

**SEMI-ANNUAL REPORT
JANUARY - JUNE 2004**

**DEVELOPMENT OF BDS MARKET IN MINDANAO
USAID MIGP-BDS G/EGAD/MD-01-A-002
Swisscontact**



TABLE OF CONTENTS	
Section I: Summary of Main Activities	2 - 4
Section II: Progress on Performance Targets	5 - 7
Section IV: Progress on Learning Agenda	8 - 10

SECTION I: SUMMARY OF MAIN ACTIVITIES

A. MARKET RESEARCH

- Series of market testing and sensory evaluation conducted for newly developed products/product recipes as part of BDS product development activities. These activities were conducted with the active participation of selected program supported providers so as to gradually transfer the skills/know-how to marketing intermediaries.
- Simple market research techniques taught to providers such as: use of product samples to benchmark products, visits to supermarkets to scan prices and competition, and feedback gathering from buyers.
- Updating of market, trading, and production information/data on selected fresh and processed fruits and vegetables including availability and usage of packaging materials. Many of the research activities were conducted as part of the Young Consultants Training Program. Activities commenced with mini exhibits showing the use of these information in the development of processed products and/or inputs in the development of training/BDS modules.

B. STRENGTHENING HORIZONTAL AND VERTICAL LINKAGES

- Conducted one-on-one discussions with buyers and intermediaries to better understand the supply chain, trading practices, gather info on price and market trends, and discuss on how current transactions with community group suppliers can further be made mutually profitable for both parties and measures to reduce risks for both parties.
- Facilitated the formation or revitalization of fruits and vegetable vendors and producers associations/collective enterprises based on the common objective of improving income earning capacities through compliance to quality standards that they can collectively promote and sustain as a marketing proposal.
- Continuing conduct of organizational development workshops and mentoring on application of agreed systems and changes with the pursuit of bigger markets as the catalyst.
- 45 organizations engaged in collective processing were assisted in the definition of process and product quality standards through development of Basic Food Safety Program aligned to market requirements. The Basic Food Safety Program defines the technical parameters for participation in processing activities.
- Continuing campaign on collective enterprise concept primarily through dissemination of experiences with first batch of communities.
- Continuing mentoring of community level marketing intermediaries on customer satisfaction and relations (both with suppliers and buyers).
- Support to market launching, promotion and similar events, which provide opportunities for the different value chain players to interact. These events ranged from local to national events.
- Supported the collective participation of Region XI food processors to the International Food Fair. Project support was primarily on the special setting and merchandising collaterals.

C. BDS PRODUCT DEVELOPMENT

- The following training modules have been developed and/or updated and are currently being used by community based trainers: a) Good Manufacturing Practices and Food Sanitation (Visayan Version); b) Banana Processing; b) Mango Processing; c) Strawberry Production; d) Strawberry

Processing/Recipes; e) Mango Processing/Recipes; f) Kaong Processing; g) Guide to Proper Post-harvest Handling and Display of Fresh Produce in the Marketplace. Recipes are jointly being improved by the project team, buyers, and community-based trainers based on market feedback and sensory evaluation results.

- Community-based trainers are further provided demand led assistance in further updating and/or customization of modules.
- Support to the publication of a book “Mango Production for Export Market”. Many of the examples cited in the book were taken from the writer’s/provider’s experiences during the development and conduct of training for community-based trainers under this program.
- New batch of providers/collective enterprises assisted in the development and operationalization of BDS systems based on trading system and/or indigenous practices.
- For communities with operational BDS systems, regular monitoring conducted to assess its financial viability especially at the level of community-based intermediary – providers (e.g., effect of PhP 1.00 paid by community central buyer to barangay buying stations as payment for quality control and storage services).

D. CAPABILITY/CAPACITY BUILD-UP TO DELIVER/DEVELOP BDS

- A series of Good Manufacturing Trainers’ Training participated by potential trainers from community-based organizations and government extension officers were conducted in new areas in Regions X, XI, and CARAGA. Project also made use of the workshops to introduce the community groups and the government to the idea of collective enterprises and working with private sector providers. The providers’ group in Davao City conducted an orientation on their services. Product critiquing sessions were also conducted with the community-based trainers in order to provide them with directions for their product development activities. Specific outputs of the workshops included the following: a) Basic Food Safety Program; and b) Action Plan for the implementation of GMP and other necessary services in respective communities.
- Close coordination and active participation of the Bureau of Food and Drugs in almost all training and workshops conducted by the program. This is in response to the fact that only 20% of enterprises in Mindanao have BFAD permits and almost all community groups are not able to pass the BFAD requirements.
- Continuing mentoring to community-based providers in the delivery of various services. Ongoing development of module on pedagogical training for community trainers.
- A Trainer’s Training was conducted for 1 municipality on the Best Practices in Agricultural Fruit Production. 15 community based trainers were identified. This training was conducted to ensure that new varieties are introduced to increase volume of production such that in turn inputs for fruit processing will be stable.
- Continuing support to a providers’ group in building up their capability to provide product and market development services. Parallel to this, the group is also being assisted development of the framework and mechanisms through which the following services can be effectively carried out under their structure: a) Establishment of pool of food technology experts and other specialized providers and the promotion/marketing of their services; and b) Delivery of support services including skills and knowledge upgrading to community-based providers/trainors especially after the program ends.
- First batch of 28 young consultants from 3 participating schools have completed their training and apprenticeship. Continuing support is provided in developing capabilities of selected young consultants and in the promotion of their services to the micro and small enterprises. Schools also realized the gap in the curriculum vis-à-vis market requirements.

E. BDS DEMAND STIMULATION

- Common service cum training facilities for mango and kaong processing were formally launched and opened to all existing and potential processors in the area. Launching activities included mini technology demonstrations as well as testimonies from users of the facilities. Likewise, these launching events also provided opportunities for interactions between government agencies, local government units, and the micro household processors.
- Tri-media promotion of BDS activities particularly those related to market vendors, which is strongly supported by the various media organizations (private and public) in areas of operations.
- Series of BDS orientation fora conducted for various communities and target groups. Main theme of campaign is gainful participation in collective enterprise endeavors via BDS acquisition and application.

F. ENABLING ENVIRONMENT/GOVERNANCE

- Panabo Market Quality Policy Committee organized and operational. The Committee is composed of representatives from the following: LGU (represented by Mayor), vendors associations and cooperatives, and civic groups. Committee's main tasks include planning and coordination of Market Place Quality Labeling system activities as well as provision of the institutional and regulatory framework for the implementation of the system.
- Unlike before where Kaong suppliers were not considered as part of the food processing industry associations, the program facilitated the inclusion and/or representation of semi-processors in different meso and macro level committees and provincial level associations.
- Regular coordination is, being conducted with local government units particularly BFAD to ensure the alignment of BDS products with regulatory requirements/food safety requirements. Through program organized events, government agencies are provided opportunities to share and explain to the communities and enterprises the various regulatory requirements and assistance programs. These forums also provide the government agencies insights on program approaches and results, which hopefully would translate to official recognition of the development efforts being undertaken by the poor/communities as well as better and equitable delivery of public goods (e.g., potable water, farm to market roads, etc) to communities. Through dissemination of program results, BDS market development and program approaches are gradually being accepted and embraced by various players and stakeholders.

SECTION II: PROGRESS ON PERFORMANCE TARGETS

ASSESSING THE MARKET FOR GOODS AND SERVICES (FINAL SALES)		
INDICATORS	JUL - DEC 2003	JAN – JUNE 2004
MARKET LEVEL		
1. Annual Value of Sales (US\$)	No updated statistics	No updated statistics
PROGRAM LEVEL		
2. Annual Value of Sales (US\$)	No updated statistics	No updated statistics

ASSESSING THE DEVELOPMENT OF BDS MARKET		
INDICATORS	JUL - DEC 2003	JAN – JUNE 2004
MARKET LEVEL		
3. Total No. of Providers by Service		
a. Common Service cum Training Facilities	4	8
b. Big Brother/Subcontracting (Community Ent)	12	24
c. Production and Quality Control Processes	20	60
d. Good Manufacturing Practices	50	163
e. Merchandising/Distribution Services (community/micro products)	5	9
f. Good Agricultural Practices	36	50
g. Packaging Materials	5	6
h. Clean and Green Marketing Practices for Vendors	3	3
i. Collective Enterprise Development	4	4
PROGRAM LEVEL		
4. Total No. of Providers Participating in Program by Service	70	204
a. Common Service cum Training Facilities	2	4
b. Big Brother/Subcontracting	5	13
c. Production and Quality Control Processes	16	55
d. Good Manufacturing Practices	45	158
e. Merchandising/Distribution Services	3	4
f. Good Agricultural Practices	31	43
g. Packaging Materials	2	2
h. Clean and Green Marketing Practices	2	2
i. Collective Enterprise Development	1	1
5. Total No. of Firms Acquiring BDS from program supported providers	726	2124
a. Common Service cum Training Facilities	83	123
b. Big Brother/Subcontracting	396	533
c. Production and Quality Control Processes	444	295
d. Good Manufacturing Practices	261	1271
e. Merchandising/Distribution Services	2 collective ent	6 collective ent.
f. Packaging Materials	6	4 collective ent.
g. Clean and Green Marketing Practices	0	0

ASSESSING THE DEVELOPMENT OF BDS MARKET			
h.	Collective Enterprise Development	3 groups	5 groups
6.	Number of micro enterprises acquiring BDS from program supported providers	726	2124
7.	Micro enterprises as % of total firms	100%	100%
8.	No. of woman-owned micro enterprises acquiring BDS from program supported providers	337	1105
a.	Common Service cum Training Facilities	21	56
b.	Big Brother/Subcontracting	133	258
c.	Production and Quality Control Processes	201	164
d.	Good Manufacturing Practices	98	730
e.	Merchandising/Distribution Services	Collective ent.	6 collective ent.
f.	Packaging Materials	4	4 collective ent.
g.	Clean and Green Marketing Practices	0	0
h.	Collective Enterprise Development	136	5 groups
9.	Woman-owned enterprises as % of total microenterprises	46%	52%

ASSESSING THE FACILITATOR'S COST-EFFECTIVENESS			
INDICATORS		JUL – DEC 2003	JAN – JUNE 2004
10.	Total Program Cost, in US\$	68,439	96,137
11.	Total Program Cost per Microenterprise served, in US\$	94	45

ASSESSING THE BDS PROVIDER			
INDICATORS		JUL – DEC 2003	JAN – JUNE 2004
12.	BDS Providers' Profitability	Average of 13% net income	Average of 10% of net income

ASSESSING THE IMPACT ON THE MICRO ENTERPRISE CLIENT			
INDICATORS		JUL – DEC 2003	JAN – JUNE 2004
13.	Annual value of sales by micro enterprises participating in program	421,340	932,576
14.	Micro enterprise client satisfaction	See notes below	Jan – June months usually no sales; for the first time, communities were able to generate sales although it was slightly lower than the previous semester
a.	Common Service cum Training Facilities	100% repeat clients About 50% of new clients referred by old users	100% repeat clients New users: referral and info campaign
b.	Big Brother/Subcontracting System	100% repeat clients Majority of new entrants were those who attended the various training sessions	100% repeat clients Participants of training sessions
c.	Basic Production Processes/GMP	About 50% of	Referral

ASSESSING THE IMPACT ON THE MICRO ENTERPRISE CLIENT

		participants referred by those who have attended the training sessions	Peers
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OTHER INDICATORS

INDICATORS		JUL – DEC 2003	JAN – JUNE 2004
15	Exchange rate used to calculate US\$ figures	US\$ 1: PhP 55	US\$ 1: PhP 56
16	Estimated % of micro with poverty loans from any source	80%	80%

SECTION III: PROGRESS ON LEARNING AGENDA

A. Strategies for Integrating Poor into the Mainstream Market

- With the communities becoming known for good quality products, buyers as far as Manila/Luzon have started coming in to the Davao (Mindanao) communities. These competitive forces lead traders to offer better terms and conditions to semi-processors as well as upgrade their roles and functions which, in one way or another, help in improving the efficiency of the supply chain. For example, in the past, prices of semi-processed kaong during the months of January to June are usually at its lowest (reaching as low as PhP 4.00). To date, lowest price level was at PhP 11.00. Likewise, in the past, semi-processors do not usually get any orders from the months of January to May since they catered mainly to the local market. With the entry of buyers with export and national markets, production and trading activities have been sustained even during the supposedly lean months.
- The entry of more buyers provided the communities more choices, and hence, more power in the market. This brings us to a new situation where we have to 'teach' the community intermediaries on how to use this 'power' in a positive way --- in creating win-win long term transactions, ethical trading relationships, customer loyalty and retention.
- Investment in regular market survey and market research is essential for sustainable market strategy. As such, program activities include skills transfer and enhancement of the capability of value chain based providers on how and where to gather market feedback and info (e.g., from their buyers, groceries, etc) as well as interpret and judiciously use market information in growing their businesses.

Currently, market research involves the regular assessment and monitoring to ensure that the target groups are reaching the markets and addressing its requirements, via the use of the developed/existing BDS. Likewise, program also conducts one-on-one meeting with buyers and other downstream players to validate and gather additional info on market and buying trends, which are then fed back to the BDS product development activities. Parallel to this, snapshot market researches and surveys are conducted to identify potential niches and possible entry points where communities can be competitive and matching these with supply of BDS.

- In communities where BDS system is operational and basic market requirements are met, the linkages are induced by market forces and are more spontaneous. The responsibilities lie with the two parties rather than with the program. Program activities in this aspect are focused on: a) identification and analysis of gaps and constraints of current marketing through one-on-one meetings and discussions with both buyers and suppliers; b) provision of recommendations to strengthen linkages and address gaps; and c) market development support.
- A base activity in all areas and product categories is the definition of standards and parameters for participation in the collective enterprise at the community level. This is done jointly by the project team and the community stakeholders. Supplier performance then has to be measured. When deficient, suppliers are negatively sanctioned. In the past, communities reward good quality with premium prices but this has altogether been scrapped and, instead, has been made a minimum requirement. The program continues to use the traditional 'trading governance structure' at the community level for the dissemination and promotion of compliance of standards.
- Experience also indicates the value addition of advocating the inclusion of representatives of semi-processor communities in provincial level food processors associations. Aside from self-esteem, they are able to have a more active participation and a clearer grasp of the dynamics in the mainstream market as well as government's policy thrusts.
- The program has organized a diverse group of highly experienced entrepreneurs in the field of food processing and marketing to be distributor of community-based products. Also, this network provides a range of support services to community-based marketing intermediaries.

- The program is also giving equal attention to the further development and enhancement of the distribution aspects of the fresh fruits and vegetable subsector through the enhancement of the public market and the vendors via implementation of a BDS system involving public-private sector partnership. The public market offers traders and farmers something they cannot create by themselves: viable locations in which to sell their products or services, coupled with shared marketing and promotional programs that attract customers to the totality of the market experience, not just to an individual business. Furthermore, public markets integrate start-up businesses with experienced vendors, producing a setting for the natural transfer of skills and experiences among businesses. Likewise, a well-functioning public market can help legitimize street vending by offering vendors a legal, safe, and supportive environment for business. In this way, public markets can be crucial stepping stones toward entry into the economic mainstream. Implementation of the BDS system for Market Place Differentiation has started during the first semester in one city in Southern Mindanao.

B. Strategies for Reaching Downmarkets

- In addition to strengthening of horizontal linkages/group formation, the project continues to use the strategy of recognizing the local 'learning and information dissemination' practices and trading system as cornerstones or entry/starting points for facilitating the development and delivery of wide range of business development services to the micro processors.
- Since 70% to 80% of the target groups are composed of indigenous people, culture and tradition play an important role in the concept of livelihood development. To the extent possible, services and systems are geared towards revitalization/strengthening of indigenous knowledge systems and practices. Likewise, service contents consist of a blend of traditional knowledge and modern technology.
- Resource-poor enterprises are very risk adverse. As such, before services are launched in the communities, it is, oftentimes, important to demonstrate the financial viability of the service using a select group of enterprises (or the core group of community-based trainers). For the strawberry community, for instance, where services start with seedling varieties, an on-farm demonstration and gradual process of introduction were necessary. It is not realistic to expect micro enterprises (especially indigenous peoples) to take up new or enhanced methods and processes (whether embedded or direct fee or in a barter system) unless they have been thoroughly convinced that the risk factors with which they have had to struggle have been properly assessed and locally proven (in terms of improved incomes).

C. Strategies for Developing Embedded Services

- In promoting embedded services, the BDS development and delivery via business linkages was and continue to be presented in the context of improvement of the whole business operations (e.g., better quality semi-processed kaong translates to less re-processing and sorting activities and, consequently savings; better quality semi-processed means improved quality final products and, consequently, premium prices).
- We also promoted the linkage of the services to marketing/market access, where costs of many of the services are covered from mark-ups, which are more acceptable and affordable to the enterprises rather than up-front fees. In this aspect, it is important that the schemes are well understood by all the participants. In many cases, schemes are developed in a participatory manner.
- In the kaong communities, quality control services of the barangay buying stations are now being paid by the central buying agent at PhP 1.00 per kilo.
- The program provides the following support to these value-chain based providers (also micro enterprises): a) technical training; b) pedagogical training (done more informally through feedback and coaching but we are currently developing the formal training module); c) assistance in making their work sites GMP compliant where household semi-processors can also work. Likewise, they

are also provided with opportunities to work with young consultants (new graduates/graduating students) to enhance their theoretical background (at the same time, providing the young consultants the field experience).

D. Strategies for Effective Market Facilitation

- Getting the interest and cooperation plus transfer of skills and development of value-chain based players to become effective BDS providers require more time and resources compared to working with individuals and organizations whose main mandate is BDS delivery.
- BDS delivery systems have to be built along the governance and marketing transactions of the communities to facilitate acquisition, application, and compliance. In cases where businesses are done in public properties (e.g., public markets), active involvement of the local government is necessary to have the regulatory framework as well as in catalyzing the efficient delivery of public services necessary for an enabling enterprise environment.
- Exchange of experiences among the different communities are regularly conducted to enhance learning and dissemination of best practices. When starting in new areas, community-based providers from existing program areas and/or buyers are utilized as resource persons to accelerate acceptance.
- In facilitating markets, information and awareness campaigns must include the 4 Ps:
 - Create an enticing **Product/Message** (i.e., the package of benefits associated with the desired action);
 - Minimize the **Price** that the players believe it must pay in making the paradigm shift;
 - Conduct the campaign and its opportunities in **Places** that reach the target group and fit its lifestyle; and
 - **Promote** the opportunity with creativity and through channels and tactics that maximize desired responses.

The most effective strategy though is through the pilot-validation approach or demonstration of results and impact.