

Case Study

ARISE Fund for Milled-Rice Business Improvement

Cambodia economy is relied on the agriculture production, especially rice production. 83% of the population are farmers. The main crop is paddy. There were many milled rice companies export paddy and milled rice to ASEAN countries, European Union, China, and other countries. As of March 2022, milled rice export reached 170,539 MT. estimate to USD145 million, an increase of 11.0% compared to the same period last year. China continues to be the main destination o milled rice exports (52.0%), followed by the European Union (28.0%), ASEAN countries (10.2%) and other countries (9.9%) accounting for the remainder (quoted from world Food Program, March 2022).

Agriculture Cooperatives/Farmer Organizations (ACs/FOs) were the paddy collectors for those private milled rice companies for export. In applying paddy collecting roles, ACs/FOs had big challenge the shortage of funds and warehouse. ACs/FOs did best to access to public and private credit services, but they could not afford them because of high interest rate. This made ACs/FOs loss of economic benefit for ACs/FOs development as well as farmers' income generation opportunity.

Mrs. Khoun Sey, chairpersion of board of director of the Farmer and Nature Net Association (FNN), and leaders of ACs/FOs proposed FNN to look for other credit services that they can afford them. Fortunately, FNN received Assuring Resiliency of Family Farmers amidst COVID-19 (ARISE-Farmers) project from Asian Farmer Association for Sustainable Rural Development (AFA) for providing revolving funds to ACs/FOs to buy agriculture commodities, especially paddy from their members.



To make sure that the ARISE's revolving fund scheme was effectively operated, FNN formed a revolving fund management committee of five people to manage ARISE revolving fund scheme and set up criteria for funding ACs/FOs and revolving fund formality such as timing of requesting for ARISE revolving fund is very crucial for ACs/FOs to operate their business on time and follow the schedule of activities, ARISE revolving fund should be mainly disbursed to ACs/FOs that are working on Organic Rice/Products within contract farming with private sectors., and private sectors would create and sign on the "eating funding agreement" with National Implementing Agency (NIA) and guarantee to reimburse the amount of ARISE revolving funds requested by ACs/FOs to NIA. After that, FNN conducted dissemination workshop to orient ACs/FOs to ARISE's funding scheme including funding criteria. The committee received the requests for funds from ACs/FOs. The committee conducted assessment of ACs/FOs who submitted fund request for releasing funds. The committee regularly followed up the use of revolving funds and informed them for revolving fund reschedule. FNN also facilitated private sectors that bought products from ACs/FOs to quickly proceed payment to ACs/FOs.

After participating the orientation workshop, Mr. Mao Sarim, Leader of Kraing Leav AC, was interested in the ARISE revolving funds scheme. He submitted the request to FNN's committee for funding. FNN assessed the request and released USD 30,000 of revolving funds to him for purchasing organic rice and conventional rice. As a result, Kraing Leav could afford buying 170 MT of organic rice and 20 MT of conventional rice from 244 AC's members/households.

The AC members sold organic rice to their AC got more profit of USD 2,125 than sold to middlemen. In accordance to the contract farming, the AC sold 25 MT of organic rice to AMRU company go additional profit of USD 625. With the rest paddy, AC produced milled rice. To make more profit, AC sold milled rice and other commodities such as free-range chicken, vegetable and pork to different 6 markets channels such as Udom Rice, Sna Dai Mie, Krovann, Koh Pich, Toul Pong Ro Market, and union market. On the other hand, this such business provided the job opportunities to eleven local people to earn additional daily income around 2.5 USD per day per person. And AC members who involved in vegetable, chicken and pig production also received benefit from by-product of rice from this business such as broken rice, rice husk, and rice bran. Being this, producers were able to purchase the pure and quality by-products with lower price than local markets round USD 0.05 – USD 0.075 per kg which contributed to deduct their cost of production. The members were very appreciated and happy with effort of AC committees since they received payment of rice immediately while in 2020, they waited for 20-30 days after selling rice to AC. Being this all-organic rice producers committed and strive to scale up the organic rice field and produce with good quality to sell to AC as well as AMRU Rice next years. Many shops in Phnom Penh and Kampong Chhnang provincial town sold organic agriculture commodities. This made consumers satisfy and healthy.

The factors that facilitate the revolving fund scheme successful are a) make ACs/FOs aware of the set criteria to get revolving funds; b) AC committee itself is either important player in mobilizing farmers to form as the producer group, communicate with private sector and public sector as well as with development agencies to support them in term of technical, knowledge, experience, business concept and perspective and so on; c) FNN as development agency is the coordinator to drive the needs of private sector to meet the supply of ACs/FOs and play an important role in supporting ACs/FOs in term of logistic, technical and experiences; d) public sector that focus mainly to Provincial Department of Agriculture, Fish and Forestry (PDAFF) as well as local authorities (Village Chief and Commune Council) is the power actor in supporting and promoting farmers in their target to join together to ACs/FOs in order to strengthen the collective of small households to negotiate with private sector; and e) the private sectors have commitment to buy the commodities with contracted amount and premium price which drive the ACs/FOs members and committees confident and commitment to produce the quality commodities as well as mobilize the resources from in-side and out-side to accomplish the objective of contract farming completely, in the reality of implementation, ACs/FOs will be responsible in payment to producers at the moment of selling products with premium price by using the ARISE loan while the private sectors reimburse to ACs/FOs follow the contract farming, and then ACs/FOs reimburse to NIA anyways.

Meanwhile, the revolving fund scheme also met difficulties such as the milled-rice business is like a kind of long process operation, thus the period of ARISE revolving funds in term of 4-5 months is not enough qualified period to generate cycle completely. This kind of business needs time to buy, to stock, to dry, to mill, to package, especially to sell the rice with proper price to markets or customers. Herewith, all markets will compensate rice price to FOs after 14-30 days of receiving rice, thus collecting the cash from customers to reimburse ARISE revolving fund scheme in above period is very challenge for FO committees. In order to reimburse ARISE revolving funds on time, the FO committees decided to postpone fund disbursement for a while to FO members that caused some members unhappy and complain to FO that "small loan but no ability". Since the process of ARISE revolving funds disbursement need approval from the committees of FNN was a bit long, around 30 days, thus it caused a bit missing for FOs to collect paddy from 20 members around 20 matrix ton.



However, we obtained experiences and lesson learned as follows: Transferring ARISE revolving fund scheme from NIA to FOs was made in revolving fund service (USD Account to FO Account). Thus, in order to avoid losing profit (Exchange Rate and Service Fee) during the reimbursement, FOs must create a USD account (ACLEDA Bank Account) before request revolving funds from NIA. All FO committees would be well understood the ARISE revolving fund perspective, and qualified to access the funds before making decision to request the revolving funds. Being this understanding, they could be confident to manage the funds effectively and particularly able to reimburse on time. All required documents for revolving fund disbursement should be prepared as a rolled-model in advance and should be clearly explanation to FO committees to fill up before and after fund request. Supporting FO to develop their Business Plans that can assist NIA to seek about the ability of fund management of FO. It either helped NIA to catch well their business process and concept as well as fill up the weakness of FOs and guide them the risk management to make sure the profitable business and revolving funds returnable. FOs evaluation should be done before fund disbursement. The evaluation should be focus on FO management structure, management style, fund history, market segment, cash flow in and out, risk management. FO Business Plan would be supported by Business Development Officer (BDO) and fully participated by FO Committees that could be provided each other deeply understanding the whole process of business and responsibilities of relevant stakeholders in the business. Regular filed follow up and support every two months with monitoring and evaluation sheet to measure business progress such as number of FO member sold rice, amount of bought rice, amount of milled rice, number of clients, cash flow (in and out), account payable and receivable (AP&AC), and Profit and loss of the business. However, FO needs and concern would be expressed in the record. And in this such similar business, FOs can get two or three sequent sessions while the second one would be based on the first session evaluation.

To improve the revolving fund scheme, we would recommend that a) the period of revolving funds should be longer than 4 months or based on the type of businesses of ACs/FOs. Otherwise, they cannot complete the business cycle and will be difficult to return revolving funds; b) funds or grant would be scaled up more than 200,000 USD and low administration fee so that they can saved capital for maintaining the existing business as well as enlarging future business; c) Funds or grant using policy or procedure should be participatorily designed and orientated to implementing agencies in order to build good partnership; and d) funding agencies should conduct field visit quarterly or yearly to evaluate the performance of the implementing agencies and share constructive comment with them.



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