CAMBODIA HARVEST II CASE STUDY: IMPROVING RELATIONSHIPS BETWEEN HORTICULTURAL BUYERS AND SUPPLIERS

Feed the Future Cambodia Harvest II aims to both accelerate growth in the horticulture sector and strengthen the horticulture market system. Harvest II has identified buyers as an important entry point in the market system. In this case study, the project examines how it has worked with three different types of buyers who share common challenges, with three primary learning objectives:

1. Review how Harvest II has addressed the lack of productive relationships between buyers, producers, and other market actors, as well as the need for better supply chain management.
2. Examine how Harvest II's work with these buyers demonstrates the project's adaptive approach to reinforcing progress with current clients.
3. Explore the implications and lessons learned from these examples vis-à-vis how best to facilitate larger groups of buyers to strengthen their engagement with producers.

Cambodia’s horticulture sector is frequently characterized as nascent and fragmented. Market actors do not regularly innovate and collaborate to grow their businesses. Buyers, unaccustomed to supporting their suppliers with technical or financial assistance, often receive insufficient or poor quality produce from their supply networks. Part of the reason for this dynamic is that many horticultural buyers are more used to sourcing their produce from Vietnam and Thailand; they have not traditionally invested in developing supply in their own country. Meanwhile many Cambodian producers, lacking technical assistance and market information from their buyers, often grow a limited range of produce, and frequently rely on NGOs, peer farmers, or minimally trained supply dealers for technical and financial assistance, which can be inconsistent, inadequate, and unsustainable in the long term.

Harvest II encourages buyers and other market actors to shift behavioral norms and adopt improved practices that will support significantly expanded transactions with farmers in the Zone of Influence, thereby contributing to the development of the Cambodian horticulture market system. This is a substantial change that requires adjustments in attitudes and practices, both among individual market actors as well as across the system as a whole.

In its first year and a half, Harvest II spent considerable time connecting buyers with producers and helping them determine how they could establish Commercial Partnerships – relationships focused in a very practical way on increasing sales by addressing the binding constraints to expanded business activities. The project helped buyers develop sales growth plans and in so doing began to help them envision how they could work with Cambodian producers in a mutually beneficial and interconnected way. Among this group of buyers, Harvest II identified several who were interested in improving their supply chain management. The following examples describe the project's work with three of these buyers, as well as how Harvest II is looking at expanding on this work going forward.
Mr. Kong Sokha is a longan exporter based Battambang. He sources longan, a regional fruit similar to lychee, from Battambang and Pailin provinces, and has been working with Harvest II since April 2018.

**Opportunities.** If Mr. Sokha can procure higher quality longan, he will be able to increase exports to premium fruit markets. Improving the quality of his supply will also enable Mr. Sokha to sell his longan to his onward buyer for higher prices.

**Challenges.** Longan for premium export markets must meet strict quality standards, requiring significant technical capacity and market knowledge among producers. Once producers are able to meet the necessary standards, they often seek higher prices from buyers. Price fluctuations make it difficult for exporters and producers to reach agreements on terms. Mr. Sokha had had some initial success exporting longan to Thai markets, but was constrained by his producers’ low yields and limited capacity to consistently meet export market requirements.

**Harvest II strategy.** Harvest II’s strategy was to help Mr. Sokha identify his key constraints – many of which required better supply chain management – and help him connect with other market actors, including producers, his onward buyer, and agro-input dealers, to make improvements. Initially, Harvest II connected Mr. Sokha with 14 commercial longan producers to help increase his supply. Harvest II also further strengthened Mr. Sokha’s relationship with the Thai buyer to whom he sold his longan, supporting the two through numerous transactions to build their level of trust.

These efforts helped Mr. Sokha procure a larger quantity of longan, but did not address his constraints in sourcing longan of adequate quality to meet export market standards. Therefore, Harvest II helped facilitate additional collaboration between Mr. Sokha and the Thai buyer, in which the Thai buyer provided training on post-harvest handing of longan for Mr. Sokha’s producers to ensure that the quality of their longan met export standards. Harvest II also connected an input supply company with two local agro-input dealers to provide continuing technical assistance and appropriate inputs to Mr. Sokha’s longan producers. So far, the agro-input dealers have provided training on production techniques to improve longan quality and the proper use of inputs to increase flower production. Since the creation of this Commercial Partnership, participating longan producers have increased their sales by 573 tons, or $619,326, between May and September 2018.

**Moving forward.** In the coming months, Harvest II will monitor the progress of this now complex partnership of five parties (himself, the Thai importer, the producers, an input supply company, and two agro-dealers) and help troubleshoot and adapt as needed. After the current season, the project will talk with the buyer to zero in on lessons learned about both relationship building and supply chain management. It may determine that it’s time for this buyer to “graduate” from the Commercial Partnership program. At that point, the project will look at what successes and lessons could be shared more broadly so other market actors can benefit and eventually crowd in. In addition, the project’s MEL team will follow up to investigate whether the improved practices have been sustained and why or why not.
Mr. Khun Sopheap, a green orange wholesaler and member of the Green Orange Business Association in Pursat province, engaged with Harvest II in April 2018 to better link with orange suppliers. He works with 15 suppliers on a contract basis and distributes green orange to 14 retailers and a trader in Phnom Penh and other provinces.

Opportunities. In the province of Pursat, green oranges grown in the off-season (February through June) typically have less juice and are smaller than peak-season oranges. Mr. Sopheap could sell his oranges for a significant price premium, however, if his producers were able to increase the quality of oranges grown during these months, as there is much less competition from other producers. In addition, Mr. Sopheap believes he could get a price premium for his oranges all year-round if Cambodian buyers knew for sure that they came from Pursat.

Challenges. Mr. Sopheap’s producers lacked the technology and technical skills (including drip irrigation, correct use of fertilizer, and pest and disease management) to enable them to produce high-quality oranges year round. Mr. Sopheap himself lacked the financing necessary to help his suppliers improve their growing practices. In addition, he realized that although there is high demand for green oranges customers often have difficulty differentiating between Cambodian and Vietnamese oranges.

Harvest II strategy. Harvest II began working with Mr. Sopheap by facilitating and strengthening his contract agreements with 14 orange suppliers. This led to an increase in green orange sales by 417 tons, worth $250,000, from July to September 2018. Harvest II also connected Mr. Sopheap to other market actors to help him strengthen his supply chain:

- **Technical assistance and quality inputs for producers.** Harvest II helped Mr. Sopheap coordinate with input suppliers Angkor Green and Bayon Heritage to train Mr. Sopheap’s producers on the use of quality fertilizers, pesticides, and drip irrigation.

- **Expanded access to finance.** Harvest II worked with MFIs to build their understanding of loan requirements and common record keeping practices among horticulture buyers and suppliers. As a result, Mr. Sopheap was able to access loans totaling $65,000 from two microfinance institutions, AMK and Sathapana, which he is using to make cash deposits to his contracted producers to ensure his procurement of their supply of oranges, and to provide them with quality agro-inputs.

- **Development of Geographical Indication for Pursat Green Orange.** To help Mr. Sopheap test the feasibility and potential profitability of Pursat producers offering a differentiated product, Harvest II is exploring partnerships to develop Pursat Green Orange branding through Geographical Indication (GI) protection.

Moving forward. Mr. Sopheap now has a growing network of relationships – with producers, input suppliers, and the microfinance institution – that are improving his supply chain and helping his business grow. Harvest II will help him monitor progress in expanding his sales, help him adjust his strategy as necessary, and see if he wants to take on new growth objectives. Since he and his producers planned to adopt several improved practices related to inputs and irrigation, Harvest II’s MEL team will follow up to see if the improvements are sustained and if not, why not. Harvest II also plans to conduct local exposure visits for Mr. Sopheap and other orange buyers to learn from successful commercial farmers, particularly concerning their supply chain management and marketing practices. Harvest II is also open to the idea of helping Pursat explore the idea of obtaining GI protection, if commercial viability seems plausible. Finally, Harvest II may also explore linking Mr. Sopheap with other markets.
Mr. Duong Neat is a vegetable wholesaler in Siem Reap province who sources his vegetables from about 20 producers. He and his wife sell vegetables at two large markets in Siem Reap.

**Opportunities.** Mr. Neat knows that there is a growing demand for vegetables in Siem Reap. He has developed a strong relationship with his producers and sees opportunities for mutually beneficial growth.

**Challenges.** In the past, Mr. Neat frequently bought whatever vegetables his producers had grown. He offered good prices and provided seeds, pesticides, and small amounts of money upfront without interest. However, the produce he collected did not always match market demand and he would sometimes incur significant losses from an oversupply of unsold produce.

**Harvest II Strategy.** To help Mr. Neat better manage his supply chain and improve his supply chain management across his producer network, Harvest II encouraged Mr. Neat to inform his suppliers to grow only those vegetables that the market needed. For example, trellised wax gourd is in much higher demand than ground wax gourd, so he advised producers to change their growing practices accordingly. Mr. Neat worked with his suppliers to develop and implement a production plan, enabling him to ensure that the supply of vegetables that he sources from his producers meets actual market demand. In addition, Mr. Neat found a market space in Siem Reap provincial town that gave him access to larger markets, helping him to sell more produce and addressing his issue of oversupply. As a result, his daily sales have as much as doubled, and Mr. Neat now sells 1.5 to 2.5 tons of vegetables a day, compared to 1 to 1.5 tons prior to implementing improved supply chain management.

**Moving forward.** In the coming months, Harvest II will continue working with Mr. Neat to monitor the success of the interventions that he has implemented, and will support him in adjusting and adapting his supply chain management approaches as necessary. If the improved practices can be sustained, Harvest II will publicize these successes and look for opportunities to encourage crowding in by other vegetable producers and wholesalers. One question for the future is what additional opportunities may be realistic for Mr. Neat and others in the province, for example, efficiencies to increase quantity or upgrade quality.

**LEARNING AND ADAPTATION**

In its activities to facilitate market linkages, Harvest II prioritizes both creating sustainable commercial relationships between specific market actors as well as promoting management practices that require and foster such relationships within the broader market system. In its first year and a half, Harvest II implemented a wide variety of activities to strengthen such linkages, ranging from intensive relationships building between specific buyers and their suppliers, to lighter touch business-to-business workshops seeking to connect buyers and input supply companies so they could work together to support horticultural producers and build stronger business relationships in the long term.

Harvest II’s lighter touch efforts have resulted in good initial momentum, leading Harvest II to adapt accordingly and expand its activities in this area. For example, after talking with Harvest II and attending business-to-business workshops, input supply companies VT Grow and Angkor Green have now connected directly with two cashew buyers and one cashew processor in Kampong Thom province to...
plan for the provision of technical assistance for their cashew suppliers, as well as possibility the supply of agro-inputs. As a next step, VT Grow, Angkor Green, and the buyers will organize a training for cashew producers on pest and disease management to prepare for the upcoming growing season.

Such relationships between diverse market actors are central to Harvest II’s approach to strengthening the market system as a whole. The willingness of VT Grow and Angkor Green to form a mutually beneficial business relationship with other market actors and to collaborate to provide additional services to their customers demonstrates the potential benefit to market actors of relationship building. Furthermore, these project partners’ efforts to further expand the work that they do together, without additional assistance from Harvest II, demonstrates that the business practices and overall market environment that Harvest II works to promote have the potential to expand far beyond simply Harvest II project partners, and contribute to the development of changing norms and new ways of doing business across the sector as a whole.

Each of these examples demonstrates Harvest II’s willingness to learn from a dynamic horticulture market system and adapt in real time to ensure that project partners receive the support that they need to expand their businesses and increase their sales. Supply chain management is increasingly demonstrating its potential as a solution to a number of constraints facing diverse project partners. Harvest II will continue to explore opportunities to introduce and expand improved supply chain management practices with private sector partners as well as promote the adoption of these practices across the market as a whole, leading to a stronger and more robust market system.