGUs, NGOs, resource agencies, and others).

Usually, several clusters help one another to pool a considerable quantity of products for the market. A cluster map can also be drawn for a network of clusters.

(Refer to Facilitator's Tool Kit No. 5 for an example of a cluster map.)

- 2. Cluster Agreement** - To guide the members on the agreement that binds them in the supply of their product and the performance of their functions. Its form can be agreed upon by the cluster members.

Basic content of a Cluster Agreement:

- Committed product volume and delivery schedule
- Product quality
- Contingency supply (in case of deficiency)
- Operational flow (from farm to consolidation point and labeling)
- Management fee
- Marketing fee
- Meetings

(Refer to Facilitator's Tool Kit No. 5 for an example of a Cluster Agreement form.)

- 3. Planting Calendar or Harvest Calendar** - To guide the cluster member in scheduling the planting activity in respect to the target time to harvest and the committed product quantity to be delivered to the buyer.

(Refer to Facilitator's Tool Kit No. 5 for an example of a cluster harvest calendar.)

If several clusters work together to supply a particular market with a consolidated product volume, a **summary of commitment per cluster** is made to guide all the clusters to aggregate the supply for the buyer.

(Refer to Facilitator's Tool Kit No. 5 for an example of a cluster commitment form.)

- 4. Product Quality Management Plan (PQMP)** – This is agreed upon by the cluster members and distributed to them as guide, together with the Operational Plan. In the PQMP, the “must do” work in harvest and postharvest to ensure the homogeneous quality from the cluster. (See Figure 20 for an example of a PQMP).

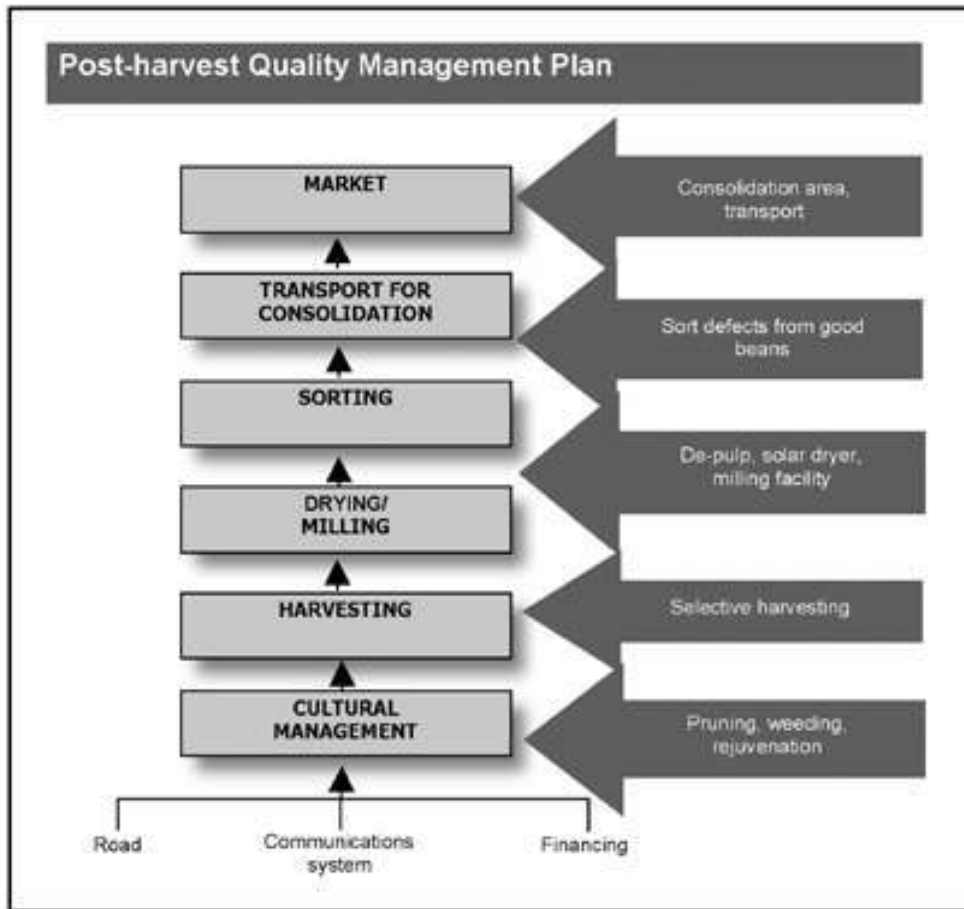


Figure 21. Illustration of a sample PQMP that each cluster member must follow to ensure quality of produce.

5.5 OPERATIONAL PLANNING AND TASKING

After preparing the agroenterprise plan, the cluster proceeds to undertake two more activities: (a) make an operational plan, and (b) list the critical tasks leading to the test marketing.

An **operational plan** contains the logical moves and the tight coordination needed as the product flows out from the farms to the intended buyers. This product flow process shown in a diagram is what guides each cluster member of the sequence of activities and the things to prepare (e.g. packaging materials, product labels, etc) in the joint marketing. The

following basic accompanying documentation will be needed for tracking the product flows:

- Farm labels on packaging
- Cluster receiving form
- Buyer receiving form

(Refer to Facilitator’s Tool Kit No. 5 for a sample of an operational plan.)

The list of the **Critical Tasks Leading to the Test Marketing** spells out the tasks per components that are needed to be done before the actual product delivery. An assignment of tasks is done together with the timeframe. Examples of these critical tasks are: (a) Confirmation of delivery to the buyers, (b) Negotiation and confirmation with the transport service provider, (c) Checking of shipping schedules and bookings, and (d) Procurement of packaging materials.

An example of a Matrix for Critical Tasks Leading to Test Marketing

Component	Task	Respon- sible	Timeframe/ Date	Remarks
<i>Quality Control</i>	<i>Quality & moisture check of beans</i>	<i>Cluster Leader</i>	<i>March 10</i>	
<i>Consolidation</i>	<i>Consolidation of coffee beans</i>	<i>Cluster Leaders</i>	<i>March 12</i>	
<i>Marketing</i>	<i>Delivery to Nestle</i>	<i>Facilitator & Cluster Leaders</i>	<i>March 13</i>	

5.6 CONTINGENCY DECISIONS

After the plans with the tools are made, it is important to emphasize to the clusters that plans at best can only anticipate results. Marketing is a dynamic activity and caution must be given to the cluster that no matter how much planning is done to foresee activities ahead; allowance must be provided for variances that can happen.

In the implementation of the plan, certain unexpected outcomes with the challenges can arise which call for quick decisions from their cluster leaders. Clusters must then choose leaders that they highly trust so that their leaders, together with the Facilitator or whoever is tasked to oversee the whole marketing operations, can confidently make these urgent “contingency” decisions that in many cases can spell the success or failure of the marketing moves.

5.7 MONITORING AND ASSESSMENT

The test deliveries are a way to try out if the plans made are appropriate or if they need adjustments. During the test marketing, the performance is monitored right after each product delivery so that the problems are immediately corrected before the next delivery. To assist the clusters in the monitoring is a delivery monitoring form.

5.8 FACILITATION GUIDE FOR AGROENTERPRISE PLANNING

1. Undertake several preliminary activities.
 - Provide inputs on Marketing Basics. (Refer to Facilitator’s Tool Kit No. 1, in Step 1.)
 - Present the results of PSA and MCS. (Refer to Facilitator’s Tool Kit No. 3, in Step 3, for the format of the report.)
 - Validate the result of SWOT analysis in the same report. Get consensus from among the cluster members.
 - Provide input on the options in the same report.
 - Facilitate objective setting and strategy formulation by the cluster
2. Handle an interactive process of agroenterprise planning.
 - Begin with the following guide statement that helps simplify understanding of agroenterprise planning.

“An agroenterprise plan can be better understood and appreciated by way of the following statement, which when answered, actually constitute a simple and doable agroenterprise plan.”
 - Related to the Market: “*We plan to sell 10 tons of coffee beans to Nestle”.*
 - Related to Supply: “*We, 4 clusters with 40 members, will produce 10 tons of coffee beans in 5 months (October to March)”.*

- Related to Management: *“We shall organize this way: Cluster Leaders coordinated by the Marketing Facilitator and assisted by local consolidators”.*
- Related to Finance: *“We target to earn a gross income of Php 200,000 for distribution to cost payment including management and marketing fees and marketing income rebates to cluster members”.*
- Then, deepen this by presenting the framework containing the essential information for each component in the agroenterprise plan. Draw out answers from the clusters by posing questions for discussion per component (marketing, production/supply, management and finance). Use the framework as guide in asking the questions.
- After the general planning of the enterprise, facilitate the compilation by the cluster of the basic tools that guide each member in the delivery of his/her product and bind them in the cluster activities, particularly in the preparation of (a) cluster map, (b) cluster agreements, (c) farm plan and budget, (d) planting or harvest calendar, and (e) product quality management plan.

(Refer to Facilitator’s Took Kit No. 5 for a sample of a cluster agroenterprise plan with the supporting tools.)

3. Discuss the importance of an operational plan for the product deliveries. Guide the clusters to formulate an operational plan detailing the sequence of activities from the time of harvest until the product reaches the intended buyer.

(Refer to Facilitator's Took Kit No. 5 for a sample of an operational plan.)

4. Guide the clusters to fill up a checklist of critical activities for the test market deliveries. It enumerates the work per component (i.e. marketing, production, management and finance) that has to be done, together with the person responsible and the timeframe.

(Refer to Facilitator's Took Kit No. 5 for the matrix to be filled up for the critical work to be done before test delivery.)



Facilitator's Tool Kit No. 5

AGROENTERPRISE PLANNING

A. PLANNING WITH SWOT ANALYSIS

SWOT Analysis should be conducted only when cluster and agroenterprise objectives are clearly stated. This is to enable the cluster to make an effective analysis and identify interventions or strategies in carrying out the plan.

The cluster members are assisted by the other members of the CAG in conducting a SWOT Analysis. (Refer to Tool Kit No. 3 for a sample of the results of a SWOT Analysis, including the suggested interventions.)

After conducting a SWOT Analysis, the cluster then proceeds with the formulation of its agroenterprise plan with the assistance of the CAG. Below is a sample of an AE Plan.

AGROENTERPRISE PLAN

Coffee Cluster

Maragusan, Compostela Valley

Plan for the Third Delivery (February 24, 2006)

Basic Element/ Information	PARTICULARS
A. Marketing Plan	
1. Target Market	<ul style="list-style-type: none"> • Nestle Philippines, Inc. and other coffee buyers • Test deliveries for the first month then regular deliveries in the succeeding months until the end of the coffee season
2. Product	<ul style="list-style-type: none"> • Product form – Green Coffee Beans • Quality specs – moisture content (MC) not more than 12%, sorted coffee beans with minimal defects

	<p>and can be accepted either as Grade 1, Grade 2 or Grade 3 by the Buying Station</p> <ul style="list-style-type: none"> • Packaging – clean synthetic sacks labeled with the name of the farmer and cluster • In case of rejects – deliver to other coffee buyers identified in the market survey • The staff of Nestle will gather samples from all the sacks and conduct Quality Control inspection using Cup Tasting, Triage and Moisture Content Analysis
3. Target Sales	<ul style="list-style-type: none"> • Target of 3,000kgs to be consolidated • Price per unit –Based on the prevailing Nestle Coffee Buying Price at the time the delivery arrives at the Buying Station • Projected sales – Based on price for the week (Refer to attached financial format for computation)
B. Production/Supply Plan	
1. Supply Source	<ul style="list-style-type: none"> • 5 clusters (comprised of 28 farmers from 5 barangays: Mahayahay, Parasanon, Saranga, Magcagong & Tupas) • Total committed volume of the 5 clusters: 2,590kgs • One week before the scheduled delivery, the Cluster Leaders finalize their plan based on actual capacity to supply. Those with less harvest than their commitment shall be supplemented by the other clusters
2. Operational Flow (from the farm to the buyer)	<p><u>Two weeks before delivery (Last week of February)</u></p> <ul style="list-style-type: none"> • Start of harvesting of coffee berries • Start of pulping & drying <p><u>Five days before delivery (March 8, 2006)</u></p> <ul style="list-style-type: none"> • Start of milling of dried cherries • Volume check by the Cluster Leaders • Start of bean sorting/quality improvement • Contact truck <p><u>Three days before delivery (March 10, 2006)</u></p> <ul style="list-style-type: none"> • Check if the coffee beans are dry • Quality check by the Cluster Leaders <p><u>One day before delivery (March 12, 2006)</u></p> <ul style="list-style-type: none"> • Storage of coffee beans at the Kasilak Office

	<ul style="list-style-type: none"> Loading in the afternoon (assisted by Cluster representatives and Marketing Officer) <p><u>Delivery Day (March 13, 2006)</u></p> <ul style="list-style-type: none"> Departure of truck at 3 o'clock in the morning
3. Materials, Facilities & Equipment Needed	<ul style="list-style-type: none"> Materials – synthetic sacks Facilities/Equipment – truck with 5 metric tons capacity
C. Management Plan	
1. Organizational & Management Set Up	<ul style="list-style-type: none"> Farmers are organized into clusters. The cluster is a supply unit. Each cluster has a cluster head and an assistant cluster head. Decisions are done with the 9 clusters heads constituting the leadership of the group guided by the Marketing Officer of the implementing NGO. Cluster Leaders are responsible for checking their members if their coffee is ready and to check the quality of their coffee Since the Tupas Cluster has no prior experience in test delivery, the Cluster Leader who has participated in the first two deliveries will accompany the truck
2. Operations	<ul style="list-style-type: none"> Cluster leaders are responsible for supply consolidation, and product flow as well as the quality management on field. Cluster leaders shall be supported by the project staff
3. Finance & Admin	<ul style="list-style-type: none"> The Cluster Leaders will be assisted by the Marketing Officer in dividing the expenses as well as the net proceeds from the sales
4. Recording & Controls	<ul style="list-style-type: none"> Policies and procedures – to be finalized after the one month trial Forms to be used: Estimated harvest for the whole coffee season Delivery Monitoring Form

D. Financial Plan

Target volume (in kg)	3,000
Price offered by Nestle (PhP/kg)	46.00
Expected Total Gross (in PhP)	40,500.00
<u>Operating costs (in PhP):</u>	
Trucking	6,000.00
Milling	7,500.00
Labor- Hauling	288.00
Labor-Drying	500.00
Wages (2 representatives)	600.00
Meals (4 persons including driver)	600.00
Miscellaneous	200.00
Total expenses	15,688.00
Gross Profit (in PhP)	<u>24,812.00</u>

B. TOOLS FOR ENSURING SUCCESSFUL PLAN

In ensuring a successful implementation of an AE Plan, the following tools can be used to guide the cluster members:

1. Cluster Map
2. Cluster Agreement
3. Planting Calendar or Harvest Calendar (per cluster and for all the clusters)
4. Product Quality Management Plan

Cluster Map

Figure 22 shows the different stakeholders and their responsibilities in the agroenterprise through a cluster map.

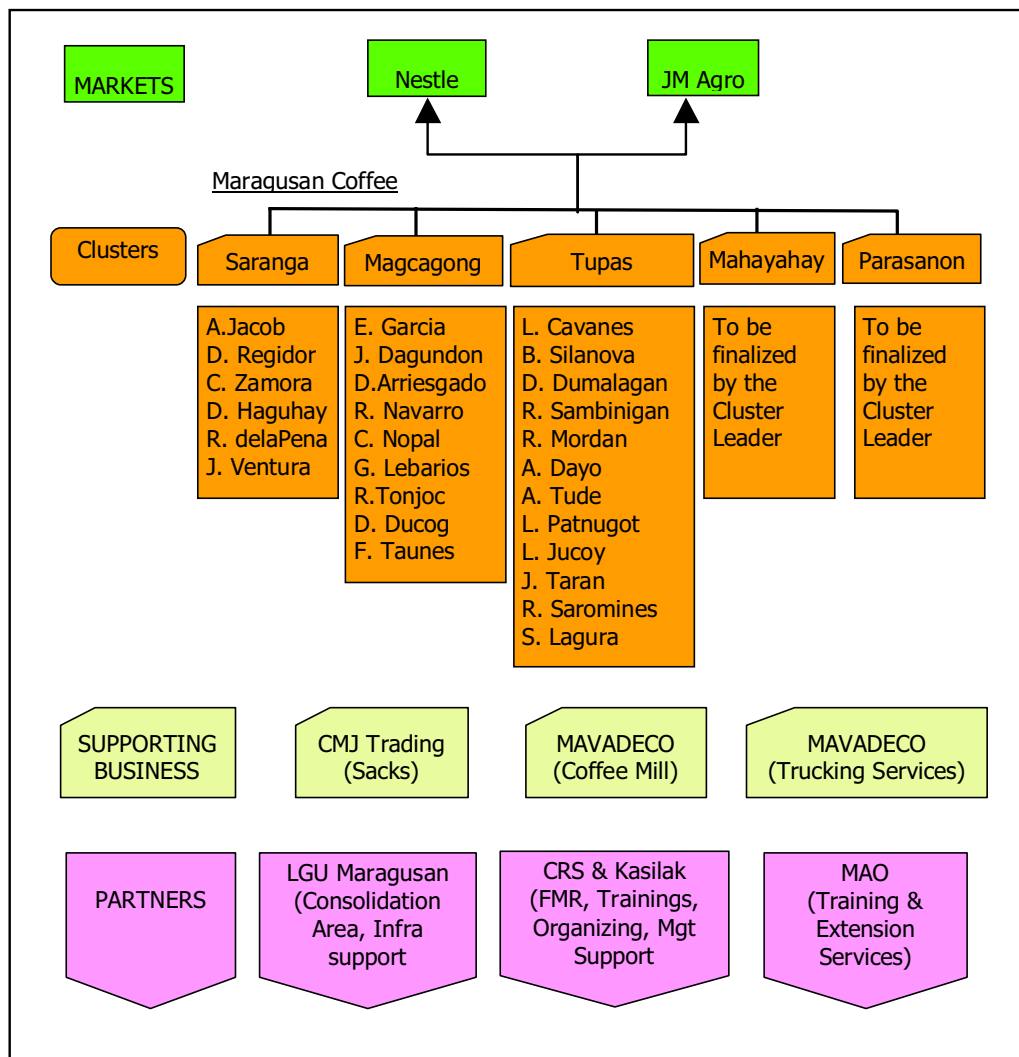


Figure 22. Example of a Cluster Map.

Agreement

Below is a basic form of Cluster Agreement used to document the commitment of each member to deliver a specific volume or quantity of a product in a specific frequency.

Cluster Agreement

I, (farmer's name), of legal age and a resident of (address), am willing to become part of the (cluster's name) Cluster and commit to:

1. Contribute (indicate volume) kilos/pieces of (product) to the cluster every (indicate frequency);
2. Follow the production and marketing protocols of the cluster;
3. Pay the Management Fee (indicate %) and the Marketing Fee (indicate %) based on Sale Value every delivery;
4. Attend all the cluster meetings;
5. Provide more products to cover the deficiency of the other members due to unforeseen reasons; and
6. Abide by the decisions and policies set forth by the cluster.

I have affixed my signature below as a sign of my commitment to the cluster.

Member

Cluster Leader

Operational Plan

A sample Operational Plan diagrammatically presented is shown in Figure 23. This supports the narrative operational plan in the agroenterprise plan.

1. Preparing Activity Operational Plans

Using the General Operational Plan as reference, Activity Operational Plans are prepared. An activity represents a time element before, during, or after harvest.

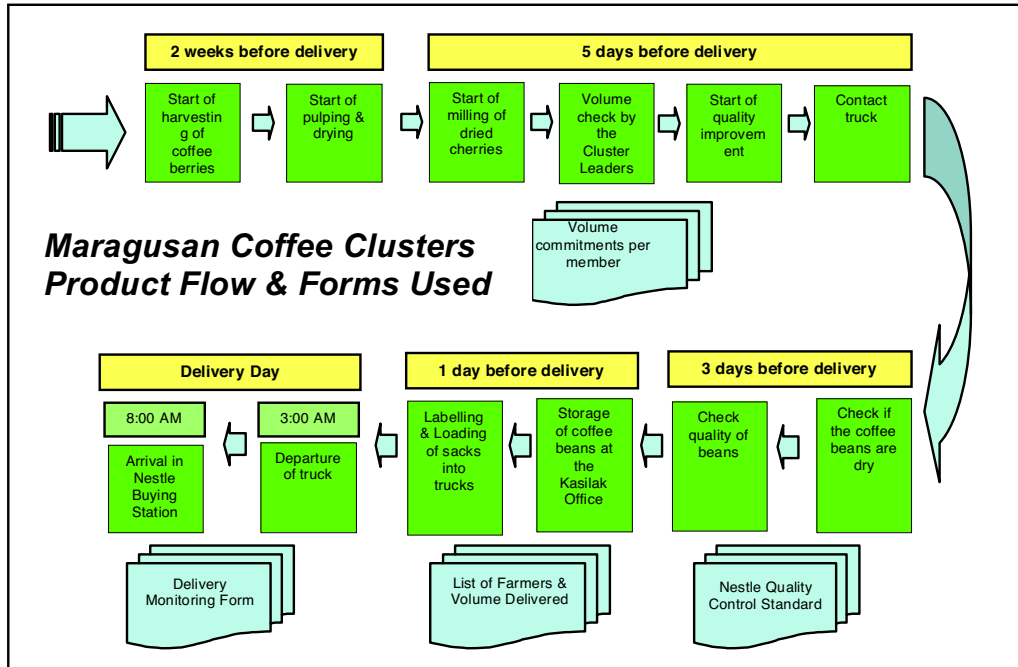


Figure 23. Operational Plan of Maragusan Coffee Clusters.

General Operational Plan for the Test Delivery of Coffee Beans

Day	Activity
Before Delivery Day	<ul style="list-style-type: none"> Harvesting pulping, drying & milling of coffee berries Volume check Quality improvement (appearance & moisture content) Contact truck
Delivery Day	<ul style="list-style-type: none"> Truck departs for Davao City at 3:00 am Arrives at Nestle Buying Station at 8:00am

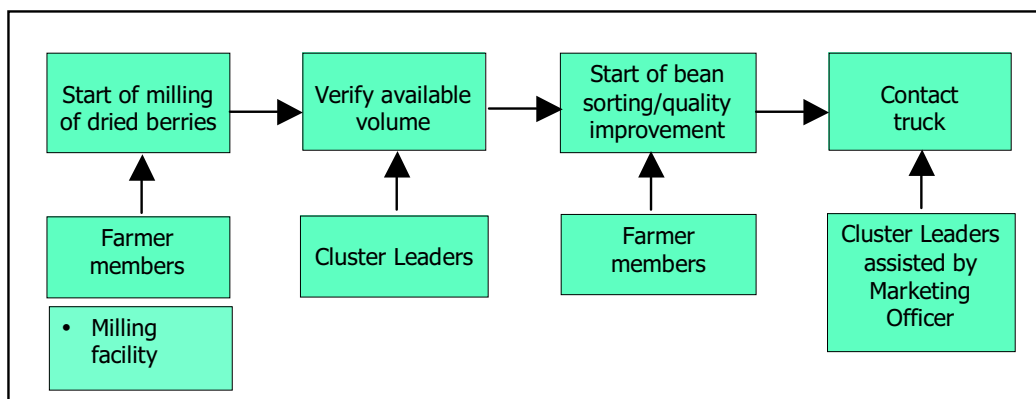


Figure 24. Activity Operational Plan five days before delivery.

2. Getting the volume capacity and commitment of each cluster and for all the clusters working together for a delivery

Cluster Commitment Form

3rd delivery of coffee beans

Maragusan, Compostela Valley

Cluster/Cluster Leader	No. of Members	Commitment (in kg)
Mahayahay / R. Balucos	To be finalized by the Cluster Leader	To be verified by the Cluster Leader
Parasanon / A. Rosel	To be finalized by the Cluster Leader	To be verified by the Cluster Leader
Saranga / A. Jacob	7	800
Tupas / J. Banag	13	620
Magcagong / D. Arriesgado	9	1,170
Total	29	2,590

Magcagong Coffee Cluster

Volume Committed (in kilograms)

Name of Member	Nov	Dec	Jan	Feb	Mar	Total
E. Garcia	50	100	200	100	50	500
J. Dagundon	20	40	80	40	20	200
D. Arriesgado	10	20	40	20	10	100
R. Navarro	5	10	20	10	5	50
C. Nopal	2	4	8	4	2	20
G. Lebarios	2	4	8	4	2	20
R. Tonjoc	3	6	12	6	3	30
J. D. Ducog	20	40	80	40	20	200
B. F. Taunes	5	10	20	10	5	50
Total	117	234	468	234	117	1,170

Step 6

Test Marketing



6.1. PROCESS OBJECTIVES

Through the help of the Facilitator and the Cluster Advisory Group (CAG), Step 6 aims to enable the newly formed clusters to:

1. Undertake the trial marketing moves;
2. Assess the performance of the trial product deliveries and come up with contingency plans to address the

immediate needs for adjustments using the tools prepared in Step 5; and

3. Review the clusters' agroenterprise plan and revise as needed for the scaling up of trial marketing into the next step, the commercial marketing operations.

6.2. INTRODUCTION

In this Step, the cluster implements its agroenterprise plan starting with test marketing undertaken in preparation for a bigger scale. Included in this Step is Participatory Monitoring and Evaluation (PME), a cross-cutting component of the 8-Step process of clustering for AE development.

6.3. PREPARING FOR THE TRIAL DELIVERIES

At least four trial deliveries are usually conducted to enable the cluster to have a good assessment of its capacity and the market. The number of trial deliveries to be undertaken depends much on the cluster's capacities, resources, and response of the market.

As indicated in Step 5, a number of preparatory activities have to be done at least a week before the delivery. The Facilitator convenes a meeting with the cluster leader and the CAG to review the status of preparations based on the checklist prepared in Step 5.

6.4. CONDUCTING AND DOCUMENTING THE TRIAL DELIVERY

Guided by the general AE and activity operational plans, the cluster conducts the trial delivery. Documentation of the activities, outputs and outcomes related to the delivery should be done as an aid to monitoring and assessment. Photo-documentation may also be done if the cluster has the

facilities. During test marketing stage, a member of the CAG is designated as responsible for the documentation in preparation for post-delivery assessments.

Good practices:

- The cluster leaders, assisted by the Facilitator, directly negotiate and enter into agreement with the buyer/s.
- Cluster leader and Facilitator are jointly responsible for the delivery starting from the consolidation to the acceptance of the product by the buyer
- Facilitator maintains close coordination/contact with cluster leaders
- Cluster leaders take turns in accompanying the deliveries (with the Facilitator) as part of the “learning by doing” process
- If resources allow, photo-documentation is done and shared with clusters members
- The minimum forms that support the transfer of responsibility from the farmer to the cluster leader, then to the buyer are implemented, in particular, product label per cluster per grower and the accompanying receiving forms.
- Right after each delivery and prior to the next one, financial transactions are reported to the cluster members and payments due to the members, as well as the service providers, are completely settled. This is part of the “learning by doing” process in setting the standards of accountability and discipline essential to the success of an agroenterprise.

6.5. EVALUATING THE TRIAL DELIVERY

Immediately after each trial delivery, an assessment is done to determine whether the cluster has to proceed with the succeeding deliveries or stop for a while and make some adjustments or changes. The assessment is done by

comparing the outcomes vis-à-vis the plan and using tools such as the SWOT Analysis (see Step 5).

Monitoring of the trial deliveries is focused more, but not exclusive, on the market and supply relationship which is critical in terms of trust and confidence building.

A basic requirement in monitoring is information on product delivered by the clusters and received by the buyers. To gather this information, forms are prepared which can be simple or very detailed depending on the type of product and the requirements of the buyer. (See Facilitator's Tool Kit No. 6 for samples of monitoring forms.)

6.6. ASSESSING AGROENTERPRISE PERFORMANCE

Aside from assessing the performance of each delivery, assessing or evaluating the overall performance of an agroenterprise should also be done in order to know whether business is doing well as planned or otherwise. The cluster may design its own tools basing on the components of the enterprise plan, namely: **market, supply, management** and **finances**. See example of plan in Step 5.

As shown in Figure 20, monitoring the activities of an enterprise for the purpose of assessing its performance follows the following stages:

1. Reporting

Documentation of activities and the corresponding costs and gains involved is very critical. Reporting the results of documentation is equally critical particularly in respect of **accuracy** and **timeliness**.

Reports have to be prepared and submitted immediately after completion of each delivery to

enable the cluster to compare actual against planned results.

2. Comparing actual against planned results

Results obtained from monitoring forms are compared with the relevant components (market, supply, management, financial) of the enterprise plan. Differences between actual and planned results of deliveries indicate how an enterprise is performing.

3. Determining possible adjustments in the plan and the possibility of preparing a contingency plan

Results may reflect the areas where the enterprise is weak and/or strong. They may also indicate threats and opportunities for growth. In short, results of monitoring serve as guides in making changes in targets and strategies, or in preparing a contingency plan if there is a need. These must be agreed upon by the members before translating them into changes in the agroenterprise plan.

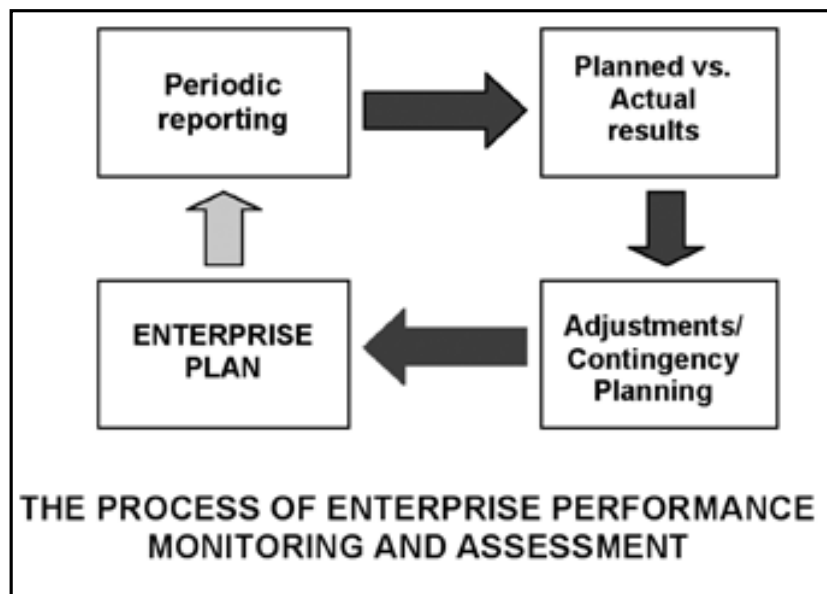


Figure 25. Diagram showing the elements of agroenterpris implementation.

4. Revising the enterprise plan/preparing a contingency plan

The members of the cluster (or the Working Group during the initial steps) meet to make the necessary revisions in the plan as identified and agreed upon. If necessary, a contingency plan may be formulated to serve as an alternative.

Participatory Monitoring and Evaluation (PME) should be done regularly in order for the cluster to be able to respond to problems and opportunities in a prompt and systematic manner. Until ready with minimum or no assistance at all, the members should be aided by project staff or the Facilitator.



Facilitator's Tool Kit No. _____

CONDUCTING AND DOCUMENTING TRIAL DELIVERIES

A. DOCUMENTING THE TRIAL DELIVERY

Part of the pre-delivery activities is the preparation of the forms that will be used to document the delivery.

Below is a sample of a simple Delivery and Receiving Forms that is used to document the supplier, the quantity and the acknowledgement of buyer with the remarks.

Cluster Delivery and Receiving Form

Cluster: _____

Name of Member	No. of boxes	Remarks	Other Comments
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

Prepared by:

Cluster Leader

Received by:

Truck Driver

Received by:

Partner NGO Finance Staff

Received by:

Market/Port Facilitator

Below is an example of another delivery form that is used in documenting the vegetables from the cluster to the market. It includes quantities, values and sales, and costs and returns.

MARAGUSAN VEGETABLE CLUSTER DELIVERY MONITORING FORM

Delivery No.: _____ Market: _____ Date: _____

Vegetable	Quantity	Maragusan Price/kg (PhP)	Total Value (PhP) <i>Quantity x Maragusan Price</i>	CDO Price (PhP)	Total Sales (PhP) <i>Quantity x CDO Price</i>
String Beans (kg)					
Bitter Gourd (kg)					
Sweet Pepper (kg)					
Chayote (sack)					
Eggplant (kg)					
Squash (kg)					
Tomato (crate)					
Sweet Potato (kg)					
TOTAL					

Costs and Returns	Amount (PhP)
Sales (<i>Total Quantity x CDO Price</i>)	
Cost of Goods (<i>Total Quantity x Maragusan Price</i>)	
Gross Income (<i>Sales – Cost of Goods</i>)	
Expenses	
Trucking	
Fuel	
Management Fee (<u> </u> % of Gross Income)	
Packaging Materials (<i>sako, crates, twine, etc.</i>)	
Other Expenses	
Net Income (<i>Gross Income – Total Expenses</i>)	
Cost per Kilogram (<i>Total Expenses / Total Quantity</i>)	

Below is an example of a more detailed receiving report form based on the buyer's requirement for product quality data and traceability as to origin or source.

Delivery No.		COFFEE GREEN BEANS RECEIVING REPORT	Date	
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Supplier:			Address:		
No. of bags	Gross Weight	Sack weight (No. of bags x 0.2)	Net Weight (Gross wt – sack wt)	Variety: Robusta	Arabica
				Type : Dry	Wet

DEFECT	BEAN COUNT		Coefficient	Equivalent
Black beans		÷	5.0	
Moldy beans		÷	5.0	
Dried cherry		÷	5.0	
Broken		÷	15.0	
Immature		÷	25.0	
Insect-damaged		÷	35.0	
Admixture		÷	5.0	
Foreign matter		÷	5.0	
GOOD BEANS		÷	TOTAL DEFECTS	
TOTAL BEANS		÷	8.0	

Triage: Grade 1 (0-8), Grade 2 (9-12)

Moisture: More than 12% - Reject

Triage (A / B)	Grade	Total Amt. (Price/kg x Net wt)	Balance (Total amt – Partial payment)
% Moisture	Price/kg	Farm gate price	Expenses (transport, labor, fees)
		Partial payment (Farm gate price x Net wt.)	Final Payment (Balance – Expenses)
Remarks		Partial payment received by / Date	Full payment received by / Date

The above forms may be modified to include more information which the cluster thinks need to be documented also.

B. MONITORING DELIVERIES

Following is a form for monitoring trial deliveries as used by the calamansi clusters. It provides for a comparison of the actual vis-à-vis the planned, and for suggested corrective measures in case some things went wrong.

Delivery Monitoring Form Calamansi Cluster Siay, Zamboanga Sibugay

Enterprise Component	Planned	Actual	Corrective Measures	Tasking
<u>1st delivery</u> SUPPLY PLAN • Operational Flow	Arrival at the port at 6 AM	Truck arrived late (10 AM), the boat already left	Clockwork in consolidation to be followed; new truck has to be hired	Cluster Leader to do clockwork check; Hire truck
<u>2nd delivery</u> MARKET PLAN • Market (quality) SUPPLY PLAN • Materials, equipment & facilities	23 kg/crate	Buyer complained of varied weights of product (21-25 kg/crate)	Weighing scale to be used during packaging	NGO Marketing Staff to procure weighing scale; Cluster Leaders to explain to members the use of scales

Step 7

Scaling Up



7.1 PROCESS OBJECTIVES

With the help of the Facilitator and the Cluster Advisory Group, Step 7 aims to enable the clusters to:

1. Assess the performance of the test marketing activities in preparation for scaling up;
2. Document scaling up marketing activities and periodically assess their operations;

3. Review the Cluster Agroenterprise Plan, and make the needed adjustments; and
4. Determine the support systems needed for the success of the scaled up marketing operations.

7.2 PREPARING FOR SCALING UP

After several test marketing when the clusters will have learned lessons from experience, made appropriate adjustments in their plan, and built confidence, they may be ready for scaling up.

The Facilitator reviews the performance of the first four test product deliveries before discussion with the clusters on their next moves. It will help if a matrix is used to summarize the main problems addressed in the first four product deliveries, with the corrective measures.

(Refer to Facilitator's Tool Kit No. 6 in Step 6 for Summary of Problems with Corrective Measures in the Test Marketing)

At this point, the clusters are asked to reflect on their experiences and then to decide if they want to go on with their agroenterprise. They can either stop or continue it. And if they decide to continue, they will be asked if they want to continue with more test marketing or are confident to move to the next stage of agroenterprise planning and implementation, the scaling up.

Scaling up means bigger resources being invested in an agroenterprise resulting from:

- Higher product supply to match the increasing demand of existing buyers (example: more coffee supply to Nestle from additional clusters)
- Higher product supply to respond to a more, diversified market (example: a supermarket buyer in

addition to the wholesaler buying vegetables from the clusters)

- Same products, same markets but more market chain activities being performed (example: rice farmers undertaking forward integration moves and selling milled rice instead of just wet palay)
- New products handled in addition to the existing ones (example: an additional variety of coffee for the same market).

Success in marketing that builds confidence on both the buyers and the clusters propels the farmers into scaling up. The potentials for higher income however come with the higher risks. And so, it is prudent to proceed carefully with scaling up, assessing first the preparedness of the clusters.

7.3 ASSESSING THE PREPAREDNESS OF CLUSTERS FOR SCALING UP

More income potentials with bigger resources in a scaled up agroenterprise also bring with it certain risks. Entering this next stage of business operations require that plans are reviewed for existing products; and a market chain study is done for new products before agroenterprise planning.

How fast test marketing can progress to scaling up stage is influenced by these factors: (a) past enterprise performance in the test marketing, (b) the supply base of the clusters to come up with more and/or new products, (c) resources for investments needed, and (d) access to business support services.

There is no point of scaling up unless the clusters are confident to do it, and there are gains from the trial deliveries that are worth scaling up. A framework to ascertain preparedness that includes other considerations will guide the

reflection process that the Facilitator will handle with the clusters prior to scaling up.

Reflection tool for self-assessment of the cluster's preparedness for scaling up

Key Element	Guide Question
Cluster	Members willing to proceed from test marketing to scaled-up operations?
Supply	Is the product supply considerable? Is this coming from an increasing number of farmers? Can delivery reliability be assured?
Market	Is the current market regular and growing? Are there new market opportunities?
Management	Can cluster leaders and members perform tasks as expected? Are cluster meetings done 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?

For clusters that are ready for scaling up, the process they follow in planning is the same provided in Step 5. They integrate their market, production or supply, management and financial plans, formulate their operational plans and list the critical activities to marketing of their product(s). What will matter in scaling up success is how integrated are the plans and how tightly coordinated are the needs and activities.

The critical factor is the supply capacity of the farmers. At production stage, technologies to be followed should be in place and verified. Very detailed operational planning is necessary putting together specific tasks, with dates, names and areas as well as back up documentation.

Roles and responsibilities should be clear. Particular attention needs to be given that the management set up is in place, backed up with written business policies and operating systems refined from the previous test marketing, and imposed by the clusters with a signed agreement.

In the financial projections, assumptions and calculations regarding yield, sales, costs and margins should be very conservative. They should also factor in when making harvest calendars the fluctuations in product supply due to climatic factors or some cluster members not performing as expected.

With the higher financial investments needed in scaled up marketing operations, it is important for the clusters to determine their capital sources, particularly: what can be done with existing sources of funding, what is possible with cluster savings, what can be tapped from business partners, and what else needs to be generated from external sources.

At this stage, the clusters should be able to mobilize resources and should depend less from the financial support given by development projects during the test marketing stage. Project funds may still be provided at scaled up stage to support experimentations, verify innovations, undertake market related studies, and assist clusters in training and capability building activities. Continuing financial assistance depends on the available resources of the development service provider.

7.4 ASSESSING AGROENTERPRISE PERFORMANCE

A key role of the Facilitator is to guide the clusters to set up a monitoring system so that the cluster can periodically review progress, and know whether the business is doing well as planned or otherwise. During the test marketing (Step 6), monitoring is done after every product delivery and is **reported immediately**, and this is before the next product delivery. In the scaled up agroenterprise stage, results of continuing monitoring can be reported periodically during the monthly cluster meetings.

Much of the business learnings by the clusters result from the monitoring process which shows them the progress of their agroenterprise as well as the problems that need their action. Monitoring can be done best if there are records on the following:

- Production performance per cluster member
- Product supply of the cluster members through the cluster relative to commitment
- Financial transactions (sales, costs, returns, service fees, savings, loans, capital, etc)
- Loan records (if the cluster borrows or lends)
- Marketing, production, financial and management outputs relative to targets (i.e. the agroenterprise plan revisited)
- Problems encountered and solutions done
- Minutes of meetings

These records will help enormously the clusters in assessing their agroenterprise performance. Clusters that have no records on their product supply, market deliveries, and finances will not be able to objectively study their decisions and actions. The information in their records is what is organized in the reports given to the cluster members every month.

7.5 RISK MANAGEMENT

Despite all the preparations with good planning and monitoring systems, it should be recognized that every business has a certain degree of risk because not all factors affecting the business can be controlled, especially those that are external to the cluster. However, clusters can devise ways and strategies to reduce risk.

When the clusters are asked to produce new varieties of the same crop, it is prudent to thoroughly test its production management in several sites to determine the best way of producing it for the market.

This practice of experimentation is good to develop especially when the clusters plan to move into diversified production in response to the expanding needs of the growing market. Experimentation, not just in production but also in the marketing, opens the clusters to the opportunities for innovations which make them competitive in the marketplace. It also opens options, thus reducing risks and uncertainties.

When new products are to be handled in the scaling up, the Facilitator guides the clusters to undertake market chain study (Step 3), and conduct a new round of cluster planning (Step 5) and test marketing (Step 6). This will test the business decision made with reduced risks. The best lessons will come from the actual producers, so the clusters should explore ways to get first hand, reliable information on how a particular product is being produced and/or processed by visiting existing producers.

7.6 GOOD PRACTICES FOR SCALING UP

Below are some tips for clusters that intend to scale up their operations:

1. Form a network of clusters to build economies of scale (i.e., coffee)
2. Link network of clusters with apex organizations (like industry associations)
3. Work with partners to draw support from government and other sources (initially through and with the WG)
4. Establish linkages for market information
5. Link with institutions engaged in research for technology development (i.e., fish product development)
6. Develop business linkages (markets that can be part of the market chain)



Step 8

Cluster Strengthening



8.1 PROCESS OBJECTIVES

Through competent facilitation, Step 8 aims to enable the cluster members to:

1. Appreciate the importance of self-assessment of the strength of their cluster and their agroenterprise; and
2. Determine the level of maturity of their cluster in a combination of key areas for improvement.

8.2 INTRODUCTION

The Facilitator is a catalyst in building agroenterprise capacities in the clusters. In this role, he/she is called to guide them through participatory processes that provide the “learning by doing” opportunities for farmers. This task is not easy because there is a maturation period needed for farmers to take in new knowledge, new skills, new values and new organizing methods through the clusters.

In the context of an agroenterprise project, the level of maturity of a cluster is determined by increasing levels of experiences and a gain of capacities in key areas. From CRS experiences, learnings built in a combination of five areas will move the clusters forward to viability and sustainability.

It is in these five areas that the Facilitator guides the learning process, and implements capacity building interventions.

8.3 KEY AREAS FOR CAPACITY BUILDING IN CLUSTER STRENGTHENING

The Facilitator guides the learning process and implements capacity building interventions (i.e. trainings, reflection sessions, hands-on learning activities, observation visits, etc) in five key areas:

1. Organizational Development
2. Market Position
3. Supply Capacity
4. Financial Resources
5. Management Capacity

These key areas are interrelated. CRS experiences point to the observation that effectiveness in the cluster’s engagement to the market and the establishment of its agroenterprise

requires a combination of capacities, or a balanced maturation process.



8.4 GUIDE FOR SELF-ASSESSMENT OF LEVEL OF CLUSTER MATURITY

As part of the cluster's learning process, its level of maturity is assessed in a participatory way in a continuing monitoring program. The clusters periodically assess themselves and their collective effects in the agroenterprise. To assist them, a set of indicators describe the stages of maturity that they aspire for. A scale of 1 to 5 enables the cluster to appreciate their progression.

Organizational Development

In an agroenterprise, a cluster is envisioned to transform from a dependent to an enabled, and finally, to an empowered entity as illustrated in Figure 26.

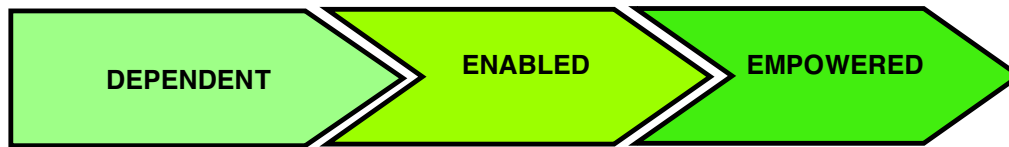


Figure 26. An illustration of the transformation process of a cluster as an organization.

The level of maturity in this key area can be determined using the following matrix as guide:

Indicators of the maturity level of a cluster in terms of organizational development

Maturity Level	Indicator
1	Core group of 5 producers with at least 1 lead producer. NGO staff primarily organizing group activities.
2	Cluster formed with cluster leader (s). Cluster has: <ul style="list-style-type: none"> a) Meetings b) Common production and market plans c) Verbal agreements
3	Cluster has regular meetings called by its cluster leaders, with written agreements, and written policies
4	The cluster is functioning independently; able to: <ul style="list-style-type: none"> a) Implement enterprise plans (marketing and supply) b) Have regular assessments c) Have written financial reports
5	The cluster is in a network with other clusters; able to work with other clusters as part of a common business entity.

Suggested Interventions in the form of trainings, reflection sessions, meetings, exposure visits, and observations should lead to the following:

- Leaders can facilitate meetings where members can express their views and decisions are arrived at with consensus
- The cluster can formulate its objectives and strategies
- The cluster can review their performance relative to their plans; can tackle and resolve problems
- There is transparency (clusters have records and reports)
- There is mutual trust and respect among the members
- Clusters recognize their interdependence with other clusters and partners in their agroenterprise

Market Position

An agroenterprise is desired to have a market position graduating from small sized market to big-sized, from low to high bargaining influence, and from random/spot to arranged/negotiated buyer as illustrated in Figure 27.

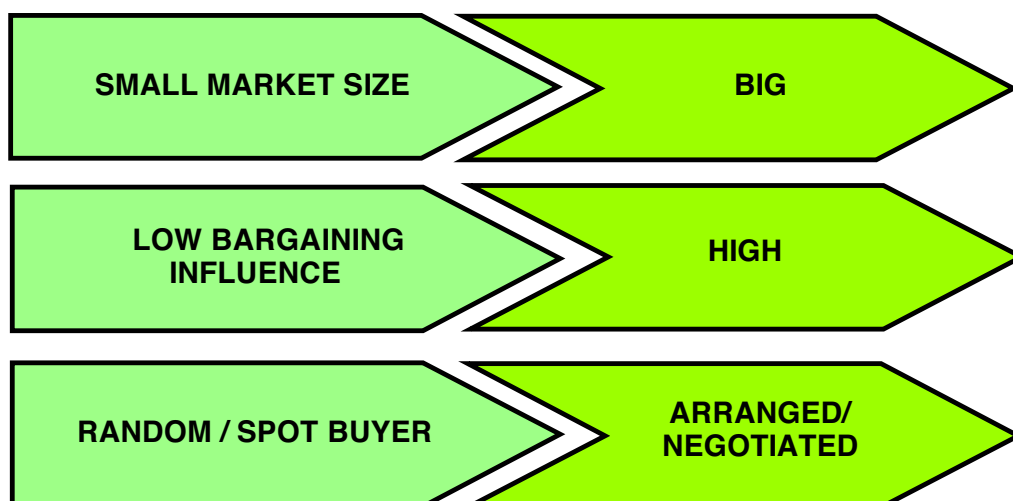


Figure 27. An illustration of the strengthening of the marketing position of a cluster.

The level of maturity in this key area can be determined using the following matrix as guide:

Indicators of the maturity level of a cluster in terms of market position

Maturity Level	Indicator
1	Market penetration with trial deliveries a) At least 50% of market plan accomplished in target product volume. b) Getting to know stage with the buyer(s)
2	Market is strengthened a) Markets are maintained and product volume is scaled up. b) There is build up of buyer relations.
3	Market is developed with more buyers who can offer stable arrangements. a) More buyers tapped. b) Markets entered into are for longer term agreements. c) Special pricing negotiations done.
4	Markets are diversified a) New products (value added) b) Clusters pursue market research for higher value markets
5	Network of support is established (business services in the chain).

Suggested interventions should lead to:

- Awareness on the role of the cluster in the market chain and how it can increase participation
- Understanding of market opportunities that come with stable supply base, value addition with quality management or new products, improvements in

postharvest activities, links to various market types and partners

- Skills in market negotiation and market development towards higher value buyers

Supply Capacity

The capacity of a cluster to supply its markets should move from quantity to quality (form), and eventually to value orientation; from sustainable production system to distinct preferred products; and from quality supply to quality supplier. This process of development is illustrated in Figure 28.

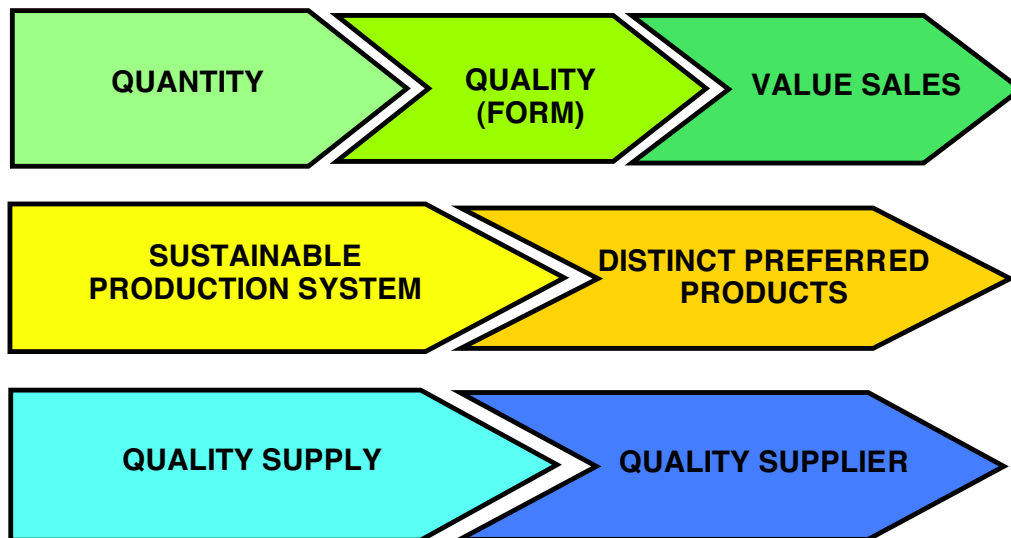


Figure 28. An illustration of the development of a stable product supply base within a cluster.

The level of maturity in this KRA can be determined using the following matrix as guide:

Indicators of the maturity level of a cluster in terms of supply capacity

Maturity Level	Indicator
1	Product supply coming out from the cluster for the joint marketing <ul style="list-style-type: none"> a) At least 50% of planned supply is accomplished b) Production calendar
2	<ul style="list-style-type: none"> • Regular product supply coming out based on the enterprise supply plan. • Cluster members can supplement each other's supply in times of deficit. (coordination for back-up supply, farm records)
3	<ul style="list-style-type: none"> • Production technologies are in place for reliable quantity and quality standards of at least 80% of the cluster members • Production protocols (best practices), supply delivery monitoring system
4	Value addition in the supply: <ul style="list-style-type: none"> a) Value added existing products (packaging, labelling) b) New products, new markets c) Value addition measures implemented; better logistics in place
5	Distinct products <ul style="list-style-type: none"> a) Preferred products with the buyers b) Products carry the name of the supplier c) "Quality is in our growers"

Suggested interventions should lead to:

- Cost effective production technologies that ensure stable product supply
- Quality management practices that will address the market demand
- Production programming for continuous supply

- Experimentation for continuous innovations in production method (reduction of costs, soil and water conservation, natural farming methods like NFTS, etc).



Business Management Capacity

The capacity of the cluster to manage its agroenterprise must progress from being assisted to co-managed, and finally to independent, as illustrated in Figure 29.

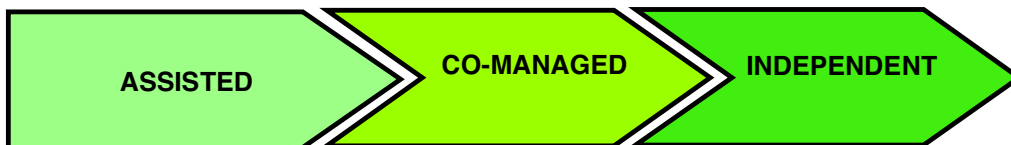


Figure 29. An illustration of the improvement of the business management capacity of a cluster.

The level of maturity in this key area can be determined using the following matrix as guide:

Indicators of the maturity level of a cluster in terms of management capacity

Maturity Level	Indicator
1	Enterprise plan and operation plan are formulated. (80%) a) NGO facilitated the process. b) Product consolidation & market facilitation procedures tried out.
2	Cluster leaders and assigned management people are functioning. (60%) a) Roles and responsibilities spelled out. b) Task related trainings done. c) Agreed scheme of remuneration tried out.
3	Operational plan review is routinely done. (40%) a) Agreed scheme of remuneration established. b) Business operating systems in place.
4	<ul style="list-style-type: none"> • Enterprise plan enhanced to address new opportunities. (20%) • Performance based incentives
5	<ul style="list-style-type: none"> • Institutionalization • Structure, management set up, policies and systems to ensure high performance of business activities

Suggested Interventions should lead to:

- Understanding the functions of enterprise management comprised of: planning, organizing, implementation, monitoring and evaluation
- Installed policies and system in enterprise operation including incentives and sanctions

- Clear roles and responsibilities of the cluster members and officer



Financial Resources

The resources of a cluster in operating its agroenterprise, particularly financial, should evolve from assisted to earning, then to sustainable as illustrated in Figure 30.



Figure 30. An illustration of the growth of a cluster from assisted to sustainable.

The level of maturity in this key area can be determined using the following matrix as guide:

Indicators of the maturity level of a cluster in terms of financial resources

Maturity Level	Indicator
1	With external financial support a) Trainings, capability building b) Market operating funds
2	Cluster start to experience marketing earnings (not regular yet). a) Enterprise transactions are recorded. b) Service fees (management and/or marketing are initially paid)
3	Marketing earnings are more predictable (and regular). a) Financial reports are done and discussed in the cluster meetings. b) Service fees pay part of the marketing & management costs. c) Financial systems are in place.
4	Capital build-up scheme from joint marketing is established. a) Individual b) Organizational c) Service fees are used to pay in full the marketing and management costs.
5	Clusters have generated funds for business investment.

Suggested interventions should lead to:

- Understanding the need for transparency and accountability
- Installation of policies and procedures related to cash management, internal controls, financial recording and reporting (i.e., accounting reports,

- Increase in responsibility to pay for services provide by the cluster (i.e., management and marketing fees)
- Generation of individual and organization savings

8.5 THE OBJECTIVE FOR BALANCED MATURITY

Assessing the level of cluster maturity may be done every six (6) months to coincide with the assembly of cluster members for agroenterprise evaluation and planning activity.

The levels of maturity may vary among the key areas depending on internal and external assets of the enterprise, and the performance of the cluster members. This means that interventions should be directed more on the less mature key area so that the growth and development of the cluster and its agroenterprise is balanced.

Using the Summary Matrix of Key Areas, Levels and Indicators of Maturity, the Facilitator provides a holistic view of the maturation process to the clusters. The Facilitator familiarizes the clusters on the tool, and then leads them to self-assess their level of maturity. Assessment is a continuing activity because clusters can progress or retrogress across the levels. And it will help them to be always critical of their performance and progress.

SUMMARY MATRIX OF KEY AREAS, LEVELS OF MATURITY, AND INDICATORS OF AGROENTERPRISE MATURITY

Maturity Level	Organizational Development	Market Position	Supply Capacity	Business Management Capacity	Financial Resources
1	Core group of 5 producers with at least 1 lead producer. NGO staff primarily organizing group activities.	Market penetration with trial deliveries: a.) At least 50% of market plan accomplished in target product volume. b.) Getting to know stage with the buyer(s)	Product supply coming out from the cluster for the joint marketing: a.) At least 50% of planned supply is accomplished b.) Production calendar	Enterprise plan and operation plan are formulated. (80%): a.) NGO facilitated the process. b.) Product consolidation & market facilitation procedures tried out.	With external financial support: a.) Trainings, capability building b.) Market operating funds
2	Cluster formed with cluster leader/s. Cluster has: a.) Meetings b.) Common production and market plans c.) Verbal agreements	Market is strengthened: a.) Markets are maintained and product volume is scaled up. b.) There is build up of buyer relations.	Regular product supply coming out based on the enterprise supply plan. Cluster members can supplement each other's supply in times of deficit. (coordination for back-up supply, farm records)	Cluster leaders and assigned management people are functioning. (60%): a.) Roles and responsibilities spelled out. Task related trainings done. b.) Agreed scheme of remuneration tried out.	Cluster start to experience marketing earnings (not regular yet): a.) Enterprise transactions are recorded. b.) Service fees (management and/or marketing are initially paid)
3	Cluster has regular meetings called by its cluster leaders, with written agreements, and written policies	Market is developed with more buyers who can offer stable arrangements: a.) More buyers are for longer term agreements. c.) Special pricing negotiations done.	Production technologies are in place for reliable quantity and quality standards of at least 80% of the cluster members. Production protocols (best practices), supply delivery monitoring system.	Operational plan review is routinely done. (40%): a.) Agreed scheme of remuneration established. b.) Business operating systems in place.	Marketing earnings are more predictable (and regular): a.) Financial reports are done and discussed in the cluster meetings. b.) Service fees pay part of the marketing & management costs. c.) Financial systems are in place.
4	The cluster is functioning independently; able to: a.) Implement enterprise plans (marketing and supply) b.) Have regular assessments c.) Have written financial reports	Markets are diversified: a.) New products (value added) b.) Clusters pursue market research for higher value markets	Value addition in the supply: a.) Value added existing products (packaging, labelling) b.) New products, new markets c.) Value addition measures implemented; better logistics in place	Enterprise plan enhanced to address new opportunities. (20%): a.) Performance based incentives	Capital build-up scheme from joint marketing is established: a.) Individual b.) Organizational; c.) Service fees are used to pay in full the marketing and management costs.
5	The cluster is in a network with other clusters; able to work with other clusters as part of a common business entity.	Network of support is established (business services in the chain).	Distinct products: a.) Preferred products with the buyers b.) Products carry the name of the supplier c.) "Quality is in our growers"	Institutionalization: Structure, management set up, policies and systems to ensure high performance of business activities	Clusters have generated funds for business investment.