COOPERATIVE ENTERPRISE DEVELOPMENT VIA NUCLEUS AND SATELLITE ORGANIC FARM CLUSTERING AND VALUE CHAIN MODALITIES

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Summary

This study illustrates organic agriculture and sustainable farming systems in the context of smallholder farmers vis-à-vis supply and value added chain and the promotion of rural-rurban entrepreneurship. An illustration of organic production and marketing is presented by sharing how the KASAMA KA Organik Kooperatib (*Kalipunan ng Sustenableng Agrikultura at Magsasakang Kooperatiba* or KKOK) in Malvar, Batangas province, formulated the Nucleus and Satellite Organic Farm Cluster (NUSOFAC) strategy. The purpose is to facilitate access to organic materials and inputs, production and postharvest technologies, as well as address the diseconomies of scale in production, processing, transport, logistics handling, and marketing. NUSOFAC also aims to minimize the production and supply risks, increase production volume and diversity of farm produce, reduce postharvest losses, improve postharvest handling and product quality, and increase reliability of supply of duly certified organic products for direct linkage with the target markets or to consumers and end-users.

In the NUSOFAC model, the nucleus, or core farm, undertakes the planning and coordination of production, delivery schedules, and marketing of the produce of satellite farms. The KKOK cooperative, in collaboration with the nucleus and satellite farms, provides the basic and common structures, facilities, and services that will respond to the farm business requirements of both the nucleus and satellite farms. The KKOK cooperative also addresses the lack of economies-of-scale that commonly setbacks the operations of small farmholders and MSMEs, through the clustering of the pre-production, production, processing, and marketing operations, thereby resulting in minimum cost per unit of product or commodity being traded within the supply and value added chain. Smallholder producers are organized into closely-linked and coordinated functional groups and provided with common facilities, well-tested and validated production technologies and services for efficient operation of the pre-production or input sourcing, production, postharvest, product processing and transformation, and its handling, transport and logistics management

The Nucleus Satellite Organic Farm Cluster (NUSOFAC) Strategy

The Villegas Organic and Hobby Farms (VOHO) espouses the NUSOFAC strategy to address the limitations of small holders and micro and small entrepreneurs in organic farming. NUSOFAC following activities (Villegas, Catedral and Custodio, 2009):

1) Undertake planning and coordination of production, delivery schedules, and marketing the produce of satellite farms;

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2) Provision of structures, facilities and services for product assembly, consolidation, and processing of farm produce of both the nucleus and satellite farms;
3) Provision of centralized post-harvest, processing, and marketing of satellite farms' produce;
4) Serves as a source of validated location-specific production and post-harvest technologies;
5) Source of seeds and organic farm inputs, e.g., organic fertilizer, organic or bio-pesticides, insect repellants, and fertigation/drip irrigation technology;
6) Source of technical advice; and
7) Undertakes field and processing inspection and in-house certification/quality control for ensuring organic integrity and guarantee.

The adoption of the NUSOFAC model is expected to facilitate access to organic production and postharvest technologies (biological nitrogen fixation, biological pest and diseases control, bio- and vermi-composting, organic fertilizer production, fermented plant or fruit juices, etc.); as well as address the diseconomies of scale in production, processing, and marketing commonly experienced by small farmers, micro, small and medium entrepreneurs. NUSOFAC is also expected to minimize the production and supply risks, increase production volume and diversity of farm produce, reduce post-harvest losses, improve post-harvest handling and product quality; and increase reliability of supply of duly verified and/or certified organic products to consumers and end-users.

Conclusions and Recommendations

Smallholder farmers, micro- and small- and medium-enterprises have a better chance to compete and sustain operations by adopting the NUSOFAC strategy and value added chain approach. Along this line, the following recommendations are forwarded:

1) Implement simultaneous organic product (based on effective access to production and processing technologies) and market development;
2) Adopt organic farm cluster development approach to achieve economies of scale in production and trading via the establishment of NUSOFACs and its supply and value chain (value links) optimization;
3) Adopt simplified and cost-effective compliance to organic standards and integrity through the first (farmers' pledge) and second party certification systems as well as the IFOAM duly recognized participatory guarantee system (PGS), as a more smallholder farmer-friendly internal control system (ICS) with the full recognition of PGS as third party certification scheme under the Implementing Rules and Regulations of the Organic Agriculture Act of 2010 (Republic Act 10068);
4) Minimize the effects of trade barriers imposed by foreign markets through bilateral ASEAN and multi-lateral trade agreement and regional market facilitations through the adoption within ASEAN and South Asia Association for Regional Cooperation (SAARC) of the proposed Asian Region Organic Standards (AROS) protocols on organic standards harmonization and equivalence; and
5) Adopt, as a matter of policy and strategy, the innovative NUSOFAC and value chain optimization strategies as herein discussed and elaborated in this cooperative business development paper.