Group 1

Inclusive Business Model in Cambodia: Case Study on Vegetable

Dr. Oum Sothea, Asia Growth Centre, Ngee Ann-Adelaide Education Centre, Singapore

Neak Samsen and Phok Rathak, Nuppun Institute for Economic Research (Nuppun), Cambodia

Vegetable is very important for Cambodia and smallholder farmers

- Vegetable is the third most important diet of Cambodians after rice and fish.
- Cambodia’s total vegetable consumption is estimated at 1.35 million metric tons per year and only 31% are domestically supplied. The rest are imported from neighboring Vietnam and Thailand
- The production of vegetables is dominated by smallholder farmers with limited resources, low level of education, and poverty prevailance.
- Vegetable producers heavily rely on favourable natural conditions, using traditional farming techniques.

Vegetable Business Model: CEDAC's Natural Agri-Product Cooperative (NAP Shop)

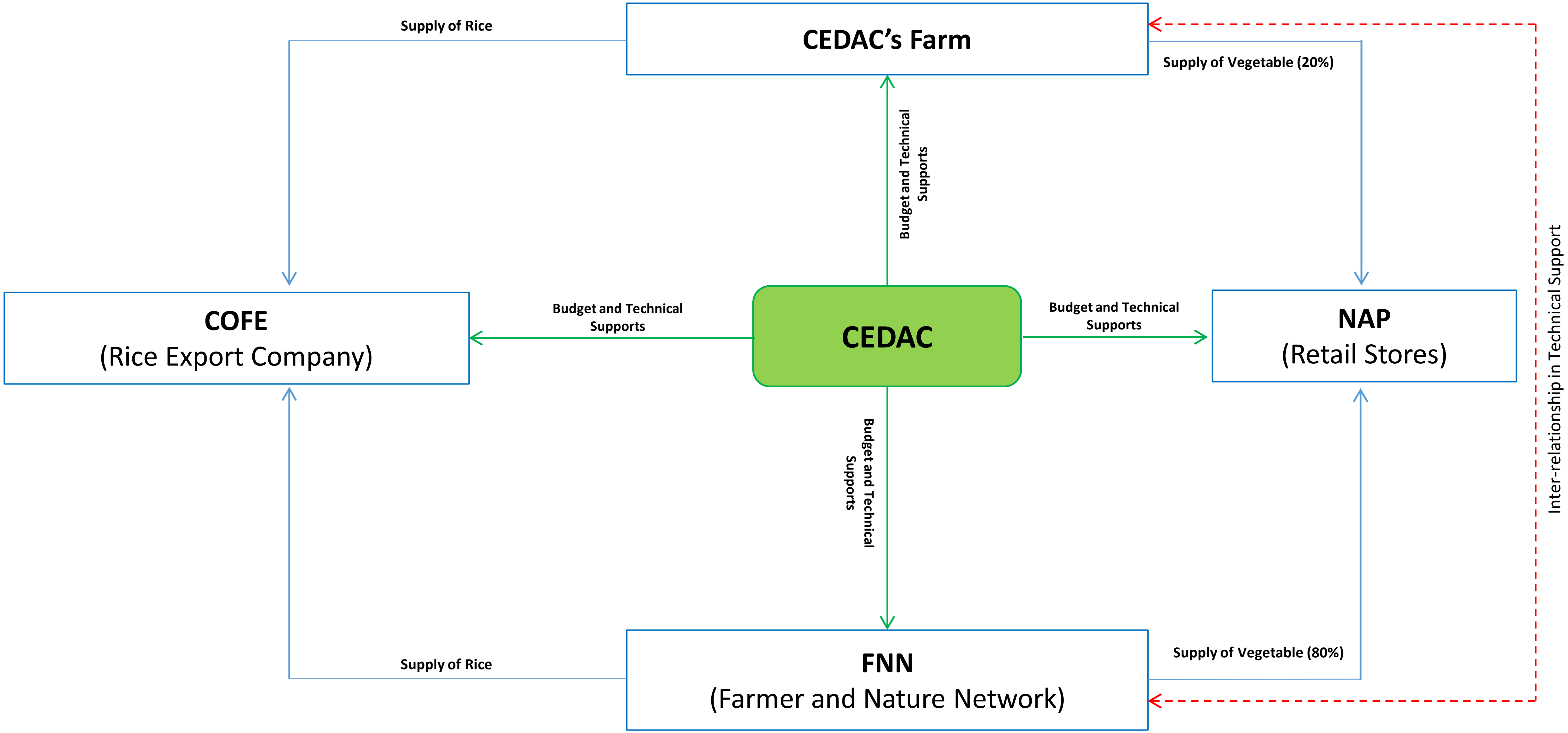
- **Business objective and scope**
  - Started in 2004, donor's investment, promoted domestic organic products
  - Provide safe and high quality vegetables to market ('social' purpose)
  - Enable smallholders to increase income through market opportunities

    - Provide market access

    - Upskill smallholders to improve productivity

    - Improve community resource use (farmer networks)

CEDAC NAP Shop – Value Chain and Players



Drivers in Developing and maintaining the Business

- Chain captain - NAP Shops (retailers) - marketing co-op
  - Private and profit orientation
  - Distribute profit to smallholders
  - Grow market share and make the business a unique retail model and profitable
  - Brand value – ‘Seal of Approval’ on product quality and reputation
  - Application of ICT – online e-commerce
- Smallholders
  - More profitable market
  - Higher household income
  - Opportunities to get involved in downstream
  - Upskilling

Success Factor

- **Success indicators**
  - Smallholder livelihood
  - Consumer access to ‘safe’ food
  - Creation of demand for smallholder products
  - Sustainability
- **Competitiveness**
  - Higher productivity
  - Sustainability
  - Business expansion potential
- **Smallholders inclusiveness**
  - Ownership – joint-venture, shared resources
  - Voice – favorable and fairer price bargaining position
  - Risk – shorten the supply chain (reduce dependency on middlemen/price fluctuations)
  - Reward – market access, profit sharing, and higher, stable income

Role and Contribution of Key Players

- Key players
    - Smallholder farmers, Farmer networks, CEDAC NGOs (training, technology, extension services and quality control), and NAP Shops (processing, marketing, and distribution)
    - Limited role of government
- Important role
    - NAP Shops and CEDAC NGOs (chain captain) - providing the training modules and activities (farming techniques, financial support, market information, market access and networks/linkages)
    - Smallholder farmers – adherence to production and quality standards

Challenges in Developing and Maintaining the Model

- **Consistent and reliable supply**
  - Quality a critical factor (CEDAC staff train and inspect in quality control)
  - Quantity – responsive to meet growing demand
- **Cost of quality control is an issue**
  - Once expansion happens can they maintain quality control (CEDAC is subsidizing quality cost (15% of profit from NAP))
  - Possible role of government - No standard for organic – It is defined by CEDAC
- **High cost of production vs conventional and imported products**
- **Access to finance**
- **Improve technology and Innovation capability**
- **Formal Business transformation** – improve business management capability

Final Words

- More proactive role of the government – beyond basic infrastructure
  - Extension services
  - Technology and finance support
  - Affordable standard and certification services
- Scale up of the business
  - Roll out to wider parts of the country
  - More participation of smallholders
  - Explore Innovative Business Model (PPP like the case of Taiwan)