

Terms of Reference

Company assessment BP-Farm Agri-Cooperative (8440)

"Company assessment BP-Farm Agri-Cooperative (8440)" is an assignment within the framework of project 17at-7022 "Vietnam - Scoping missions and assessments 2017" in Vietnam. This company assessment is a follow-up of the scoping mission in Jan 2017 of Harm Haverkort and Tuong Phi Lai.

The Agriterra business Advisor responsible for this assignment is Luc Groot. He is involved as business advisor of Agriterra in Vietnam. In case of changes in the assignment and/or programme the business advisor has to be consulted immediately.

Background

The Binh Phuoc Agri-cooperative (so called BP-Farm) established in Jan 2017, with 412 cashew growing members (1.000 ha, 7.200 tons); in district levels, but potential to expand to 1000 members or more by 2018; produce integration farm (cashew, pepper, coffee and chicken)

The structure of the BP-FARM is clear (412 farmers, three companies including Son Thanh processors and exporters; twelve factories, twenty collectors); working capitals of 100 bill VNDs; the min-membership fee is ten mill VNDs (1st payment only); ten first founders; BP-FARM has five paid staffs

The BP-FARM is a model of cycle value chain on hold, members of COOP incl input providers (Son Thanh), bio-fertilizer company; collectors, factories, processors, exporter) - this is very unique in Vietnam and many other countries.

BP-FARM has by-law and economic development plan, value chain, and certification focus and strongly supported by BP authorities.

The BP-FARM is clear on what they expected from Agriterra such as Governance empowerment, organization management, HRs, financial management, value chain (buyer-supplier linkage), access to finance but they also expect Agriterra to support technology application (e.g. integrated farming systems of cashew, coffee, pepper in the same farm)

Agriterra

Agriterra is a development agency founded and steered by the farmers' organisations and agricultural cooperatives in the Netherlands. Its mandate is to strengthen producers' organisations worldwide. Among other activities it supports co-operative farmer-led economic development in developing countries. Agriterra mainly acts as a facilitating agency and provides advisory and broker services to farmer-led business initiatives to enable them to:

- develop sound and bankable business plans for starting-up new agribusiness ventures and/or expanding existing ones
- improve their financial management capacity
- have access to capital
- rely on technical support and backstopping
- better ownership by members and governance in the organisation.

For farmer-led business initiatives, Agriterra specifically supports business development services in the pre-investment phase such as feasibility studies, market surveys, business planning and capacity building components. In addition Agriterra provides:

- brokerage services to link farmer-led business development initiatives with investors, banks and other primary and supportive stakeholders in the value chain.
- advisory services often employing AgriPool advisors: experts stemming from co-operative and private agribusiness companies from the Netherlands and beyond with a specific thematic or sector expertise

Agriterra does not fund purchase of premises, machinery and other types of hardware.

Background of the situation and problem statement

BHAG of the organisation (Big Hairy Adagios Goal)

The BP-FARM has a good ambition (increase 20% members per year), and commit sale at least 40% total harvest for the members, and provide at least 40% of total inputs costs for the members (fertilizers, seed)

Challenges identified by the cooperative

- newly stated so unclear management structure, neither financial management system. It is very likely that Son Thanh cashew company is "behind the screen" controlling the operational process of the BP-FARM (chairman of BP-FARM is the son of Son Thanh owner)
- general image of traditional cooperative is poor. There is low awareness at farmer level about the potential of cooperatives and the implication of the new law
- the cooperative established under strong push of local government therefore contains high risks of political influence
- the cooperative is a new model, a so called farmer-led organisation. It is not clear what the position of the farmers is in the new organisation.

Mission

- composition of the mission: two agripoolers
- duration of the mission: the mission will take place for two or three days, preferably from 19-21 April 2017 in combination with CA of BP Cashew Cooperative Union (8339).
- execution of the mission: the company assessment tool will be used (see annex for the outline of this instrument).

Objective(s)

The assignment aims:

- to get to know the board, staff and the organization BP-Farm better;
- to achieve an in-depth understanding of the practice, performance, ambition and opportunities, challenges of BP-Farm
- to validate the risk of some big shareholders/ members owns significant shares therefore become dominants. The risk of small farmers neglect is to be identified and addressed.
- to find out if the cooperative is established and operated accordingly to cooperative principles or the cooperative only exists as a name in order to be entitled to receive lots of cooperative assistance schemes. In practice, it could be a joint stock company serving a few big shareholders.
- to help BP-Farm management understanding well about Agriterra and the added value services
- it needs to be clearly identified what the advantages and disadvantages are of this innovative institutional setup.
- the position of the farmer members needs to be identified and secured.

If the assessment gives enough confidence to continue, objectives are jointly develop an action plan/strategy for support from Agriterra to BP-Farm that shows:

- clear roadmap and expected outcome for three years (2017-2019)
- specific activities and expected results for the year 2017 for all parties involved which address expectations, commitments and the level of involvement of Agriterra and BP-Farm
- clear linkage with two other plans of Agriterra with BP Cooperative Alliance and Binh Phuoc Cashew Cooperative Union

Activities

- field visits
- interviews with board, management, staff and members
- a detailed programme can be found below.

Programme

Tentative agenda:

final agenda should be finalized at least two weeks before the mission starts.

	Date	Activity	Who
		Arrival in HCMC, travel to Binh Phuoc (almost 4 hour drive)	
Day 1		Morning: Introduction of the mission team and explanation of the week. Review and discussion on company profile PM: Meeting buyers, suppliers, bank, competitors	BPCCU
Day 2		Meeting members, commune people committee, district agriculture department	
Day 3		AM: Discussion on business case of BP-FARM PM: Presentation of CA conclusion and action plan (if positive CA)	BPCCA Mission team
		Travel to HCMC, Fly to Amsterdam	

Expected results

One mission report containing the following information:

- Completed company assessment report for BP-Farm, including a clear description of the development objective of BP-Farm
- Advice whether or not to start up partnership between Agriterra and BP-Farm
- If company assessment shows possible partnership between BP-Farm and Agriterra, elaboration of an action plan for one year, including midterm milestones and targets to be reached by the end of 2017.

Profile Agripool Candidates: 2

Candidate should have experience in management of a farmer led organizations (big cooperative that owns company, factories...). the candidate should have the ability to assess the potential of different institutional setups but also sharply keep the position of the farmers in mind; the farmers must also have a relevant stake and benefit from the institutional setup. The advantages for the farmers needs to be clearly identified.

From his/her own perspective, the candidate should:

- be fluent in English
- can share personal experiences in managing big cooperative that owns big factory, companies...
- ability to convert good practice in the Netherlands to lessons learn for Vietnam
- strong analytical skills
- ability and flexibility to work in new environment
- culture sensitivity

Annexes

- 1) Scoping document
- 2) Outline company assessment (next page)

Annex 1

Outline company assessment for farmers-led enterprises

1. Company profile (=scopings document)

- a. Basic information
- b. Services
- c. Membership base
- d. Governance structure
- e. Ownership structure
- f. General procedures
- g. Human resource management
- h. ICT
- i. Business track record

2. Finance

- a. Financial indicators
- b. Financial health check
- c. Loan/grant history
- d. Cooperative capitalization models
- e. Summary of financial indicators and recommendations for follow up

3. Management and Governance

- a. Management capacity
- b. Human Resource Management
- c. Targeting, Planning, Monitoring and Evaluations
- d. Include the property management.
- e. include system or structure of the Dien Phuoc including the Board structure and How decisions are made in the Dien Phuoc.

4. The Business

- a. Product / Service
- b. Context and value chain analysis
- c. Production & supply
- d. Processing & Value addition
- e. Marketing & Sales
- f. Finance requirements
- g. Risk analysis and conclusions
- h. External support required

5. Reputation

- a. Members
- b. Financial institutions
- c. Buyers
- d. Suppliers
- e. Mapping of other stakeholders

6. Conclusions

- a. Organisation
- b. Business case