The Farmer Entrepreneurship Program (FEP) Project Case Study

BRIDGING FARMERS TO THE JOLLIBEE SUPPLY CHAIN PROJECT

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EXECUTIVE SUMMARY

The Farmer Entrepreneurship Program (FEP) illustrates that poverty can be addressed through building local agricultural businesses. The FEP began in 2008 with the purpose of helping smallholder farmers expand their economic opportunities by helping to improve their organization, productivity and access to services and formal markets, which enabled them to gain stable incomes. The program began as a one-year collaborative pilot called Bridging Farmers to Jollibee Supply Chain.

The first phase of this work was developed through a partnership between Catholic Relief Services (CRS), the Jollibee Group Foundation (JGF) and the National Livelihood Development Corporation (NLDC), a government financial institution. Jollibee sought partnership with CRS after learning of its clustering approach during a book launch in 2007. The first phase of the Bridging Farmers to Jollibee Supply Chain market linkage project began in 2008; phase two of the project began in 2010 and ended in 2013. The pilot began in four provinces and then expanded to six after CRS refined its “farmer clustering approach.”

JFC is the largest food service provider in the Philippines, with over 750 stores nationwide and 80 stores globally. JFC executives agreed that uplifting their countrymen to allow society to grow along with the company was the best way to engage in sustainable corporate social responsibility. Since 2008, the FEP has trained more than 2,000 farmers, with 600 directly delivering to JFC commissaries or stores through 15 farmer cooperatives. Since 2009, over 5,800 metric tons of vegetables have been delivered to JFC subsidiaries via smallholder farmer groups, and more than PHP205 million (US$5,857,142) in sales were realized. The farmer groups supply high-value crops such as peeled onions, tomatoes, bell peppers, lemons and chili, covering about 25% of JFC’s total raw vegetable requirements.

FARMER STORIES: WENCELITO GOMEZ AND THE KALASAG FARMERS PRODUCERS COOPERATIVE

Wencelito Gomez, a thriving Filipino farmer-cooperative member, wasn’t always so successful in his beloved profession. He was a struggling smallholder farmer from San Jose City, Nueva Ecija (one of the Farmer Entrepreneur Program (FEP) pilot sites), until he joined forces with other onion farmers in the barangays communities of Kaliwanagan and San Agustin. Together they joined the FEP program and formed the Kalasag Farmers Producers Cooperative in 2008.

Filipino farmers typically struggled to find steady markets for their crops, and had limited or no access to production capital. Small plots of land and traditional farming techniques also limited a farmer’s success. These and other challenges were faced head-on as Wencelito and the farmer-cooperative members underwent trainings on agro-enterprise development. The CRS value chain trainings prepared the farmers by organizing them into farmer clusters, building their production capacity, introducing new skills in market research, and introducing them to agricultural financing. This combination of skills enabled the farmers to supply regular market deliveries of high-quality produce to institutional markets.

CRS worked with Alalay sa Kaunlaran (ASKI), a local microfinance institution, to provide farmers with access to production loans through a link to the National Livelihood Development Corporation (NLDC). Technical supervision was managed by staff from the San Jose City Agriculturist Office. The loans enabled farmers to procure planting materials and other essential inputs, such as fertilizer and agro-chemicals, consolidate their products with other farmers to meet volume requirements, receive business coaching, and partake in financial cost recording trainings.

Between November 2008 and January 2011, the Kalasag Farmers Producers Cooperative (Kalasag) received PHP6,520,000 ($186,285) to invest in their business operations. CRS Philippines provided technical assistance to support farmer (group) “cluster” formation to develop plans within the clusters and between clusters to consolidate their production, link farmers to credit, and critically, to provide advice in developing long-term market links with the Jollibee Food Corporation.

Kalasag’s first attempt at upgrading the onion value chain, in hopes of delivering produce to Jollibee Food Corporation (JFC), was unsuccessful. The farmer cooperative was unable to meet its commitment of 90 metric tons of produce. Heavy

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1 Exchange rate US$1 = 35 Philippines pesos (PHP)
rains destroyed the majority of the crop, and most of the onion bulbs did not meet JFC’s product quality standards. It is common in value chain upgrading to face real challenges. It is important for all partners in this type of agro-enterprise process to understand that the many upgrades required to shift from occasional sales of small lots to informal markets to an organized base of standardized quality supplied at the requested time and volume to a formal market buyer can take two to three seasons to achieve and probably four to five seasons to perfect.

The following year, the Kalasag farmers doubled their efforts and were able to apply their learning to deliver 236 metric tons of standard quality, fresh white peeled onions to the buyer. In 2013, the Kalasag co-op sold 300 metric tons to Jollibee and established themselves as a key supplier.

To enable all these changes to take place, CRS played the role of a value chain facilitator, working with stakeholders across the three main levels of the value chain, including (i) core chain actors, (ii) business development services, and (iii) the enabling environment. CRS supported the farmers by linking them with the right support services and building their marketing skills. At the same time, CRS was part of the “Site Working Group” working with the city’s mayor and staff from the City Cooperative Development Office, as well as ASKI loan officers and the Kalasag officers.

Following the success with the onion value chain and the Jollibee Corporation, the Kalasag farmers also supplied other clients, and diversified their product range to maximize the use of their farms during the onion off-season, improve seasonal cash flow, and reduce overall risks by being less dependent on one product and one buyer. For Wencelito and the rest of the farmers, sustaining a year-round supply to JFC and a year-round livelihood opportunity was a major shift towards prosperity.

As explained by Wencelito, “JGF has been very generous to our farmer group and were supportive of our linkage to other companies. Through their
guidance, we supplied onions to CDO Foodsphere, Inc., and Splash Foods Corporation. These farmers do not have to worry now, as we have a ready market for our products. We can now plant more crops knowing we will be able to sell them, thanks to JGF.”

Based on the success of their agro-enterprise venture, Wencelito and many other farmers were finally able to send their children to school on a regular basis, feed their families, and build their businesses. Wencelito was able to expand his land from one hectare to five hectares, which proved to be a truly transformational change!

This experience also empowered him to share his learning with other farmers and demonstrate the value of learning how to upgrade from an informal farmer to an “agripreneur.” Education level was no longer a barrier for engaging with institutional markets, making farmers like Wencelito more confident and providing a robust long-term future in farming as a business.

COUNTRY PROFILE: THE PHILIPPINES

The Philippines has always been characterized as a resilient country in Southeast Asia. In 2008, the Philippines had a population of more than 90 million, a low dependency on exports and a relatively strong domestic rate of consumption. The Philippines also enjoyed a comfortable level of international reserves (US$37B in 2008) and a stable banking system. The unemployment rate fell steadily from 6.8% in 2008 to 5.3% in 2018. Despite these positive aspects, 54.4% of the nation’s impoverished people lived in rural areas where the incidence of poverty was 36% compared to 13% in urban areas. This imbalance in poverty presented challenges in raising rural farmer incomes, but also provided an opportunity for finding ways to link rural farmers to a developing private sector and the rising number of middle-income urban consumers who want high-quality food. When the project started, 41% of the Philippines was comprised of agricultural land, and over a quarter of the population, 25.4% of the labor force, worked in agriculture-related activities.

FARMER ENTREPRENEUR PROJECT (FEP) PARTNER PROFILES

Catholic Relief Services (CRS) is the international humanitarian agency of the Catholic community in the United States of America. The agency operates and aids people in over 100 countries and territories based on need, regardless of race, nationality or creed. CRS has been operating in the Philippines since 1945 and has two offices, one in Manila and the other in Davao. CRS’s role in this project was to build the agro-enterprise capacity of farmers through an eight-step “clustering approach to agro-enterprise development.”

Jollibee Food Corporation (JFC) is the largest food chain in Asia, serving millions of people globally. JFC’s principal business is the development, operation and franchising of quick-service restaurants (QSR) under various trade names, including “Jollibee,” “Chowking” and “Burger King.” JFC also has subsidiaries and affiliates that develop and operate their own international brands. Some reputable brand names include “Hong Zhuang Yuan,” “Smashburger” and “Dunkin’ Donuts.” JFC was established in January 1978. Upon recognizing that a key driver in economic growth in rural Filipino communities meant ensuring those communities had access to the market and entrepreneurial opportunities, the Jollibee Group Foundation (JGF) was created in December 2004 as the Corporate Social Responsibility (CSR) arm of JFC. JGF played a critical role in this project by deploying the JGF to partner with academic institutions to document initiatives and create learning materials, connect farmers with various resources and large institutional buyers (like JFC), and ensure the delivery of technical assistance to farmers.

National Livelihood Development Corporation (NLDC) is a government-owned corporation that provides credit to small farmers. NLDC’s role in this project was to link farmers to micro-finance institutions, rural banks, non-governmental organizations and cooperatives with the purpose of securing capital.

Local government and other stakeholders, such as the department of agriculture and a local university, ensured farmers received training and had the necessary facilities and equipment. Other support included regular farm visits and meetings with
Through the Bridging Farmers to the Jollibee Supply Chain project, CRS is helping to link farmers like Idagan to the Jollibee Foods Corporation, which buys onions for burgers at its popular national fast food restaurants. Photo by David Snyder

farmers to ensure that the quality standards set by JFC were being met.

GOALS AND OBJECTIVES OF FEP PROJECT

The FEP was born from a similar CRS value chain project in southern Philippines that began in 2005. Knowledge and lessons learned from the project, funded by the United States Department of Agriculture (USDA), were distilled into a concise technical manual intended to guide practitioners in implementing the “clustering approach to agro-enterprise development.”

In 2008, CRS, JGF and NLDC embarked on a project called Bridging Farmers to Jollibee Supply Chain. This project aimed to enable smallholder farmers to learn new skills and expand their economic opportunities through a process that improved production methods, financial literacy and market access, and led to more sustainable farming systems and better incomes. The initial project started in four provinces, and piloted key methods in markets and production. In a second phase, CRS refined the clustering approach and began implementation in six provinces. This second phase of the project, arguably the most impactful phase, began in 2010 and ended in 2013.

The FEP goal was to help farming households in Luzon and Mindanao improve their livelihoods through agro-enterprise initiatives. The strategic objective was to sustainably increase small farmers’ incomes through improved access to markets. The two Intermediate Results were: 1) farmers are collectively marketing and selling their products to institutional markets, and 2) farmers are adding value to their products.

In achieving the strategic objectives and intermediate results, CRS, with its local partners, focused on developing and then applying a standardized value
chain method—the Clustering Approach to Agro-enterprise Development for the Small Farmers. This methodology was tested and refined by CRS Philippines across the previous JGF-NLDC-CRS and USDA projects. Drawing on the experience from this work, the strategy focused on identifying a long-term formal market, and then working with farmers organized into small production units of 10 to 15 producers called clusters. The technical assistance teams supported the cluster groups in regard to standard production methods, links to finance and robust post-harvest methods to generate high-quality horticultural products that could meet the requirements of a formal commercial food market.

Eight-step clustering strategy:

1. Site selection, partnership building and establishing site working group
2. Product supply assessment and product selection
3. Market/value chain study
4. Cluster formation (farmer organization)
5. Cluster production and business plan formulation
6. Test marketing
7. Scaling up
8. Cluster strengthening

The project’s total budget was PHP21,949,643 (US$627,132) for the duration of the 36-month project. CRS requested a co-investment of PHP13,150,247 (US$375,721) from JGF and the NLDC. CRS Philippines invested PHP4,365,102 (US$142,717) from CRS’s private funding over three years. In-kind complementary funding from local government units, which provided technical assistance and direct support to the farmer clusters, was estimated at PHP4,434,294, (US$126,694).

### SUMMARY OF PROJECT

<table>
<thead>
<tr>
<th>JGF Vision</th>
<th>New and improved relationships formed between local businesses and farmers across the Philippines.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FEP Objectives</td>
<td>Farmer capacity building, partnership management, advocacy and promotion.</td>
</tr>
<tr>
<td>Funder/Funding</td>
<td>JGF, NLDC, CRS, In-kind</td>
</tr>
<tr>
<td>Project Location</td>
<td>15 municipalities in 6 provinces (in the north, Nueva Ecija, Nueva Vizcaya, and Quezon provinces on Luzon Island; in the south, Misamis Oriental, Bukidnon, and North Cotabato provinces on Mindanao Island.)</td>
</tr>
<tr>
<td>Crops</td>
<td>Red onions, white onions, bell peppers, and rice</td>
</tr>
<tr>
<td>No. of People Served</td>
<td>3,000 farmers in Phase two.</td>
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### VALUE CHAIN ANALYSIS: FILIPINO FARMERS

### RURAL FARMING STATISTICS & CHALLENGES/EXISTING CONDITIONS

Historically, smallholder farmers in the Philippines have had little to no bargaining power with local traders, who generally control access to credit and markets. The farmers who were engaged at the beginning of the FEP had virtually no saved capital, limited access to credit, were not using standardized farming practices, and had limited access to post-harvest facilities. Most farmers had no training in marketing practices or skills in agricultural business. Farmers cultivated as individual families on small farm
areas, using family labor and depending on seasonal incomes from traditional rain-fed crops, such as rice and corn. Needless to say, they had few opportunities to develop their skills and use their resources to build agro-enterprises and escape poverty.

Challenges for rural farmers included the following:

- **Sustainable production methods**: Most farmers had received no formal training in production of high-value horticultural produce, including knowledge of the right variety, source of inputs, established cost-reduction measures regarding inputs, use of natural farming technological systems and the teaching of practices that contribute to ecological preservation and overall sustainability.

- **Limited access to integrated post-harvest facilities**: Farmers were typically unable to add value to their produce because they didn’t have plans for harvesting, processing and storing their produce. Lack of post-production strategies effectively meant that farmers were forced to sell ungraded or low-quality products at low prices to immediate buyers. Farmers who could access storage facilities, such as cold stores, but who did not have a clear marketing strategy or a financial plan to support scheduled sales, were often forced to sell the crop to the owner/operator of the storage facility.

- **Low business skills**: Farmers and their support services often focused on production, but failed to learn basic business skills, which translated into a lack of confidence in negotiating with traders. Traders who honed their business skills could take advantage of these power relationships and pay farmers based on market prices.

- **Weak marketing links with buyers**: Alongside a lack of business skills, farmers did not plan for the market, and low prices often lead to poor returns on investments. Farmers often sold produce based on limited or inaccurate market information and did not pay sufficient attention to quality, timing of sales, or presentation of goods. All these factors deterred larger institutional buyers, and lack of farmer skills leads to weak value chain communications.

- **Inadequate capital**: Farmers generally have limited access to credit or financing due to perceived risk and their inability to secure loans due to lack of collateral or land titles. Small farmers who borrow often succumb to predatory loans with high interest rates or cash advances from traders for which they are obliged to sell at base market prices.

The FEP set out to address these challenges in their value chain approach to unlock new market opportunities for farmers and their families. These efforts, however, exposed many basic problems, with location being a main challenge. The provinces of Nueva Ecija, Nueva Vizcaya and Quezon were close to the major markets on the main northern Luzon Island, while the provinces of Misamis Oriental, Bukidnon and North Cotabato were on the Mindanao Island in the south, which meant longer distances to market. Luzon Island was prone to recurrent typhoons, whereas Mindanao Island was rarely affected by any natural disasters. These differences made it difficult for some farmer groups to be successful, while others thrived. Location is one important example of how variances between the farmer groups required several types of interventions to link farmers successfully to target markets.

### UPGRADED VALUE CHAIN ANALYSIS: FILIPINO FARMERS

#### IMPROVED RURAL FARMING STATISTICS & OPPORTUNITIES

Criteria for the choice of project sites included (a) the presence of an interested and committed local implementing organization that had experience working with JFC/JGF, NLDC and/or CRS, (b) having had an agrarian reform community where formal credit was readily available from an affiliated financing institution accredited with NLDC, (c) having the capacity to grow the products needed by JFC so that the assisted farmers’ production would be market opportunity driven, and (d) having had a high percentage of farmers in the area who belong to the vulnerable group.

The project focused on strengthening several aspects of the small holder farmer approach, which included upgrading production methods and levels, organizing farmers into production clusters, building their marketing skills and business plans, and working with them to improve their negotiating power with buyers. The clusters, consisting of 10 to 15 farmers, set up joint marketing plans and enterprises, and sold produce as a singular business entity. This provided
the economies of scale needed to meet the large supply demands of JFC.

Through intensive technical training, farmers gained skills and knowledge in production, finance, markets and business management. They also learned how to work within a value chain and maintain a network of partners. Farmers learned about the stringent quality standards expected by large buyers, and this knowledge exposed them to many more business opportunities. Success in their business ventures provided farmers with stable incomes, which allowed them to pay off debt, send their children to school, acquire farm equipment, and much more.

Being part of a farmer cluster helped individual farmers who struggled as individuals produce the appropriate number of crops during any given time, and helped individual farmers maintain their livelihoods during seasons of uncertainty.

A key factor in the success of the approach was that farmers learned “cost-plus marketing,” which meant they were able to calculate the cost of production and could then factor in a profit margin when negotiating sales prices. The ability to explain costs to buyers allowed farmers to earn equitable returns on their labor. The approach was also supported by the buyers, who were seeking transparent and equitable business models. Negotiations between farmers and the JFC were often referred to as the Plus 20 model, meaning that although the cost of production varied across the year due to prevailing weather conditions, the farmers and buyers were seeking a consistent profit approximately 20% above costs.

The growing cooperatives also provided job opportunities for other members of the community. One example is Kalasag, where the farmer group hired women, the elderly and out-of-school youth to assist with crop processing.

**IMPROVED INFRASTRUCTURE AND INSTITUTIONS: ACCESS, QUALITY & OPPORTUNITIES**

New management structures that served farmers included project steering committees, technical working groups and site working groups. These new structures provided farmers with a strong support system and the ability to achieve the economies of scale that set them up for success in the FEP. Another innovation was the construction of several 100-square-meter rain shelters, used to protect fragile onion crops from year-round rains. The shelters also enabled farmers to trap rainwater to use for irrigation and allowed some to set up fish ponds.

To strengthen women’s participation and decision-making power, and to ensure that women shared in income benefits, the project also worked hard to develop opportunities for women. Women generally took a minority share in farm labor with their husbands, but were able to influence decisions in marketing and management of household income. In this instance, women’s roles were reinforced as wage earners through onion processing and through the promotion of female farmers who cultivated small plots. In the Luzon area, onion value addition was mainly through onion peeling. In Mindanao, onions and bell peppers had high potential as crops that could be cultivated intensively in small, 100-square-meter areas under rain shelters. Being
directly involved in economic activities ensured that women were fully committed partners within the clustering approach.

NEW OPPORTUNITIES CREATED FOR JFC AND OTHER INSTITUTIONAL BUYERS
The community investment approach generated both direct and indirect business benefits for JFC. The JFC team did a great job of setting up the FEP. After the FEP project, JFC continued to expand their community development efforts via other community programs as well. A remarkable feature of this training program was that FEP farmers received training, regardless of whether they intended to supply inputs to JFC or other buyers.

Improvement in product quality was a real game changer for JFC buyers and the farmer groups in terms of quantities and prices. The technical assistance strengthened productivity and the support systems that translated directly into major improvements in onion quality, thus allowing both farmer cooperatives and large buyers to benefit during and after the project. The FEP supplied large buyers with a more secure and diverse stream of crops via partnerships with different farmer cooperatives, leading to JFC sourcing 25% of its vegetable requirements directly from FEP farmer groups. This stability brought with it stable prices for buyers and a boost to the rural economy, overall.

FARMER ENTREPRENEUR PROJECT (FEP) LESSONS LEARNED & IMPACT

WIN-WIN SCENARIO
The relationship between JFC, other larger buyers and the smallholder farmers provided winning opportunities for all. JFC purchased quality goods locally, and farmers earned additional income while learning as they grew and sold specified crops. Farmers were more confident and no longer feared facing large institutional buyers. Farmers considered themselves entrepreneurs!

SENIOR MANAGEMENT SUPPORT
The senior managers and leadership at JFC believed that supporting the smallholder farmer was important, and that it ensured continued commercial success. The emphasis was on the farmer and not the crop, or even who would buy the crop. Generally, all businesses involved in the agriculture sector have the ability to empower, engage and educate the local community, and based on the results from this project, the outcome from this type of community engagement will produce positive results.

LOCAL GOVERNMENT SUPPORT
One of the most successful FEP initiatives took place in an area where the mayor saw, understood and valued the partnership with JGF. Policy makers and regulators also had strong roles and responsibilities in leveling the playing field in regard to finding ways of improving business relationships between smallholder farmers and buyers.

ENVIRONMENTAL CONSIDERATIONS
The cooperatives were geographically scattered to reduce the risk of regional weather uncertainties and to diversify the crops farmed. The project areas and selection of crops complemented each other and ensured sustained, regular supply of numerous crops earmarked for JFC. The inclusion of smallholder farmers also helped to improve resource efficiency and minimize the negative impacts on the environment and community while allowing JFC to carry-on operationally.

IMPACT ON WOMEN SMALLHOLDER FARMERS
Many of the partner companies were unaware of the impact they had on smallholder farmers that happened to be women. This lack of awareness was a missed opportunity and amplified operational risk. Gender values and priorities should have been prioritized as a way of breaking cultural and systemic barriers to women’s participation.

IMPACT ON THE COMMUNITY
Economic opportunities trickled throughout the community in the form of crop production, storage and food processing, and these activities offered new jobs for the elderly, youth and women. Peeling onions was one of the new activities that helped some farmer cooperatives gain 20% higher prices compared to selling unpeeled onions. The FEP program built a large community network, which partnered with 85 local institutions that provided capacity building to many farmers who had not previously been involved in high-value horticulture.
Building an inclusive business model, which allowed farmers to be a direct part of the value chain, was transformative.

**SCALING**

Scaling the project required the full participation of several partners, and coordination across multiple partners was more difficult than anticipated.

Capacity building of farmers was slower than first thought, due to the time it takes to achieve real behavior change. The time needed to understand and adopt new business practices was also longer than anticipated. It is important for organizations that seek similar approaches to acknowledge that it takes time to achieve this change and scale up sustainable business models.
REFERENCES


