AGRO-ENTERPRISE CLUSTER AND AGRIBUSINESS DEVELOPMENT

I. Introduction/Rationale

As opportunities expand with the development of the agro-enterprise and agribusiness interventions, it is expected that the convergence initiatives will lead to the creation of the LCAs that will ensure food security, enhance access to land, increase incomes, improve productivity and quality of environment and develop self-resiliency of constituents to their communities.

The selection of prime commodities that will be developed into an agro-enterprise and agribusiness is supported by a commodity profile that will establish the scope of production areas that will be covered and the presence of an available and potential market with utmost consideration of its environmental impact. The cluster of commodities will be prioritized based on its market demand, scope of outreach, ranking in terms of regional and provincial priorities and the complementation of the commodity with other resources within the convergence areas.

The principle behind is that ecosystems are inter-dependent and that intervention in one ecosystem will impact other ecosystems. Taking into consideration the existing programs, projects and priorities of the stakeholders in the playing field, the agro-enterprise and agribusiness that will be developed in the LCAs should adhere to the existing laws and policies of the national government, the LGUs and the line agencies who will be the key players of this major undertaking.

The development of an LCA is based on the framework defined through its Comprehensive Area Development Plan (CADP). It—is characterized by the presence of key commodities with potentials for connectivity in each ecosystem. Based on the identified priority cluster commodities and needs of the convergence area, the necessary inputs, activities and interventions are identified. These, should be, in support of the goals of the comprehensive provincial and municipal development plans and must contribute to the protection of the environment, the management of the ecosystem and the development of new lands for agribusiness.
Among the constraints identified in the implementation of the cluster plans, the need of establishing a clear framework and operating systems of the proposed agro-enterprise and agribusiness should be addressed. Thus, this manual/guidelines in the establishment and implementation of an agro-enterprise and agribusiness is formulated.

II. Objectives:

Consistent with and in support with the NCI overall goal of poverty reduction and sustainable development, the main objective of the agro-enterprise and agribusiness development is:

“To expand economic opportunities by increasing agricultural productivity, diversifying agricultural production, and maintaining ecological balance across ecosystems in local convergence areas (LCAs)”.

Specifically, this sector aims to:

1. Establish an ecosystem-based sustainable agro-enterprise cluster and agribusiness development models for replication, expansion and scaling up in LCAs;

2. To strengthen capacities of stakeholders to enable them to adopt and manage agro-enterprises and agribusiness development initiatives effectively and efficiently;

3. To develop and install management systems in the cluster models;

4. Promote agro-enterprise and agribusiness investments that will directly contribute to increased income and job generation;

III. Operational Definitions:

The development of an economic enterprise within the convergence areas is geared towards the development of the industries. Primarily, it should organize and capacitate smallholders transforming them into agro-entrepreneurs. These
agro-enterprises will be clustered and developed into agribusiness activities that will further support the sustainability of the industry.

The following definition of terms shall be considered for the purpose of the agro-enterprise cluster and agribusiness development component:

**Small holders** – refers to individuals or group of individuals involved in small enterprises, to include but not limited to small farmers (agrarian reform beneficiaries, non-ARBs), fisherfolk and marginalized upland dwellers (areas covered by tenurial instruments of DENR/NCIP)

**Agro-enterprise** – refers to a business venture, typically small scale, that can be undertaken either on-farm, or a service that can used to support other businesses. It operates in a defined territory which may be Barangay (village), municipality or group of municipalities.

**Agro-enterprise Cluster** – aggrupation of various agro-related and ecosystem-based enterprise activities

**Agribusiness** – various businesses in food production and farming, contract farming, seed supply, agri-chemical, farm machinery, wholesale and retail, processing or any economic undertaking related to agriculture and fisheries. It is a continuum concept where a conglomeration of agro-enterprises may later evolve or graduate to agribusiness.

**IV. Guiding Policies**

The development and implementation of an agro-enterprise and agribusiness in local convergence areas shall be guided by the following policies for an efficient and effective implementation:

1. **Adherence to triple bottom lines** – the main focus of developing an agro-enterprise and agribusiness shall be on the three major aspects of development: (i) human capital development (which should include mainstreaming of gender concerns); (ii) increasing economic value (with reference to productivity and income) and (iii) integration of sustainable environmental practices.
2. **Promotion of inclusive growth** – which is in line with the national thrust and priorities of PDP, this policy shall attain two objectives: (a) rapid, sustained, broad -based economic growth that creates jobs; and (b) draws the vast majority in the economic and social mainstream.

3. **Primacy of LGU in the integration process** – based on the NCI framework, the LGU shall serve as the integrating and converging force for sustainable rural development and shall be the driver of local convergence initiatives.

4. **Adoption of Value Chain Approach** as the main strategic focus – using this approach, the agro-enterprise and agribusiness development shall follow the following strategies:
   - Adoption of Business Development Services (BDS) to agro-enterprise and agri-business development to help entrepreneurs operate efficiently and grow their business;
   - Adding value to produce (i.e., changing farm practices to access higher income markets, enhancing product quality, incorporating processing activity, etc.);
   - Market-driven enterprise development versus supply-led to identify points for leveraging; and
   - Achieving economies of scale through collective action for production and marketing.

5. **Adoption of Participatory Approach** – which is aimed to sustaining growth of the agro-enterprise into an agribusiness and ultimately into an industry, this approach shall apply the following methodologies:
   - Engagement of individual communities, especially those that are traditionally marginalized and excluded; and
   - Recognize and address challenges to full and effective community participation (i.e., developing enabling mechanisms to foster meaningful engagement).

6. **Adoption of a combination of bottom-up to top-down approach** – where the combined mechanism shall promote horizontal and vertical integration from and among key players in the convergence areas. The bottom-up approach refers to valuing communities’ rights to self-determination that can be achieved through the following strategies:
   - Starting points are concerns/issues identified by community;
• Raising people’s awareness of the range of choices available;
• Promoting the view that the communities do not have the right to oppress other community; and
• Working with conflict within communities

7. **Adoption of fair trade practices and enabling environment to encourage investments** – where the smallholders are protected and benefited of existing trade and exportation taxes and regulations while at the same time encouraging capital influx through foreign investments in the industry

8. **Good Governance, clear accountability and transparency** – which supports the policy of LGU primacy, this policy shall enable:
   • Consistent application of widely accepted best practices for effective performance of mandated functions;
   • Ensure that the stakeholders are responsible for their decisions/actions based on objective assessments and indicators; and
   • Access to information, data, plans, profiles, etc.

9. **Adoption of Community of Practice (CoP)** – where agro-enterprise models should be developed should fit the immediate conditions on the ground and/or should be flexible enough to anticipate and adapt to changing production, market and environmental condition. The adoption of CoP shall strengthen relationships; develop replicable models and provide opportunities for exchanges of experiences and lessons.

10. **Based on legal mandates and contributing policies** - Implementation should consider existing enabling regulatory instruments such as, but not limited to the following acts provided it should be applicable:
    • Presidential Decree No. 389: Forestry Reform Code of the Philippines, 1975
    • Local Government Code of 1991
    • Republic Act No. 7905: Agrarian Reform Communities (ARCs) Development Framework, 1995
    • Republic Act No. 7942: Philippine Mining Act of 1995
    • Agriculture and Fisheries Modernization Act of 1997 (AFMA)
    • Republic Act No. 8731: Indigenous Peoples Rights Act of 1997 (IPRA)
• The Philippine Fisheries Code of 1998
• Republic Act No. 8749: Philippine Clean Air Act of 1999
• Republic Act No. 9003: Ecological Solid Waste Management Act of 2000
• Republic Act No. 9275: Philippine Clean Water Act of 2004
• DAR Memorandum Circular 03, Series of 2006: Intensified Rural Development Through Agrarian Reform Communities (ARCs) Connectivity
• Republic Act No. 9700: CARP Extension with Reforms Law of 2009 (CARPER)
• JMC 01, Series of 2010: Enhanced DA-DAR-DENR Convergence Initiative for Sustainable Rural Development

Part V. Implementation Phasing of Agro-Enterprise Cluster and Agribusiness Development

The development of the Agro-Enterprise Cluster and Agribusiness Development will be undertaken through the MCI/PCI/RCI TWGs in three (3) subsequent stages, namely: (i) Pre-Implementation Phase; (ii) Implementation of Agro-enterprises; and (iii) Sustainability Action Plans.

The Pre-Implementation Phase shall assess the CADP to come up with site specific business plans for agro-investment fora. The Implementation Phase involves the operationalization of the business plans. The Post Implementation Phase shall involve the clustering of agro-enterprises and the formulation of sustainability plans.

PHASE I: Pre-Implementation and
PHASE II: Implementation
PHASE III: Post Implementation Phase

Part VI: Monitoring, Evaluation and Impact Assessment

- initial benchmarking
- Periodic review
- Quarterly: Provincial Quarterly Review
- Semestral: Regional (Review, Assessment and Planning)
- Annual: National
- Reporting system (types and frequency of reports)
- Documentation
PRE-IMPLEMENTATION PHASE

1. **Convergence Area Development Plan (CADP) Assessment** – To prioritize and shortlist the projects to be developed for resource mobilization or for immediate implementation, assessment of the CADP using the following steps should be done:

   - Upon assessment of the CADP by the technical team from the NCI TWG on Agro-Enterprise and Agribusiness, the re-prioritization criteria (Annex A) will be applied.
   - Identification of **enterprise mix per ecosystem** will be done based on the industry analysis (i.e. value chain analysis, supply chain analysis, etc.) for resource mobilization and immediate implementation.
   - For potential agro-enterprise projects with investment commitments, identified partner implementing cooperatives and/or farmers'/fisherfolks’ organizations will be required to prepare the business plan.
   - Shortlisted potential agro-enterprise projects with no investment commitments yet will proceed to project proposal preparation by potential stakeholders with the assistance of the MCITWG/PCITWG.

2. **Specific Site Identification** – This activity shall be conducted to identify the specific projects sites and implementing partner-cooperatives or farmers/fisherfolk’ groups.

   - Conduct levelling and orientation on the conduct of site validation. This is to level off on the parameters that will be considered and to brief the possible partner implementers in the proposed convergence areas.
   - Conduct of site validation and consultation with the community, people’s organization (POs) and other stakeholders in the proposed areas.
   - Finalize identification of project sites.

3. **Development of Capsulized Project Proposals** – To mobilize resources for the implementation of the shortlisted projects with no funding commitments yet, capsule proposals or pre-feasibility studies should be prepared. This is to establish the feasibility of the shortlisted projects to attract the interests of the potential investors/partners.

   - Conduct a Training Needs Assessment (TNA) to assess the capability of the different CITWGs (RCITWG, PCITWG and MCITWG) on project development processes and proposal preparation.
• NCI TWG on Capability Development will conduct the necessary capability building on Project Development, when deemed necessary as per result of the TNA.
• RCITWG to conduct coaching sessions and proposal writeshops. Project proposal formats are shown in Annex C.
• RCITWG will endorse the project proposals to NCI Secretariat.
• The NCI TWG on Agro-Enterprise and Agribusiness will review the capsule project proposals or pre-FS endorsed by the RCITWG.
• Project proposals will then be matched with possible donors or investors.

4. **Stakeholder/PPP Consultation** – This is to present and match the proposal to possible public private partners (PPPs) and business development services (BDS) providers for possible funding and/or partnership.

• Identify possible PP partners/BDS and create a database or partners’ registry.
• Invite the identified PPPs for some initial talks on possible partnership.
• Conduct informal donors’/investors’ forum to present the project proposals.
• Sign Memorandum of Understanding or Cooperation Agreement.

5. **Preparation of Business Plans** – This is to provide a concrete picture of what the planned/proposed agro-enterprise is all about, what are its products, who are the management team and the support groups, how the enterprise will be implemented and sustained, where their markets are, and how much is the financial requirement for the enterprise to run sustainably.

• Proponent POs together with the concerned MCITWG of the identified business enterprise with funding commitment will be required to prepare a Business plan to guide them in implementing the proposed enterprise.
• For the shortlisted agro-enterprises with no funding commitment yet, proponent POs and concerned MCITWG will be requested to prepare a Business Plan for their proposed enterprise for presentation in the Investment Forum for investment and or partnership.

6. **Conduct of Investment Forum** – This is to search for investors and partners to provide investments or financing for the implementation of the identified agro-enterprises in the convergence clusters.

• Call for submission of Business Plans
• Conduct review sessions to assess the completeness and readiness of the business plans.
• Conduct coaching sessions to enhance the Business Plans, when deemed necessary.
• Conduct Investment Forum.
7. **Provision of technical assistance to POs in partnership or market negotiations** – This is to facilitate the implementation of the proposed business enterprise.

- After the conduct of the investment forum, progress of the presented business plans should be monitored.

- The Economic Transformation Team will provide guidance and technical assistance to the POs to finalize the partnership or market negotiations up to forging of agreement.

## OPERATIONS PHASE

There is a business plan, with funding commitments, marketing agreement forged and Economic Transformation Team (ETT) formed. *(ETT will function as Commodity Cluster Support Team composed of representatives from NCI, RCI, PCI, MCI and other agencies concerned)*.

### I. Preparatory Activities

1. ETT to conduct series of consultation/discussion/meetings with POs to review the business plan and marketing agreement.

   1.1. Presentation of business plan to the POs (general assembly). Roles and responsibilities of all concerned PO and partner institutions will be clarified in this meeting. Benefit sharing among PO officers, PO members, enterprise members should be agreed upon.

   1.2. The PO decide how much of the market could they provide.

   1.3. During the consultation, the PO Officers and/or the General Assembly/membership shall decide who will comprise the PO Enterprise Committee. The PO Enterprise Committee will elect among them who will Chair, Co-Chair and Leaders of the production lines/processes. They will oversee the management of the agro enterprise. The specific Committees will also be identified i.e. Operations Committee, Finance Committee, Marketing Committee. The Chair of the PO Enterprise Committee will submit periodic report to the PO Officers and/or General Assembly.

   1.4. The PO Enterprise Committee will be in-charge of the day to day operations of the enterprise. The committee will organize series of meetings to discuss the business plan and prepare specific operations
plan on all aspects of the business plan to include organizational plan, production plan, marketing plan, technological plan, financial plan etc. The committee will present the Operation Plan to the General Assembly and incorporate the suggestions and comments of the PO officers and members.

2. Securing Administrative requirements such as registration of business to local government and DTI, registration of Cooperative to CDA and securing other business related permits from to other regulatory agencies i.e. ECC from DENR, FPIC from NCIP, Authority to print receipts from BIR, insurance from SSS and PHILHEALTH, etc.

3. Resource mobilization. (Given that there is already a funding support). The POs with the help of ETT will follow-up the release of funds. The PO can also mobilize internal resources from members capable of investing in the enterprise.

4. Conduct of Training Needs Assessment to PO Enterprise Committees. Technical assistance will be provided by ETT in coordination with concerned government support institutions. Training on Organizational Development, Entrepreneurial Skills Development, Business and Financial Management Systems will be conducted.

5. Conduct of Test Marketing/ Test Deliveries. (Record keeping and monitoring will be done for evaluation purposes.)

6. Evaluation of Test Marketing. The strategy, schedule, quality standard, procedures and budget will be assessed to follow compliance to the marketing agreement.

7. Conduct of Training / Capacity building (as felt need based on the result of evaluation of test marketing). Technical assistance will be provided by ECT in coordination with concerned government support institutions. Training on Organizational Development


9. Presentation of the revised plan to PO members.
II. Managing the Enterprise

1. Launch the Enterprise. This can serve as a promotional opportunity for the PO and PO Enterprise Committee to let the community and other partner institutions to learn about the enterprise. This may entail conducting a simple program, hanging of billboards, distribution of brochures or flyers, dry run of production process, etc.

2. Actual operation. Ensure that all operational requirements are available whenever they are needed. This may include adequate stock of raw materials, needed financial and equipments, capable human resources at a given schedule of production to produce the desired quality and quantity of the product at a given delivery time.

3. Conduct of regular monitoring. Part of the activities in the regular monitoring of business operations include securing cash flow, monitoring of market situation, continue product development, record keeping, reporting, product promotion, continuous networking and inter-firm linkaging etc.

4. Conduct of regular meetings of POs for the updating of status of business operations, financial status etc.


6. Regular coordination of POs and ECT through meetings and regular field visits of ECT.

7. Conduct of regular monitoring and evaluation of the business operations and the organization.

8. Conduct of Initial Impact Assessment. The immediate effects of the community enterprise on the economic, social, environment, political, technological and gender relations in the community will be assessed.

III. Enhancing the Business Plan

1. This will be done after one cycle of operation and after the conduct of strategic review and evaluation of its operation and conduct of organizational assessment.

2. The POs will prepare the enhanced business plan. To support the enhanced business plan, a capacity building plan will also be submitted by the POs.

3. ECT will be assisting in the technical evaluation of the prepared business plan.
4. If the POs would need to access loan to enhance business, ECT will assist in the process of loan application and in the facilitation up to the release of loan proceeds. If there will be donor agencies, ECT will link them to the POs.


IV. Sustainability Plan Preparation

1. POs will submit sustainability plan after 2 years of operation.
2. POs will hold a writeshop to prepare the Sustainability Plan. This will be based on the Impact Assessment and result of monitoring and evaluation.