



**As part of the Innovation Against Poverty (IAP) Challenge Fund, a number of promising companies have received co-funding and support to introduce or scale up their innovative ideas that aim to address poverty in a market context. Farmers are empowered by innovative partnership models in Cambodia.**

## The business model benefits

Across emerging markets we can find business models engaging with smallholder farmers as co-owners and partners in the value chain<sup>1</sup>, often referred to as “smallholders as shareholders”. These business models improve access to markets, access to financing mechanisms, optimize productivity, increase produce affordability, improve distribution channels and increase access to inputs and technologies. A more innovative variation of this type of business model occurs when several agricultural cooperatives (ACs) group together with other actors within the value chain to create a new joint venture, where member cooperatives are “true” shareholders in terms of commercial share and legal status.

By owning shares, the farmers can exercise influence through their cooperatives over the venture’s activities and directly benefit from the profits, as well as capture a higher share of the added value.

In Cambodia, IAP supported two businesses like this, where a number of cooperatives joined together with other value chain actors, including private sector companies, to form a joint venture. Although models similar to this exist in other countries, this is the first time it was introduced in the Cambodian context. Given the country’s dependency on the agricultural sector, ventures like these can have a broad and significant positive impact on the people working in the sector and the market as a whole.

These two ventures are 1) The Cambodian Agriculture Cooperative Cooperation (CACC) – a venture created by Amru Rice, and 2) Heritage Palm Sugar Co. Ltd<sup>2</sup> (HPS) – a palm sugar venture hosted by Signatures of Asia. The Cambodian Agricultural Cooperative Cooperation, which consists of 25 cooperatives and the Preah Vihear Meanchey Union of Agricultural Cooperative (PMUAC), represents a total of 5,462 farmers, 81% of whom are women. Meanwhile, Heritage Palm Sugar Co., Ltd currently consists of one cooperative which represents 198 farmers, with the potential to include more as operations scale.

<sup>1</sup> Some examples: From smallholders to shareholders: A Guide to Optimizing Partnerships with the Private Sector for Smallholder Impact. Feed the Future Partnering for Innovation, USAID and Fintrac, 2014.  
[https://www.agrilinks.org/sites/default/files/resources/fintrac\\_pimodels\\_toolkit\\_14oct14\\_fin\\_web.pdf](https://www.agrilinks.org/sites/default/files/resources/fintrac_pimodels_toolkit_14oct14_fin_web.pdf)

	CACC	HPS
Private company	Amru Rice	Signature of Asia
Type of produce	Rice	Palm sugar
#Cooperatives	25	1
#Farmers	5,462	198
Export market	Europe, United States and China	Europe

**CACC and HPS in numbers: a quick overview of the two ventures**

In spite of the fact that the two ventures involve different produce – rice and palm sugar their setup is similar. In both cases, the joint venture is responsible for collection, part of processing<sup>3</sup>, packaging, and marketing and distribution of the produce. By fulfilling these roles, the joint venture bridges the gap between the individual farmer and the buyers, where the private sector companies work to secure sales channels and buyers. Heritage Palm Sugar Co., Ltd wishes to include an external buyer within the joint venture, which hopefully can increase trust among value chain actors and expand market share.

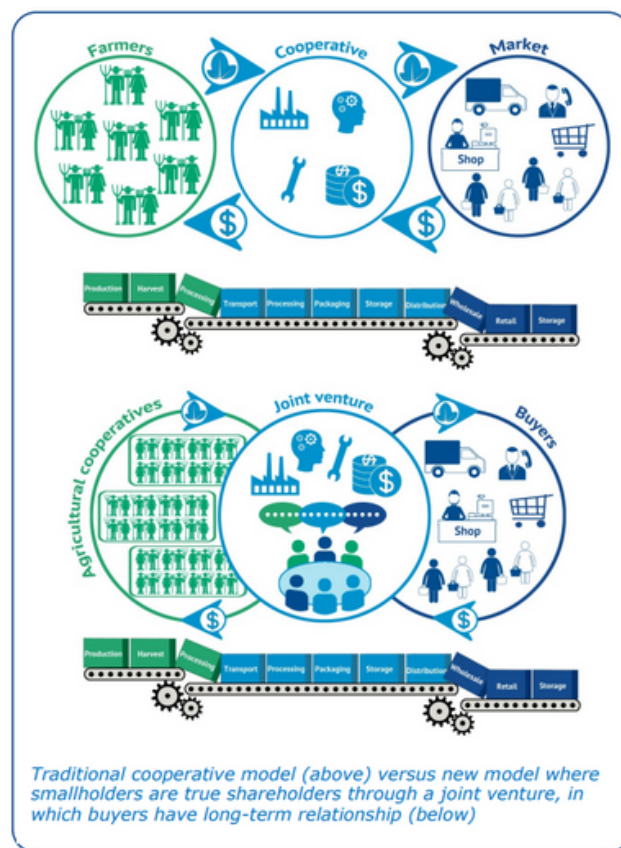
To establish trust in the business model and create incentives for farmers to produce for the venture, the price of produce sold is annually predetermined at several percentage points higher than market price, with adjustments based on the quality of the produce. For example, a farmer with first grade quality rice paddy can enjoy a 30% additional benefit<sup>4</sup> if compared to traditional market's offer. Given the large number of farmers involved, harvested produce are sold to respective cooperatives that later are responsible for selling it through the mechanism of the new joint venture.

Another important benefit of this business model is the access to finance. Both joint ventures offer credit to its members through a revolving fund. In the case of CACC, the revolving fund enables farmers to buy agricultural input (seeds, fertilizers, pesticides), while HPS's revolving fund enables their members to buy equipment, (e.g. cookstoves) for palm sugar processing during the most optimal periods to benefit from higher yields and increased income.

As another example, thanks to CACC's warehouse receipts system that connects individual collection bags to cooperatives and farmers, smallholders can use their produce as collateral to get credit from the Rural Development Bank (RDB) and Micro Finance Institutes (MFIs), who have already established partnerships with CACC. If it is not urgent to sell the produce, the smallholder has an option to receive credit up to 70% of the total costs of produce. In addition, the cooperatives offer services to members such as training on how to increase agricultural yields, training and certification on organic practices, hygiene, quality assurance, provision of collection bags, etc, all to ensure that produce meets market demands and is competitive.

Through improved access to finance, new skills, processing technologies and markets, farmers benefit from greater value chain participation where they are able to further process their produce. The further processing of produce leads to higher profit margins that can be reinvested in the farm.

For CACC, if a farmer experiences a surplus of produce, i.e. manages to harvest more than the required volume agreed in the contract with the venture, the farmer has an option to rent the venture's processing facilities to further process the produce and sell separately. In that way, smallholders can benefit further from entering into this type of venture.



<sup>2</sup> The registration of the Heritage Palm Sugar Co. Ltd entity is still under discussion with an international buyer as of 2018-06-07 and is therefore subject to change

<sup>3</sup> For Heritage Palm Sugar Co. Ltd the farmers currently do part of the initial processing themselves

<sup>4</sup> The 30% additional benefit includes higher price from buyers, price premium for standard quality produce and in-kind value addition (collective purchase and saving on transportation cost)



## Stakeholder expectations

Venture participants have different expectations. The companies expect that this business model will enable sectors to commercialize with improved quality standards and consistent supply. Upstream actors of the value chain benefit from the creation of jobs, increased income and access to finance and information.

Downstream, value chain actors gain more profits from export quality produce, ultimately contributing to current market opportunities being sustained as well as enabling further market expansions. However, PMUAC also expressed some concerns about potentially conflicting role between CACC and PMUAC in representing the voice of the smallholders and the ability of cooperatives to understand the complexity of business practices.

In general, trust has been the most important factor in motivating cooperatives to participate in the joint venture. Mrs. In Sdeong who is the leader of KerLomor Chivapheap Kasikor Cooperative, said that "I trust Amru Rice. We have worked together for 5 years and I experienced that by being able to sell organic paddy to them, the cooperative's members generate better profits of around USD 250-500/season. That said, I am not sure about the future consequence of participating in this venture yet".



Photo courtesy of Amru Rice  
(Cambodia) Co., Ltd

**"CACC is the first Public Private Producer Partnership (PPPP<sup>5</sup>) model in Cambodia. The main goal of this model is to change the behaviour of the cooperatives from simply being the supplier to becoming the entrepreneurs, where they are empowered to learn and lead the company".**

**- Mrs. Khy Muny, General Manager Amru Rice**



Setting up CACC, Amru Rice has given equal opportunity to all cooperatives. The company has communicated clearly about the vision and benefits of being part of a joint venture and the application of first-come, first-served basis.

In spite of these efforts, the cooperatives with prior business experience have purchased more shares in the venture than those with less. As a result, this raises some additional concerns whether all smallholders will benefit and be well represented in the venture since more shares ultimately means more influence.

<sup>5</sup> Public Private Producer Partnership refers to a model which involves public sector (e.g. development banks, relevant governmental ministries), private sector companies and producers (e.g. agricultural suppliers).

Having a recognized private sector company involved in the venture, smallholders also expect that the company can negotiate favourable loans to cooperatives' members with lower interest rates than MFIs. For example, Amru Rice coordinated with the Rural Development Bank to agree to provide loans to all cooperatives contracted by Amru Rice with 0.7% interest rate, on the condition that they have developed a business plan. This external access to funding has proven crucial as financing has been a limiting factor for cooperatives to purchase produce from farmers.



Photo courtesy of Amru Rice  
(Cambodia) Co., Ltd

**“Involving a buyer as shareholder will not only contribute to increased trust among value chain actors, but also increase input and human capital for the new joint venture. Once the business ideas are achieved, social, environmental and economic impact for all will be realized”.**

**- Mr. Chan Pich, General Manager Signatures of Asia**

Prior to having this solution, the funding shortage prevented the venture from successfully supplying the contracted amount of produce to buyers and at the same time has left farmers with a major surplus.

In the case of palm sugar, Kompong Speu Palm Tree Agriculture Cooperative (KAMPATRACO) expects that the new joint venture with SoA will create more jobs in the community, increase market shares and improve quality standards of the products. Heritage Palm Sugar Co., Ltd works with Kompong Speu Palm Sugar Promotion Association to improve quality and ensure compliance with Geographical Indication (GI) standard and buyers coordination.

Also, Mrs So Long, a member of KAMPATRACO said “I can get an advance from the company for buying improved cookstoves and cooking materials. In 2018, I earn around USD 3,600/season, compared to USD2,000/season in 2017 from my 30 organic palm trees. This is thanks to 50% saving of production cost and fixed price that is offered by SoA for powder sugar. Based on my experience, I expect there will be more farmers participating and benefiting from this joint venture”.

## Conclusion

It is important to acknowledge the differences between the two ventures; Cambodia has a long standing history in producing and selling rice, but it has less so in palm sugar. Whilst Amru is looking to secure a steady supply of produce as a competitive advantage, Signatures of Asia is hoping to develop and grow the market for palm sugar – indicating that the ventures will face different challenge. Introducing these types of business model contributes to development on multiple levels: at micro level, where the individual farmer benefits from increased income and investment potential; at meso level by strengthening the venture through pooling of resources, productivity gains and export possibilities; at macro level, where this type of model may impact the sector and thus, change farmers' influence in the industry and economic standpoint in society.

SNV is a global development partner deeply rooted in the African and Asian countries where we operate. With 60 years of experience and a team of approximately 1,600 people, we strengthen capacities and catalyse partnerships that transform agri-food, energy and water systems. Working on the core themes of gender equality and social inclusion, climate adaptation and mitigation, and strong institutions and effective governance, we tailor our approaches to different contexts to achieve large-scale impact and create sustainable and more equitable lives for all.

### For Further Details

Ignacio Blanco, Multi Country Programme Manager, [iblanco@snv.org](mailto:iblanco@snv.org)  
[www.innovationsagainstpoverity.org](http://www.innovationsagainstpoverity.org)  
[www.snv.org/project/innovations-against-poverty-iap](http://www.snv.org/project/innovations-against-poverty-iap)

