

MEETING REPORT  
Cambodia Postharvest Learning Alliance

**Business Forum: Loan products and Banking Services for the Postharvest Rice Sector”**

16-17 June 2012

Kampot Province, Cambodia

<b>Title</b>	Business Forum: Loan products and banking services for the postharvest rice sector
<b>Location</b>	Kampot Province
<b>Duration</b>	1 day (in the afternoon of 16 <sup>th</sup> and in the morning of 17 <sup>th</sup> of June)
<b>Objectives</b>	<ul style="list-style-type: none"> <li>- Increase awareness of loan products and services offered by micro-finance institutions (MFIs) to support adoption of improved postharvest technologies and entrepreneurial business models.</li> <li>- Facilitate learning and exchanges of information amongst farmer entrepreneurs, rural service providers, rice processors, technology suppliers, policy-makers, government agencies, and financial representatives regarding industry opportunities and needs.</li> <li>- Discuss ideas and possible next steps for developing actor-specific business plans and links to loan products, banking services, and information from MFIs</li> </ul>
<b>Methodologies</b>	<ul style="list-style-type: none"> <li>- Presentations and question/answer</li> <li>- Group Discussion</li> </ul>
<b>Event Coordinators</b>	<ol style="list-style-type: none"> <li>1. Dr. Meas Pyseth (MAFF)</li> <li>2. Mr. Alfred Schmidley (IRRI)</li> <li>3. Mr. Sorn Vichet (MAFF)</li> <li>4. Mr. San Sovann (MAFF)</li> </ol>
<b>Participants</b>	37 participants including: 6 representatives from 3 local micro finance Institutions (MFIs), namely AMRET, ACLEDA and PRASAC; 6 cooperative heads, 12 key farmers, 5 Provincial Dept of Agriculture (PDAs) reps, 2 MAFF reps from the Dept of Ag Extension and Dept of Agricultural Machinery, respectively, 2 private sector rice processors, 4 MAFF Dept of Int'l Cooperation representative, 1 IRRI Postharvest specialist
<b>Outcomes, evaluation and other remarks</b>	<ul style="list-style-type: none"> <li>• <i>Opening ceremony</i>: Alfred Schmidley, IRRI business model specialist and Mr. Chan Chesda, Kampot Head of Provincial Department of Agriculture (PDA) opened the event. Mr. Chan Chesda welcomed participants and thanked IRRI for selecting Kampot Province as project target site and hopes to receive continued support or extension of the Project especially as farmers are now becoming increasingly aware and interested in postharvest technologies as a result of the Project's Learning Alliance activities as they face losses from harvesting, drying and storage problems. He said he's observed firsthand that farmers in the Project's target sites have more paddy and of better quality to sell. To scale out, farmers need more cooperation from development partners, the private sector and financial institutions. Banking institutions should simplify procedures. Mr. Chan added that ACLEDA will handle an IFAD budget of USD 40 million in collaboration with PDAs.</li> <li>• Mr. Schmidley welcomed and thanked everyone from all the various sectors, MAFF for their cooperation and support to organize the event, and acknowledge ADB and SDC donor support for the event. The International Rice Research Institute (IRRI) has been involved in Cambodia for many years. But the last 3 year phase of the rice</li> </ul>

Postharvest Project has seen technologies piloted and verified in a business model context for scaling out with actors. As business models and actor-specific business plans are key to scaling out adoption of improved PH technologies, however, this requires integration and collaborative approaches with different stakeholders for sustainability and success. Thus forum is for everyone to share experiences and raise ideas, to go especially how banks and micro-finance institutes can be linked to farmer entrepreneurs and other actors for developing improved enterprise models for technologies that reduce PH losses and generate income earning opportunities. Working together can help realize these opportunities while mitigating risks.

- *Presentations*: Dr. Meas Pyseth introduced plenary schedule for the forum, project objectives, target sites and Learning Alliance activities that have tested, verified, and piloted as business models improved technologies for reducing postharvest losses and raising farmer incomes, such as increasingly widespread adoption of combine harvesters, mechanical flat bed dryers, hermetic storage, etc. Moreover, rice yields are increasing as is demand for quality milled rice in markets. Pre-harvest activities have been supported by many projects and Government agencies but activities for addressing postharvest challenges have been comparatively low despite high physical losses and losses in quality due to lack of knowledge of best practice and limited postharvest processing capacities in-country. Recognizing this, more and more agricultural projects are starting to address needs in the postharvest sector. To scale out improve postharvest technologies, we have to bring financial institutes closer to farmers, traders, millers and service providers. The second presentation was made by Mr. Alfred Schmidley highlighted the need to integrate stakeholders from the various sectors to support adoption of technologies, simply focusing on component technologies and demonstrating them is not enough. IRRI promotes “4 pillars” to postharvest technologies 1) technologies, 2) multi-channel extension, 3) business models, and 4) multi-stakeholder platforms (e.g., learning alliances). Different stakeholders have different roles. Better integration and recognition of needs of farmers and technology adopters is important and awareness of benefits must be recognized and rewarded. As technology is almost always adopted in a business model context, multiple actors are involved. This is an area where MFIs can play an increasingly important role supporting actors with sound business cases. A third presentation made by Mr. Sorn Vichet built upon the above by explaining the purpose and uses of a business plan. As an example, a business plan for contract drying services was presented as a new model for farmer entrepreneurs pilots in Battambang. The business plan was developed by the Balat Meanchey Farmers Cooperative in Battambang Province with assistance from the Learning Alliance. It serves as an example for participants who wish to establish improved postharvest enterprises and making a “business case” to attract a loan from banks, MFIs, and other investors. MFIs were invited to evaluate this business plan further as a framework so joint approaches could be developed.
- *MFI Presentations*: The 3 MFIs offer various types of loan products and banking services, many of which are not familiar to most farmers. ACLEDA has several loan products such as the micro-loans, small loans, medium loan and large loans for clients who are in

business or new entrepreneurs. ACLEDA has also provided loans to people who wish to buy combine harvesters, something we need to explore further. Mechanical dryers may be next important emerging opportunity. PRASAC offers various products and services such as transferring money, banking and interest bearing accounts, loans for start-up businesses, houses, etc. They provide micro-, small-, and medium-, and large size loans up to USD 50,000 for 4 years with 16.8%-19.2% per year interest. They also offer a special low-interest loan for farmers who want to build household bio-digester, these are 2-year loan with 14.4% per year interest in cooperation with the National Bio-digester Program (NBP). AMRET offer similar size loan products as the others but seems to have more farmer clientele. They also offer banking services with interest-bearing Happy, Goal and Wealthy Accounts. There have more than 290,000 clients with 22% of total market segment by number. (This, however, still leaves much room for growth in the MFI sector for farmers.)

- *Group discussion:* Participants were very active in the forum, expressed interest in the various topics and speakers, and openly engaged many questions during the group discussion session.
- *Mak Moeun from Takeo Province:* How can big rice producer like Battambang Province with over 300,000 ha dry wet paddy if only some small dryers are used? What can other areas do if they produce fewer varieties, especially aromatics, if dryers are only in Battambang? *Answer:* different technologies for different needs and players will spread and need to be adapted according to the real business situation. The main point is to raise awareness and guide installation and introduction of the technology properly. Different types of dryers available in different models and sizes and types. Large millers may use more expensive types, smaller actors and farmers others. We need to promote awareness of technology options and new business models for sustainability in scaling out..
- *Key farmers in Kampot Province:* When harvested, the moisture content of paddy is over 25%. If dried, paddy weight is reduced thus the price of selling wet paddy may be comparatively better. More crops and more cropping seasons per year means wet grain needs to be sold immediately upon harvest because no means to dry and handle. *Answer:* Of course, if the selling price for wet paddy is more favorable to farmers then paddy should be sold upon harvest especially with no means to dry. However, the situation may be changing and at least some buyers may want high quality dried paddy. Now, many local millers realize freshly harvested and immediately that is mechanically dried gives higher milling and head yields (used to be 40% but now 55%), thus may offer better more favorable prospects to some farmers (who also need to stored dried paddy and seed for their own use). One example is millers nearby to the flat bed dryer in Balat Village, Battambang Province described in the business plan, they prefer paddy dried in the dryer and offer better prices.
- *Nget Sophal, Kampot PC:* Farmers have to rush to sell wet grain since they need to pay back loans. In the future, as they get richer, they may have more money and will think about handling it differently for a better price.
- *Nou Kimsean:* every player needs to play a better role to realize RGC policy in export milled rice. In turn, the government should help with better irrigation, infrastructure, and simplify export procedures. We

have to use dryers, have to be independent, apply local knowledge and understand capacity. This is very important. The “4 pillars” presented by Alfred need to be considered to be successful in adopting technologies as part of new business models.

- *Dr. Meas Pyseth's Answer:* Some points are beyond our project timeframe and capacity. But we hope to reach policy-makers if peoples keep to raising these pertinent issues. Around Balat village, traders offer better prices for grain dried with Farmer Savooun's dryer, so many stop selling wet grain. Note the Project does not advertise any product or technologies for specific companies, but introduces, tests and validates them, offers technical support and training. People can then make their own choices. *Alfred:* The project can add value to this process further by raising awareness amongst different stakeholders about technology options, conduct training and learning activities, analyze performance and benefits for dissemination and scaling out.
- *Mak Moun from Takeo Province:* What are the typical loan periods, pay back methods, and interest rates? What does the bank do if there's unforeseen disaster (e.g., flooding, drought, etc.)? *Answer:* It depends on buyer's situation/business and loan sizes and terms. Before giving loan, bank agents come to study and explain details to individual loan recipients. Smaller and shorter loans may be provided in the more disaster-prone areas, said bank agents.
- *Nou Kimsean:* Are there any differences with loans for different business uses, like building a warehouse or dryer or buying grain? *Answer:* The interest rate is the same but depends on perceived risks, loan size, and period. Collateral can include properties or amount of grain being stored. The later has to be paid accordingly when sold step by step.
- *Nou Kimsean:* Can banks simplify procedures like for the National Bio-digester Program (NBP). *Answer:* no, the National Program Supported by big donors who provide subsidiaries and favorable terms.
- *Dr. Meas Pyseth:* Why group loans may be smaller than individual? And why do big banks give lower interest rates for saving? *Answer:* Group loans may be for poorer people, if they fail to pay back, others will be responsible so the loan may be very small. Banks give interests rate for bank account saving but charge higher interest for loans so they can make money. In Cambodia, people's still like to keep money at home and banks now try to attract it since they need money to grow.
- *Alfred:* what we should do next? Ideas? *Banks' answers:* We need to report and consult with our bosses and we'll spread this *information* and knowledge what we've learn at the forum to other colleagues.
- *Alfred:* The Learning Alliance may be able to help reduce risks to both prospective loans recipients and loan providers by helping actors develop actor-specific business plans for articulating their individual business cases. The LA can also provide technical assistance and training to early adopters. It is the very good way to go if we want to solve postharvest problems - everyone's benefits at the end. He thanks everyone for their very active participation and will consider what will be next with these ideas and we need surely to meet again perhaps with higher-ups in MFI regarding their own marketing and training strategies for loan products.

**Conclusion from Dr. Meas Pyseth:** today we heard and learned about

	<p>the IRRI <i>postharvest</i> project, problems related to losses, needs for better management with improved technologies, business models, loan products and bank services and <i>procedures so we</i> are getting closer. Awareness is the most important. The Project tries to create opportunities like this forum, to understand each other and who should do what in order to collaborative solve our problems and leave good things for next generations. Project has made 25 years shortcut by copying dryers from Vietnam, a visiting VN expert recently said. The Project is to help make sure that technologies are properly built, chosen and used sustainably. Cambodia has been seen as having high potential in helping feed the world. Banks normally assure peoples with trust. More detailed information needs to be sought by approaching them. We only had 2 half days so it is too short to solve everything in mind. We need to build local capacity if we want to realize the government policy and improve livelihoods. Apology for any inconvenience using the weekend, but we are all considered as friends and brothers and can meet in weekend to say hello and discuss what we should do to improve our living. Be proud we all can contribute to helping communities, farmers, and develop our country.</p>
<b>Ideas &amp; Next steps</b>	<p>One more forum will be held in mid-August in Kampong Thom or Prey Veng Province.</p> <p>Proposed budget for 2 more events – perhaps modified activities with MFIs to go further in linking resources, training and learning activities, for business plans/new enterprise models.</p> <p>Publish our project document in MAFF and advertise how we can help borrowers and prospective entrepreneurs with business plans and technical matters for adopting improved PH technologies. We should also communicate with the top management of the finance institutions and suggest we can collaborate to help the borrowers understand and use a business plan and technical training support needs.</p>

## 2. List of participants

No.	Name	Title	Organization
<b>I. MFIs</b>			
1	Doeun Phanny	Manager of Marketing	ACLEDA
2	Keat Houy	Manager of Credit	ACLEDA
3	Ek Pyseth	Vice director of branch	AMRET
4	Seum Samoeun	branch director	AMRET
5	Sao Samboeun	Representative	PRASAC
6	Yon Sam Ang	Vice director of branch	PRASAC
<b>II. RICE MILLERS</b>			
7	Nou Kimsean	Owner	Rice miller in Pursat Province
8	Lim Thavy	Owner	Rice miller in Pursat Province
<b>III. MAFF</b>			
9	Sun Try	Staff	Depart. of Agricultural Extension
10	Chea Sovanndyna	Staff	Dep. of Agricultural Engineering
<b>IV. PDAs</b>			
11	Chan Chesda	PDA Head	Kampot Province
12	Ouch Chanbopha	Provincial Counterpart	Kampot Province
13	Nget Sophal	Provincial Counterpart	Kampot Province
14	Kim Saman	Provincial Counterpart	Kampot Province
15	Vay Savann	Provincial Counterpart	Kampot Province
<b>V. Cooperative</b>			

16	Mak Moeun	Cooperative Chief	Bati District, Takeo Province
17	Chheum Thoeun	Cooperative Chief	Bati District, Takeo Province
18	Chin Mean	Cooperative Chief	Takeo Province
19	Minh Chhin	Cooperative Chief	Kampot Province
20	Hakk Meng	Cooperative Chief	Kampot Province
<b>VI. FARMERS</b>			
21	Ou Net	Key farmers	Koh Pdao Village
22	Sok SreyNang	Key farmers	Koh Pdao Village
23	Prakk Kheang	Key farmers	Treng Village
24	In Nov	Key farmers	Treng Village
25	Ka Nam	Key farmers	Tuol Krasang
26	En Hen	Key farmers	Tuol Krasang
27	Nhanh Phath	Key farmers	Prey Tonle
28	Puos Savoeun	Key farmers	Prey Tonle
29	Seng Son	Key farmers	Prey Pruos
30	Bak Sok	Key farmers	Prey Pruos
31	Min Keo	Key farmers	Koh Takauv
32	Om Sem	Key farmers	Koh Takauv
<b>VII. Project Team</b>			
33	Meas Pyseth	Consultant	IRRI/MAFF
34	Sann Sovan	Consultant	IRRI-Project
35	Sorn Vichet	Consultant	IRRI-Project
36	Sorn Sophoan	Assistant	Dep. of International Cooperation
<b>VIII. IRRI</b>			
37	Alfred Schmidley	Value Chain Specialist	IRRI