

Terms of Reference

Company assessment Binh Phuoc Cashew Cooperative Union (8439)

"Company assessment Binh Phuoc Cashew Cooperative Union (8439) " 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 beginning of Nov in Vietnam by Harm Haverkort & 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

Binh Phuoc Cashew Cooperative Union (BPCCU)

The Union was recently established (middle 2016) and at the moment has 735 members (farming on 3061 ha, producing 11,600 cashew tons), provincial scale (incl. five primary cooperatives, one company from four districts), and potential to expand to 4.000 members or more (Binh Phuoc province has 180,000 ha of cashew garden; 300 SMEs of processors, and around 700 micro-processors for partial process or pre-processors)

The structure of the Union and decision making process is clear (Board of directors, supervision board, nine staffs, paid). Government want to remove the Viet Ha company out of the Union as this is NOT allowed by the Law; but the Company can be a shared holder of the Joint-Stock company, which will be formed soon, under BPCCU, to avoid conflicts of interest or the Company will dominate.

BPCCU is very unique in Binh Phuoc province, they are the only entity that can produce Fairtrade and Organic cashew products, export to EU and US; premium prices is given to it members. The Union has a good ambition (produce 30% area of organic, 1000 tons plus the Hung Phuoc member cooperative produce 2.000 tons more), they not just want to support technical services (120 trainings courses per year), input and sale; but also, the processing (built the factories), warehouse, direct export, and branding development

The Union has by-law and economic development plan, until 2020 though it is newly established for five months, but the number of its members has been doubled (from 430 to 750 members).

The government strongly support the Binh Phuoc Cashew Union, the local authorities provide green light for the Union to access to finance of 35 bill. VND, in soft-loan scheme and others.

The Union is clear on what they expected from Agriterra such as Governance, 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, cacao, coffee, pepper in the same farm, equipped by dripping irrigation)

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)

BPCCU is focusing on safe agriculture products which are cashew and pepper. At the moment BPCCU has five cashew cooperatives as members. Their ambition in one or two years is to have six cashew cooperatives and four pepper member cooperatives, producing organic pepper according to EU and USA GAP standards producing 20,000 tones of organic peppers.

Under the Fair Trade program, BPCCU has been trained in marketing, management

Challenges identified by BPCCU

It is no doubt that the Viet Ha cashew company driven the operational process of the Union, especially in the initial period. Since Fair Trade agreement is very demanding so it's a must to change farmers mind-set from traditional production into sustainable safe agriculture production and that is a huge challenge.

The Union is newly established, with no records of finance, no HR manual, audit. BPCCU has nine members of whom four are full time and five are part time.

Mission

- composition of the mission: two agripoolers
- duration of the mission: the mission will take place for four days, preferably from 24-27 April (in combination with a two-day company assessment of a newly established cooperative – Mission 8440).
- 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 BPCCU better
- to achieve an in-depth understanding of the practice, performance, ambition and opportunities, challenges of BPCCU
- to help BPCCU management understanding well about Agriterra and the added value services

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

- clear roadmap and expected outcome for 3 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 BPCCU
- clear linkage with 2 other plans of Agriterra with BP Cooperative Alliance and Binh Phuoc agri-cooperative (BP farm)

Tentative agenda: *final agenda should be finalized at least 2 weeks before the mission starts.*

	Date	Activity	Who
		Arrival in HCMC, travel to Binh Phuoc (almost four hour drive)	
Day 1		Morning: Introduction of the mission team and explanation of the week. Review of section 1 (company profile) Meeting business stakeholders: buyers, suppliers, bank, local authorities	BPCCU Bank/buyer/supplier
Day 2		Meeting three cooperative members (two cashew, one pepper as potential)	Members
Day 3		Discussion on business case of BPCCU Meeting business stakeholders: buyers, suppliers, bank, local authorities	BPCCA Bank/buyer/supplier
Day 4		AM: Working on action plan and report presentation PM: Presentation of CA conclusion and action plan (if positive CA)	Board and mgt Mission team
		Travel to HCMC, Fly to Amsterdam	

Expected results

One mission report containing the following information:

- completed company assessment report for BPCCU, including a clear description of the development objective of BPCCU;
- advice whether or not to start up partnership between Agriterra and BPCCU
- if company assessment shows possible partnership between BPCCU 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

One candidate should have experience in management of cooperative which are members of cooperative federation. One candidate have personal experience in running cooperative union/ federation.

From his/her own perspective, the candidate should:

- be fluent in English
- can share personal experiences in developing strategy for cooperative federation/ union. Work experience in managing cooperative is an advantage.
- 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