

DEVELOPING THE WILD SUGAR PALM VALUE CHAIN IN THE PHILIPPINES



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THE PROJECT

Goal:
Pro-poor growth contributes to sustainability of MSEs in competitive market system

Specific Project Goal and Context:

Micro enterprises in the fruits and vegetable subsector in remote areas stabilize economic activities and enter higher value markets through inter-firm linkages and a range of services that will help them meet market requirements

Stabilizing and Expanding the Markets of Non-Wood Forest Products

(Kaong – Arengga Pinnata – Wild Sugar Palm)

How to link MSEs to growing markets when they don't meet the minimum requirements for quantity, quality, and reliability? Nor do they trust the city people ... And know the world beyond the mountains.



ROOKIES FRUIT PRESERVE

"fruit basket" SWEETS



How to encourage processors to work with indigenous people on a stable, long-term, and equitable basis given the rooted mistrusts and not so good experiences?



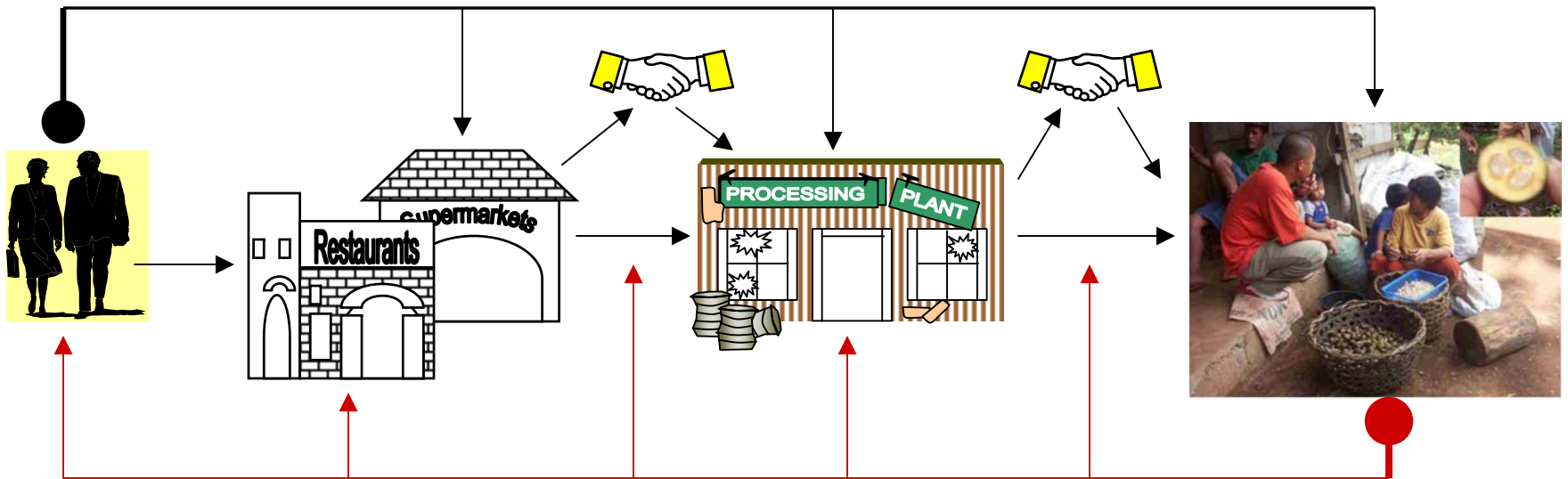
How to enable the Mindanao kaong cluster to participate in bigger and more lucrative markets ?

Starting with the end market in mind ... Using market demand and requirements as signals/ directions for innovation, diversification, and quality improvement

Standards, Requirements, Rules for Participation

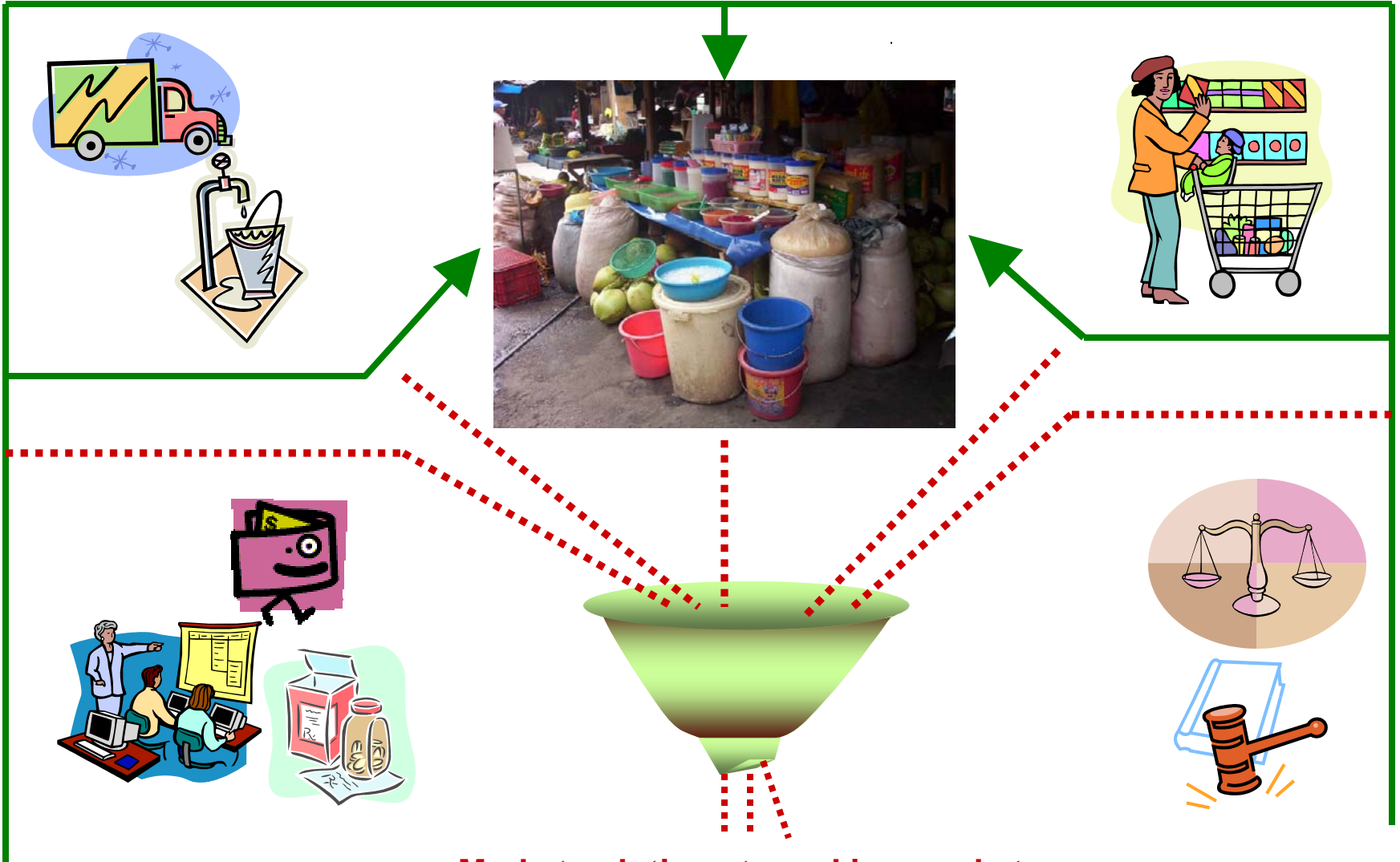
Key Market Drivers:

Food Safety, Product Quality, Product Differentiation, Lowering 'Systems/Logistics' Cost



Current capabilities and capacities vis-à-vis required standards/ requirements to enter the market ... Skills to conduct market monitoring gradually transferred to key value chain players particularly chain leaders at community level

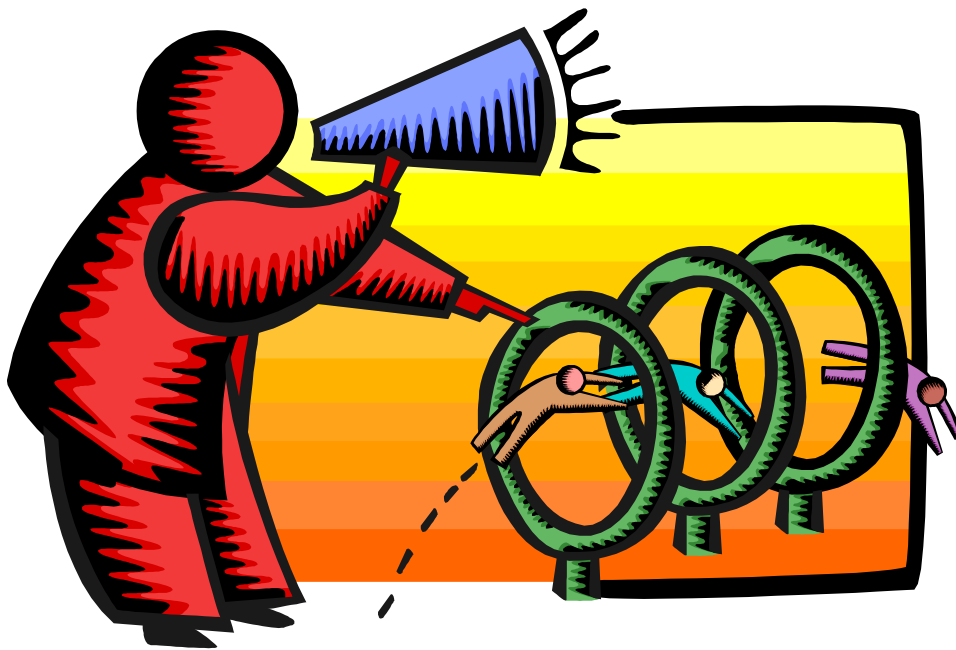
Regular monitoring/assessment of the various dimensions that comprise markets ... and how indigenous communities are being served by them and can be better served by them



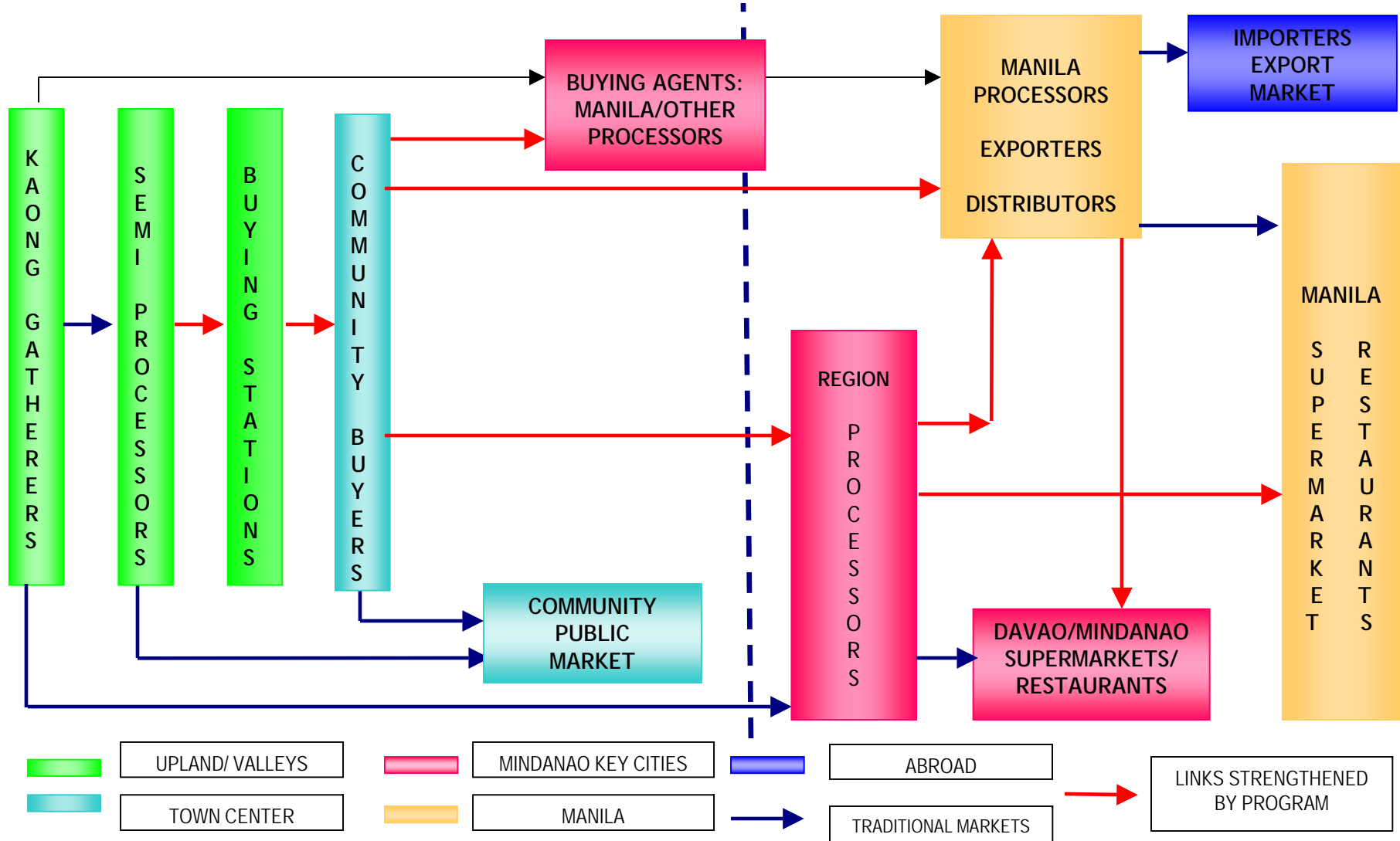
Market solutions to making markets work a little bit better for the poor

A Picture of Relationships

- Who influence and control people's access to markets
- How do they influence and control people's access to markets
- Ways on how to improve capability and capacity so that their influence and control can be used to yield positive benefits for micro enterprises and the improvement of the chain in general without eroding their profit margins



From the Uplands to the Cities



Understanding nature/dynamics of market and value chain ... Trading structure, culture and governance structure

The Relationship Matrix

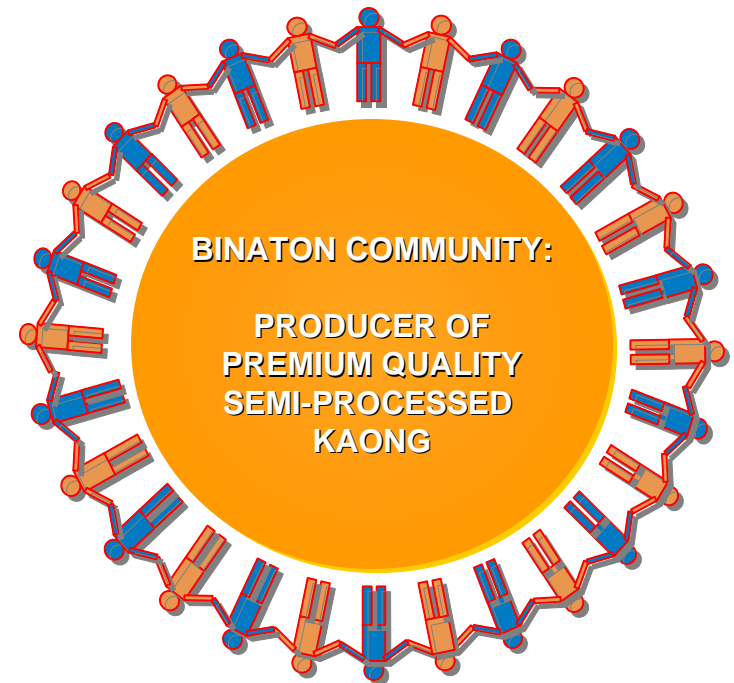
Baseline, Current, and Future Picture of Relationships						
	Semi-Processors and Community-based Traders			Community Based Traders and Buying Agents of Processors		
	Baseline	Current	Future	Baseline	Current	Future
Supplier and Buyer Selection/Procurement						
Information Sharing / Transparency						
Quality Control/Inspection						
Value-added services/Collaboration and Cooperation						
Basis of Competition / Offer to the Market						

Laying the Groundwork for Win-Win Linkages between Communities and Processors/Buyers/Traders ... Linkages Induced by Market Forces than Project

- ❑ Improvement of community's offer and position in the market: Make communities attractive partners by enabling them to meet basic minimum requirements/ standards of processors
- ❑ Market Development: Assist processors to expand and diversify markets including capability and capability to meet market requirements.
- ❑ Demonstration of Benefits: Quick demonstration via pilot with a "market leader" or "influential and well respected" processor that working with communities can result to improved profitability and that communities can be reliable suppliers
- ❑ Promote healthy competition among traders and processors with regards to sourcing from communities (as soon as communities penetrate the mainstream market)

Making Communities Attractive Partners ... Development of A Clear Offer to the Market

- Strengthening of horizontal linkages:
Kaong as a business of the whole community operating under mainstream market condition and not a “time-bounded livelihood project”
- Development of localized capacity for learning and innovation including resource acquisition --- first to meet market requirements and later on product differentiation and product and market expansion



Strengthening of Horizontal Linkages ... Promoting Collective Efficiency

- Development and Promotion of Shared/ Common Objectives: Best trigger for collective collaboration is the pursuit of markets outside of the locality ---- Sales and Profits!!!
- Enlisting the participation of chain leader and core group of champions respected by communities
- Establishment of process and quality standards that define the basis of participation of players in the community. The standards and norms were set by the key players in the community that were trained by specialists and with inputs from the buyers.



Strengthening of Horizontal Linkages ... Promoting Collective Efficiency

- Promotion of benefits of meeting quality standards among the different players. Campaign is primarily directed to the barangay assemblers since they are the nearest to suppliers in terms of location and influence. Campaigns anchored on economic benefits and pride.
- Strengthening of capabilities and capacities of the different levels of marketing intermediaries in good manufacturing practices and quality control processes both for them to have the capacity to promote compliance and provide mentoring/training to their suppliers so as to provide equitable opportunities for everybody to participate in the business.
- Development of BDS delivery systems (built on local trading system and practices) including operationalization support to ensure the access of community players to the necessary services vis-à-vis standard requirements

Strengthening of Horizontal Linkages ... Promoting Collective Efficiency

- Promoting the compliance of the standards via various levels of marketing intermediaries. Gradually shifted from “premium price incentive for good quality products” to “compliance to quality standards and market requirements as the basis for gainful participation in business.”



Development of Localized Capacity for Innovation and Learning

- BDS system is built on existing trade/marketing structure to facilitate the flow of BDS to all players in the community supply chain. Under the system, marketing intermediaries at every level are tapped and trained to handle typical technical and business concerns of household-based enterprises.
- BDS development and delivery via business linkages was and continue to be presented in the context of improvement of the whole business operations and, ultimately, PROFITS
- Careful calculations made to ensure that service delivery did not undermine profitability of business operations of both the enterprise-based providers and the micro enterprises.

Development of Localized Capacity for Innovation and Learning

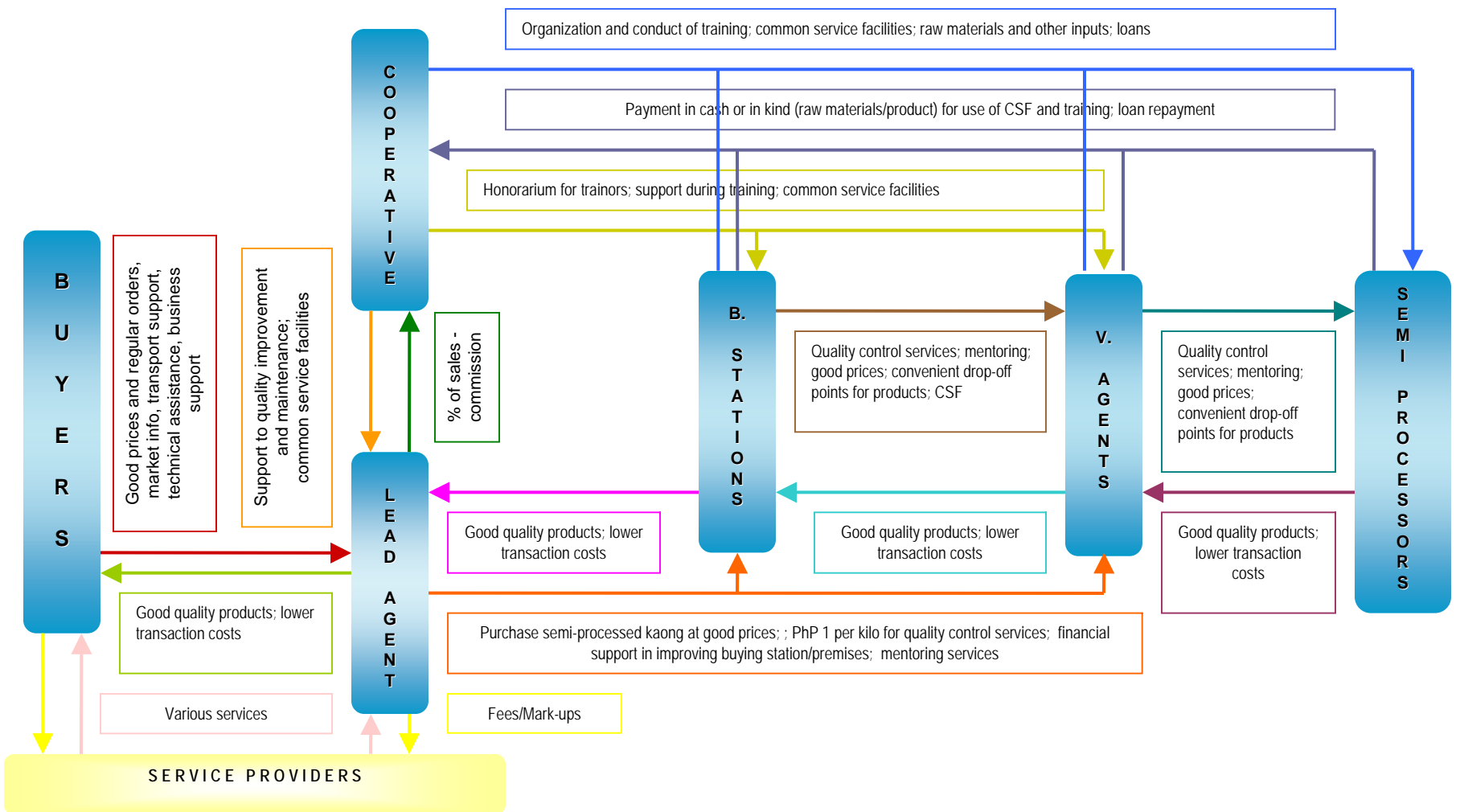


- ❑ A range of services that will enable enterprises to meet market requirements and facilitate the access to a specific market.
- ❑ Project's entry point was the introduction and delivery of services aimed at stabilizing economic activities and gradually moved towards promoting product differentiation primarily anchored on production of premium quality products following Good Manufacturing Practices and eco-friendly and socially responsible processes.
- ❑ All services related to introduction of new skills and technology follow the "Learning/ Training – Application/Mentoring – Income/Sales – Feedback/Coaching" cycle.

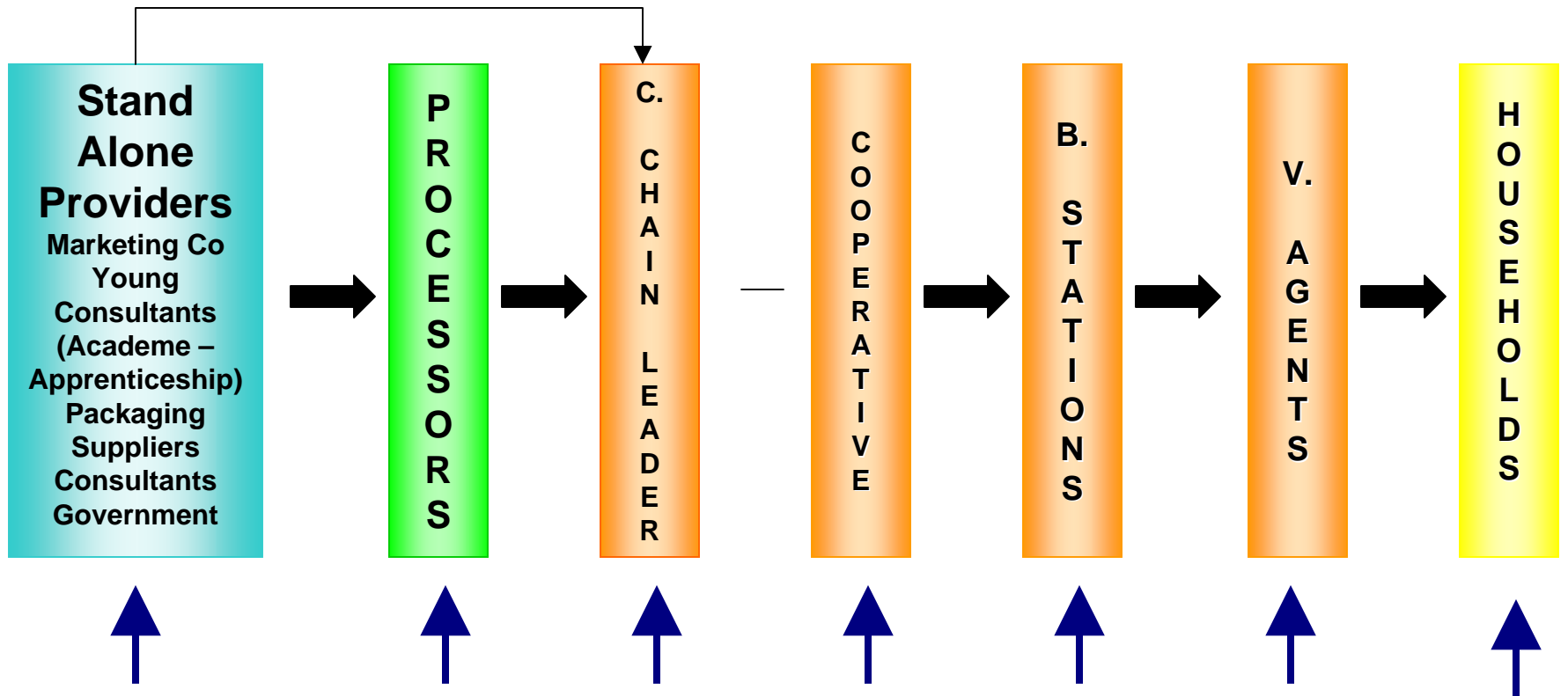
Development of Localized Capacity for Innovation and Learning

- Knowledge and skills upgrading forms of BDS including marketing services are paid via mark-ups while tangible services (e.g., use of common service facilities, raw materials) are paid in cash or in kind with various payment schemes.
- Payment schemes (e.g., retention of one peso for every kilo of kaong sold to cover training expenses) are discussed so that enterprises are made aware that they are paying for the services and should be discerning users of these services.
- Solicited the involvement of buyers and various market players during the development phase of training modules so as to ensure that these are aligned to market standards and requirements and, thus, accelerate the build-up of capacity of indigenous communities to gainfully participate in more lucrative and bigger markets

FOSTERING LEARNING AND INNOVATION WITHIN THE CHAIN ... IMPROVING SUPPLY CHAIN GOVERNANCE



Providers and Project Support



Project Support:

Capability Building – Market Promotion – Service and Systems Dev – Advocacy for Inclusion of Communities in Meso Level Org - Advocacy for Public-Private Sector Cooperation

OD with providers

Range of Services and Providers

PROGRAM SUPPORTED PROVIDERS AND SERVICES								
SERVICES	STAND ALONE PROVIDERS				VALUE CHAIN BASED PROVIDERS			
	Government	Private Ind/ Inst	NGOs	Academe	Local Mktg Intermediaries	Producers /Co	Distributors /Retailers	Enterprise Groups /Network
Common Service cum Training Facilities						X		X
Big Brother/ Subcontracting		X			X	X	X	
Product Development		X		X		X	X	X
Production and Quality Control Processes	X	X		X	X	X	X	X
Good Manufacturing Practices	X	X		X	X	X		X
Merchandising/Distribution Services		X			X	X	X	X
Good Agricultural Practices				X	X	X		X
Packaging Materials/Other Inputs		X				X	X	
Collective Enterprise Development		X	X	X				X

Traders Invest in Making Potable Water Accessible to Communities

- ❑ Traders pooled resources to respond to perennial problem re: potable water which hindered issuance of permit to operate “community-based processing” and their plant
- ❑ Communities provided equity --- labor and some in-kind contribution
- ❑ Water system managed by cooperative. Monthly payment of PhP 50 per household ... Installment payment to traders for their investment to start after one year
- ❑ To date, 100 households have access to potable water ... Water also accessible in strategic locations in the forests



Traders Initiate Revival and Commercialization of Kaong Vinegar

- A move towards production and marketing of final product --- niche product --- premium market
- Following same BDS system as semi-processed kaong, a range of business services was launched to upgrade existing indigenous technology at par with market standards



KAONG VINEGAR



At the Promotion Stage ... Kaong Regeneration



Manang Flora, a Bagobo native, proudly showed us the art of gathering civet coffee beans

SDCAsia team relishing a cup of civet coffee or "Kapeng Milu" prepared by Manang Flora ... real good to the last drop!!!

An ad in the internet ...

This is the rarest and most definitely extraordinary coffee in the world!

PRICE = £22.95 Per 57 GRAM BAG

- ❑ Preservation of civet cats which are vital for kaong seed propagation and forest regeneration
- ❑ Added motivation: coffee beans from civet droppings command premium prices in the markets --- indigenous communities traditionally collect these beans for home consumption so as not to use harvested beans intended for selling

Progress to Date



BASELINE	CURRENT
<p>The villagers' access to markets and their social networks are historically limited within the town "public market"</p>	<p>Communities are now known and/or connected to buying agents/ distributors and processors from Davao, nearby Mindanao cities, and Manila.</p>
<p>According to processors, quality of semi-processed kaong was very poor. As such, buying price was also low. According to the semi-processors, their quality was good and acceptable based on their traditional/local norms.</p>	<p>Common understanding on quality Semi-processed kaong from the communities acknowledged by the industry players to be of very good quality.</p>

Progress to Date

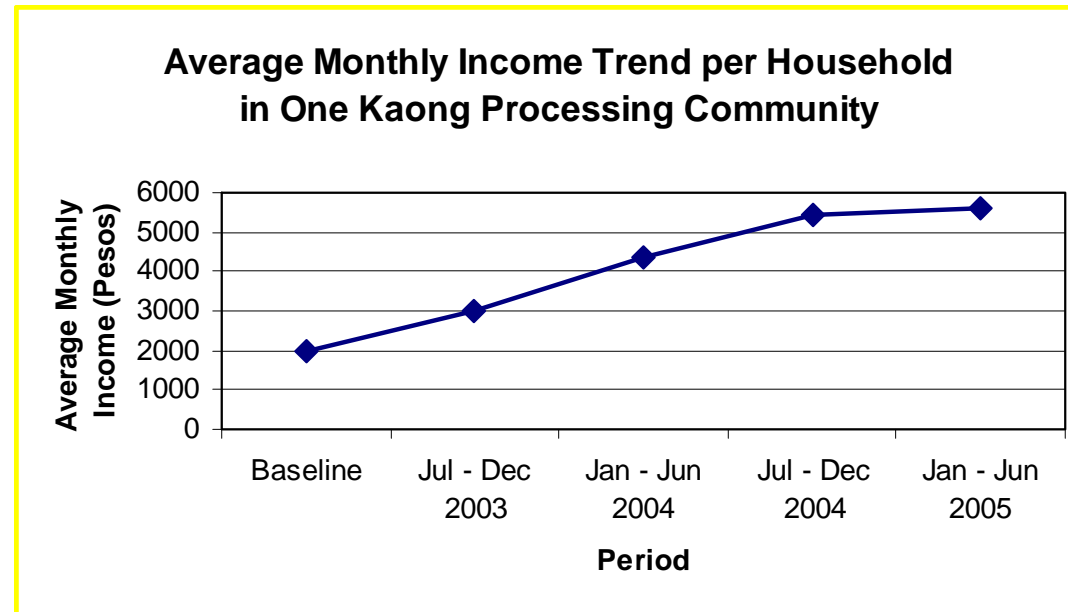
BASELINE	CURRENT
<p>The only kaong processor based in Davao del Sur bought from the villages on an intermittent basis (usually also at peak season). Representatives of Davao-based processors sourced out their semi-processed kaong requirements only when they are desperate for supply</p>	<p>Buyers purchase regularly from the communities.</p> <p>Buyers pick-up products from buying stations.</p>
<p>The barangay assemblers and buying agents engaged in semi-processed kaong trading only during peak seasons</p>	<p>Production and trading of semi-processed kaong has now become a year round activity. This was brought about by orders from processors serving the export markets and institutional buyers like restaurants and hotels.</p>

Progress to Date



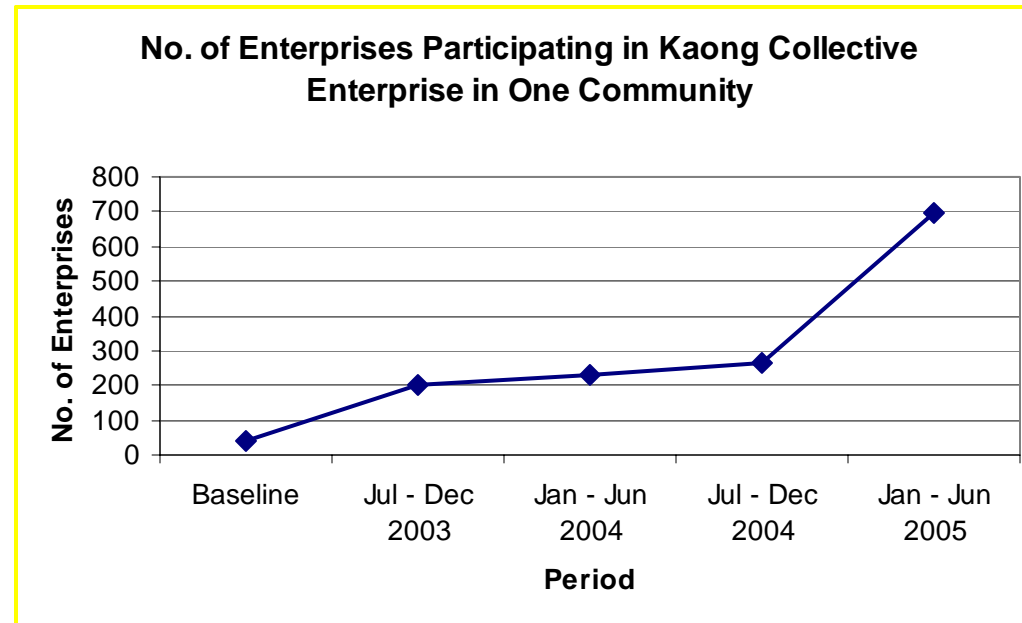
BASELINE	CURRENT
<p>The more established traded product was the raw kaong nut. Trading of semi-processed kaong was in small volume --- referred as the 'Caltex years'. Semi-processed kaong bought by 'small Caltex containers' and not by weight.</p>	<p>Semi-processors and community trading intermediaries are now talking in terms of kilos and tons. Manila-based exporter via buying agent buys 10 to 15 tons every two weeks. Local processors buy average of 10 tons per month.</p>
<p>Buying price of semi-processed kaong ranged from US\$.09 to US\$.12 per kilo</p>	<p>Buying price ranges from US\$.18 to US\$.26 per kilo of semi-processed kaong</p>

Progress to Date



- ❑ **Increasing efficiency, productivity, and product quality** ... Kaong from Davao voted by consumers as 2005 BEST PRODUCT QUALITY in preserved foods category --- nationwide competition.
- ❑ **Income stability:** Whole-year round production and trading of semi-processed kaong and vinegar. Regular orders placed by buyers and increasing demand trend for products.
- ❑ **Increased income and profitability.** On the average, gross household income increased by 150% (from PhP 2000 to PhP 5000). With improved production processes and access to common service facilities, productivity increased and percentage of rejects decreased from 40% to 5%. Likewise, transaction costs decreased significantly.

Progress to Date



- **Biodiversity conservation.** Improved consciousness among communities of the need for biodiversity conservation, which is vital to livelihood security.
- **Preservation cum profitable use of indigenous processes.** Recognition of richness of indigenous knowledge, which is important in perpetuating self-empowerment
- **Better control and access over resources** and markets through collective strength

Progress to Date



- ❑ **Improved access to resources for growth:** Communities have now access to skills knowledge and resources facilitated by development of indigenous capacity for support services delivery anchored on market-based mechanisms to ensure its financial viability. On their own, also apply same approach to other products ... Community-based providers also tapped outside of their communities to conduct training and supply “improved slicing equipment”.