



# Enhancing Private Sector Commercialization of Agriculture Machinery in Cambodia

Mechanization Webinar (Appropriate Scale Mechanization Consortium and Swisscontact), Feb 26, 2019

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A large, semi-transparent watermark of the Swisscontact logo, consisting of a grid of dots forming the outline of a world map, is positioned in the upper left quadrant of the image.

# Swisscontact

Swiss Foundation for Technical Cooperation





A woman wearing a dark, wide-brimmed hat and a patterned shirt is walking through a lush green rice field. She is carrying a large bundle of harvested rice stalks on her back and holding a sickle in her right hand. In the upper left corner, there is a faint, dotted map of the world.

Swisscontact, a Swiss private and independent operating foundation, promotes sustainable economic growth in developing countries.

Founded in 1959, we work exclusively in international cooperation and development and implement our own as well as mandated projects. Our headquarters are in Zurich and we have maintained close ties with the private sector since our inception.



# 36 Countries





# Intervention Model & “two-way” accountability



How we work





## In Cambodia Private Sector Development programs...

- Skills Development Programme (SDP)
- Mekong Inclusive Growth and Innovation Programme (MIGIP)
- Senior Expert Corps (SEC)
- Regional Investment Support for Enterprises (RISE)
- Conservation Agriculture Services with A Fee (CASF)
- Cambodia Horticulture Advancing Income and Nutrition (CHAIN)





# Partners

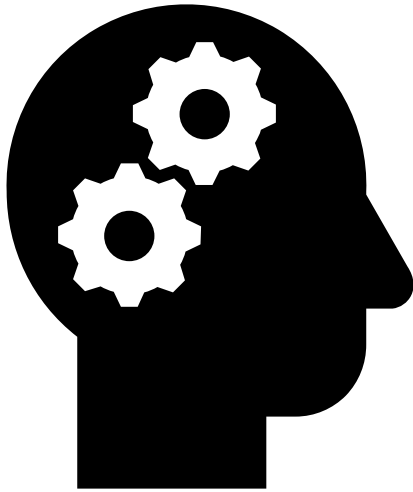






# Involvement of the private sector?





**Importance and  
Rationale**



**Problems around  
involvement**



**How to overcome  
the problems?**



# Concerns around the future of agriculture in Cambodia

## Key characteristics of most Cambodian farming systems



Highly dependent on rainfall



Involves a single crop per year (wet season)



Not diversified (rice accounts for 90% of cropped area)

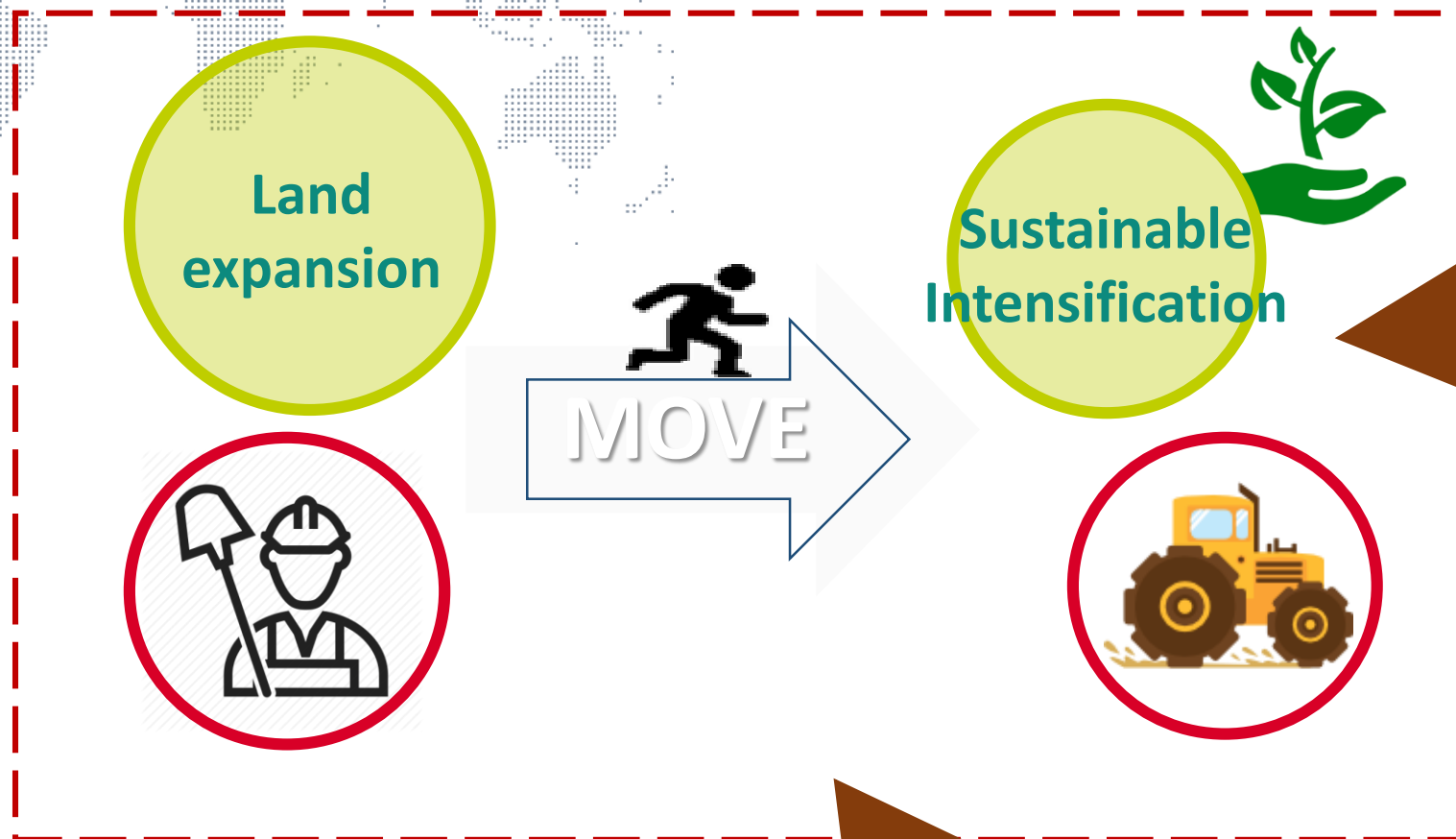


High input and labor costs

Climate change reduce crop yield by **25%**



# “Find new pathways to future growth” with TECHNOLOGY



“primarily depends on the application of **techniques, new technologies, R&D, mechanization, and increased capacity of irrigation to improve productivity**”

– *Rectangular Strategy Phase III, National Strategic Development Plan (2014-2018)*

**We need technologies!**



# Who delivers the technologies?

We need technologies!

## Companies

**Kubota**

For Earth, For Life

**CLAAS**

**RMA**  
CAMBODIA



## Dealers



## Service Providers



# Will they be interested?



- If we can show that they can sell more
- If we can show the value addition we can bring in

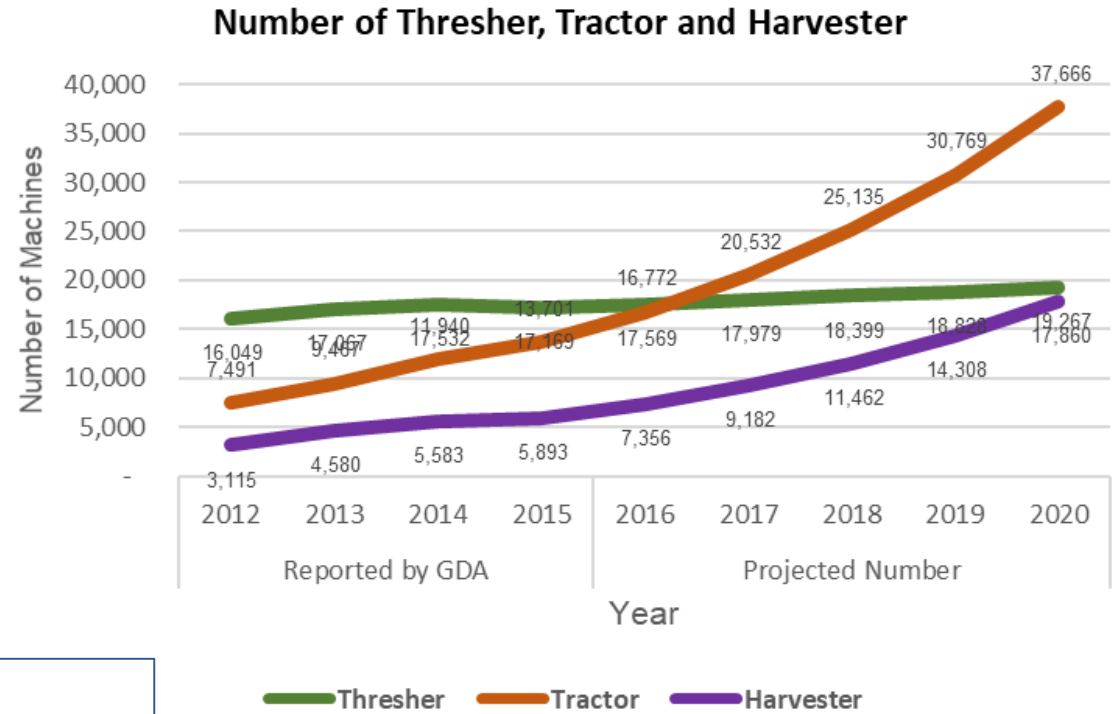
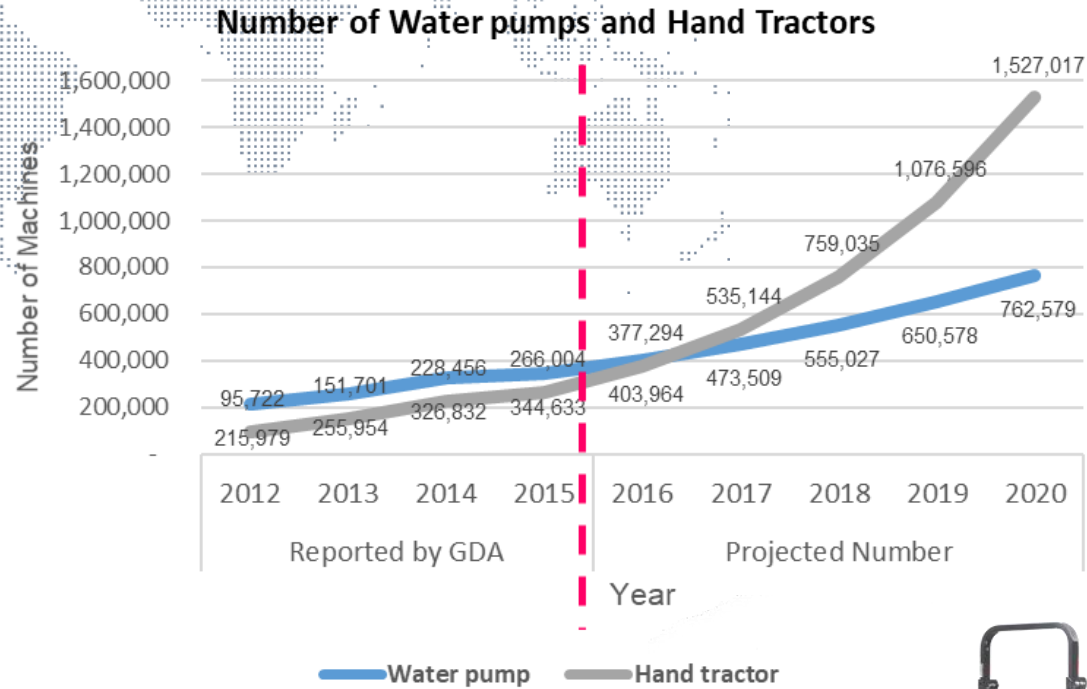




Let's look at the **market opportunity...**



# Projected growth rates of Agriculture Machinery



**Water Pump 17%; Hand Tractor 42%;  
Thresher 2.3%; Tractor 22%; Harvester 25%**

Source: MAFF report 2016



# Potential Agriculture Technology Market in Cambodia



Agriculture Mechanization

**40.1%**

has been fulfilled  
(Source: GDA)

TOTAL BUSINESS VOLUME of  
major technologies

**\$3.3B**

Agriculture Mechanization

**59.9%**

Need of Cambodia

Existing investment cost of technology

**\$1.3B**

Total potential investment opportunity

**\$2.0B**

So why are  
the private  
sector not  
tapping this  
market?



**There is Business Potential for Agriculture  
Mechanization in Cambodia!**

# Problems surrounding technologies

So why are the private sector not tapping this market?

**“Valley of Death” between research and commercialization of technologies**

Research on agriculture technologies (Technical feasibility)



Commercialization of agriculture technologies (Business viability)

Consumer market NOT developed for technology/ products (User desirability)

Government/Development sector

Projects, R&D, Government Provisions

Private sector

Marketing and promotional activities, R&D

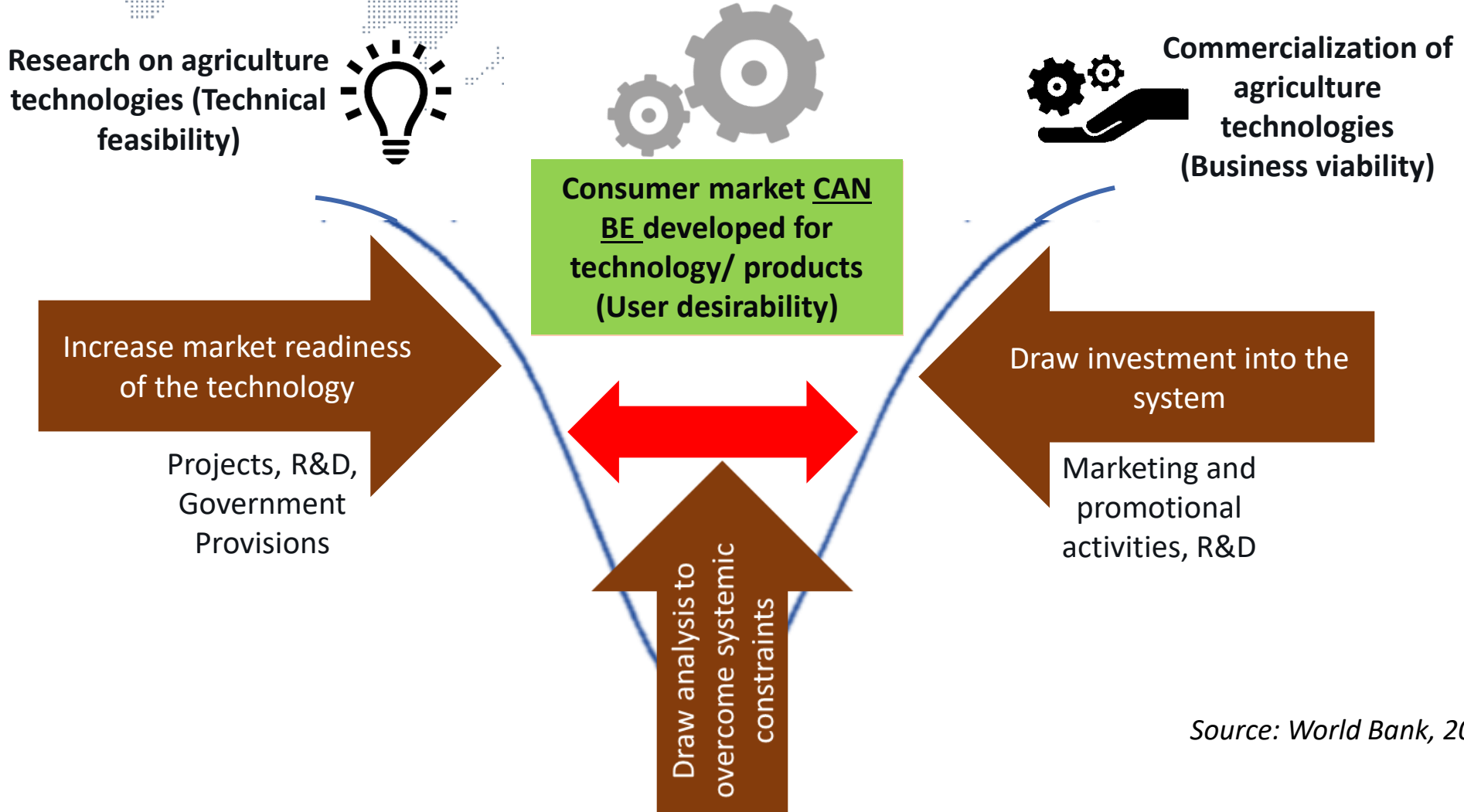


Source: World Bank, 2008



# Overcoming the “Valley of Death”

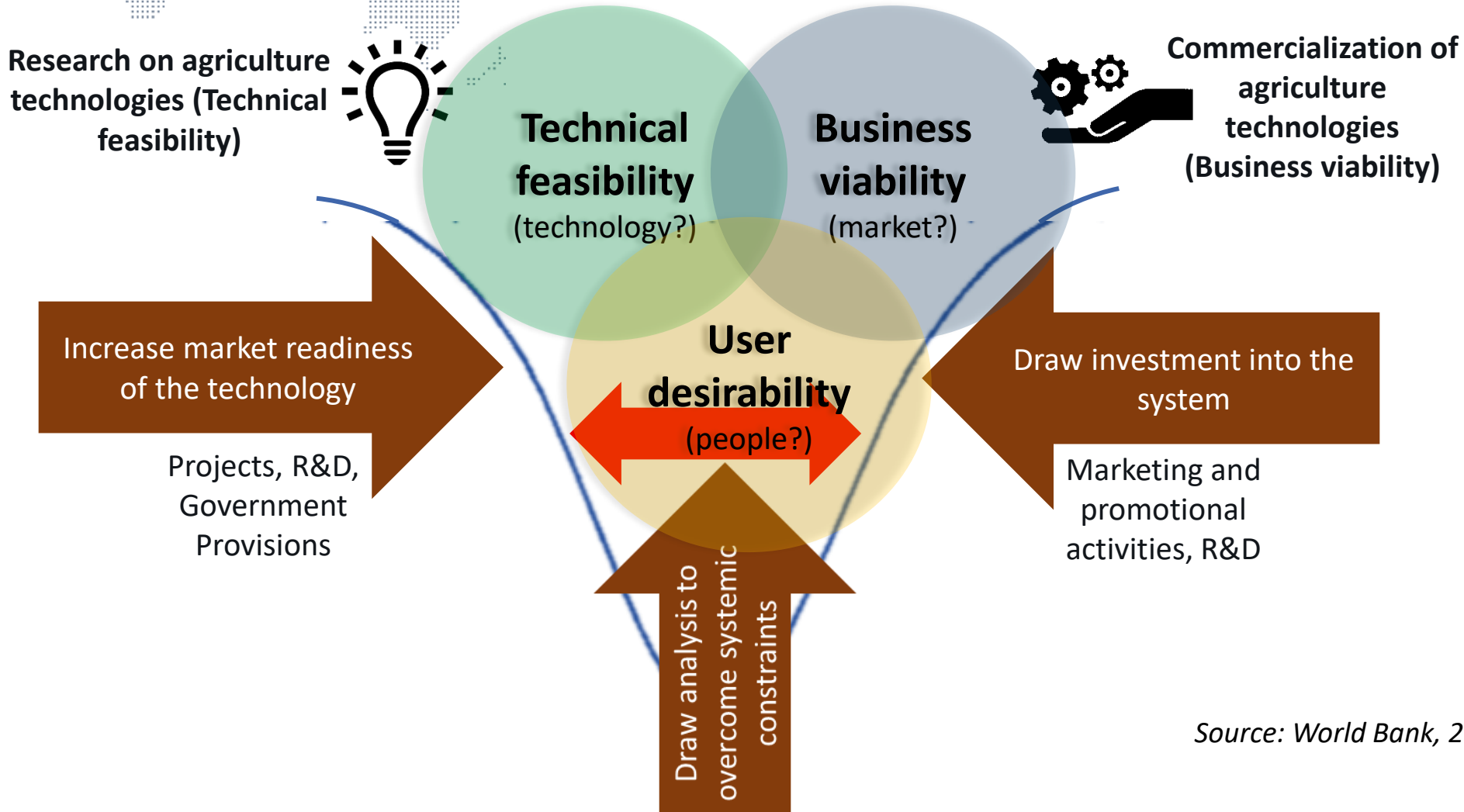
“Valley of Death” between research and commercialization of technologies



Source: World Bank, 2008

# The world of “Systems” for technology commercialisation

“Valley of Death” between research and commercialization of technologies

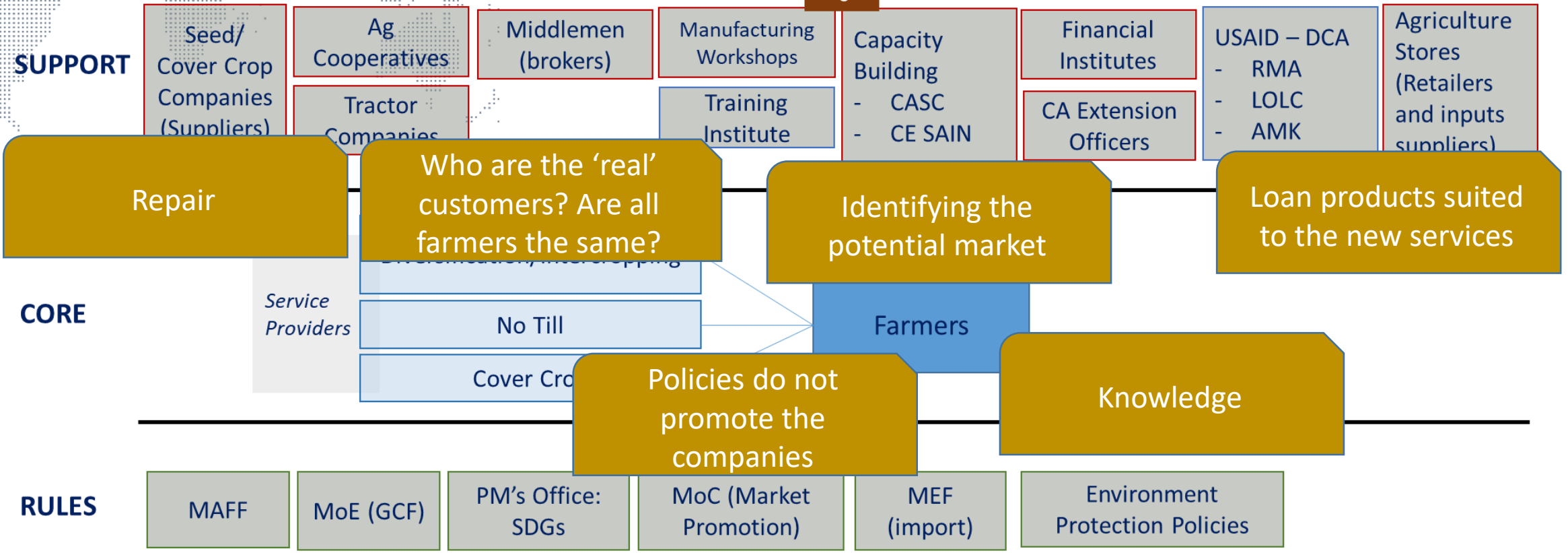


Source: World Bank, 2008



# More concretely...

Draw analysis to overcome systemic constraints



- We need to look at the market map
- System problems are around the actors

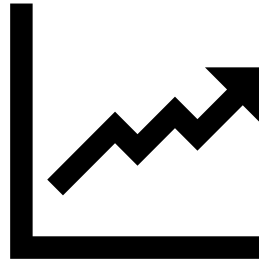
# How does Swisscontact look at overcoming these systemic constraints...



*Investigate the market*



*..move towards  
partnership with the  
actors...*



*..monitor and course  
correct...*

## Swisscontact follows the

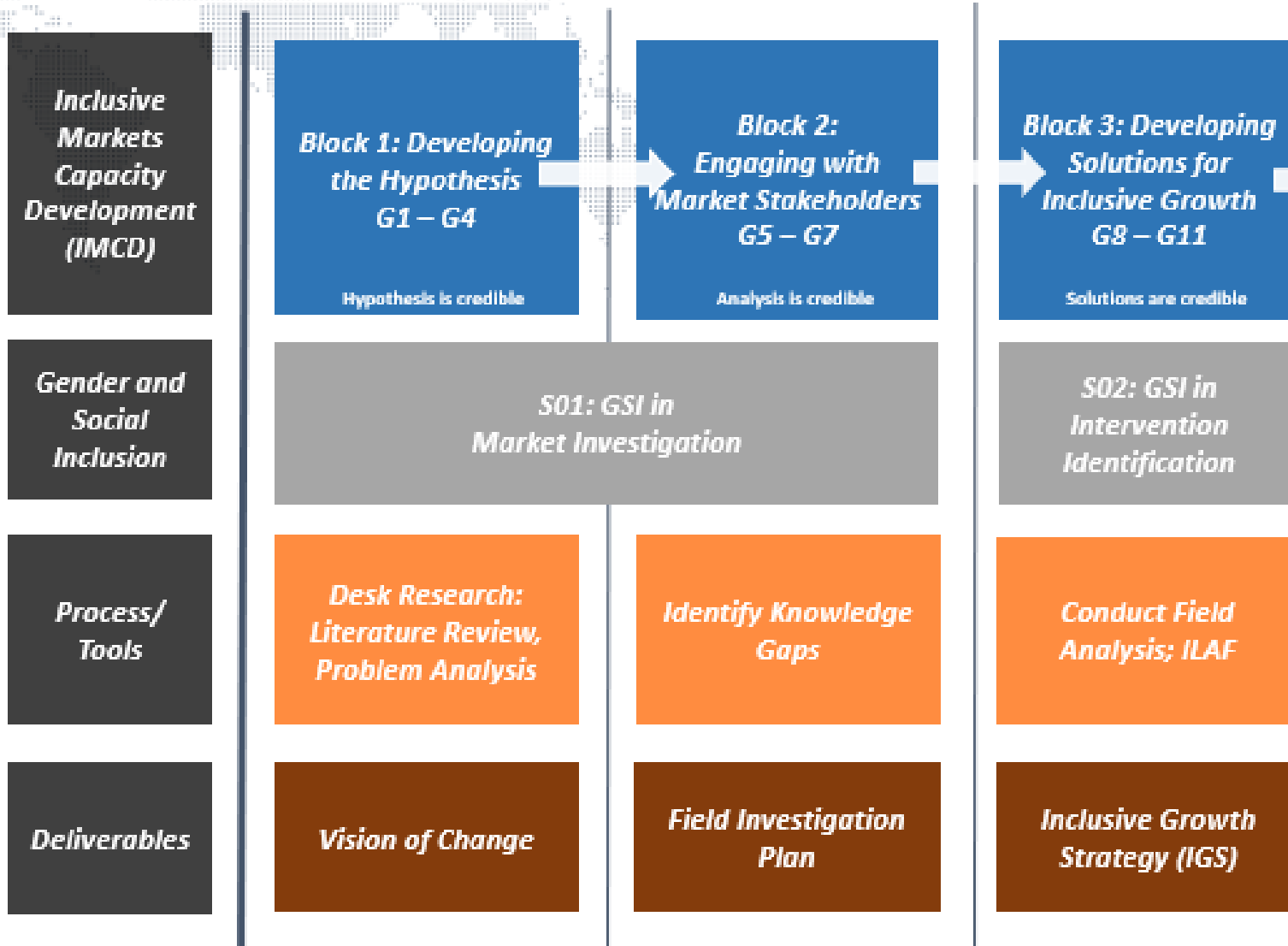


## approach

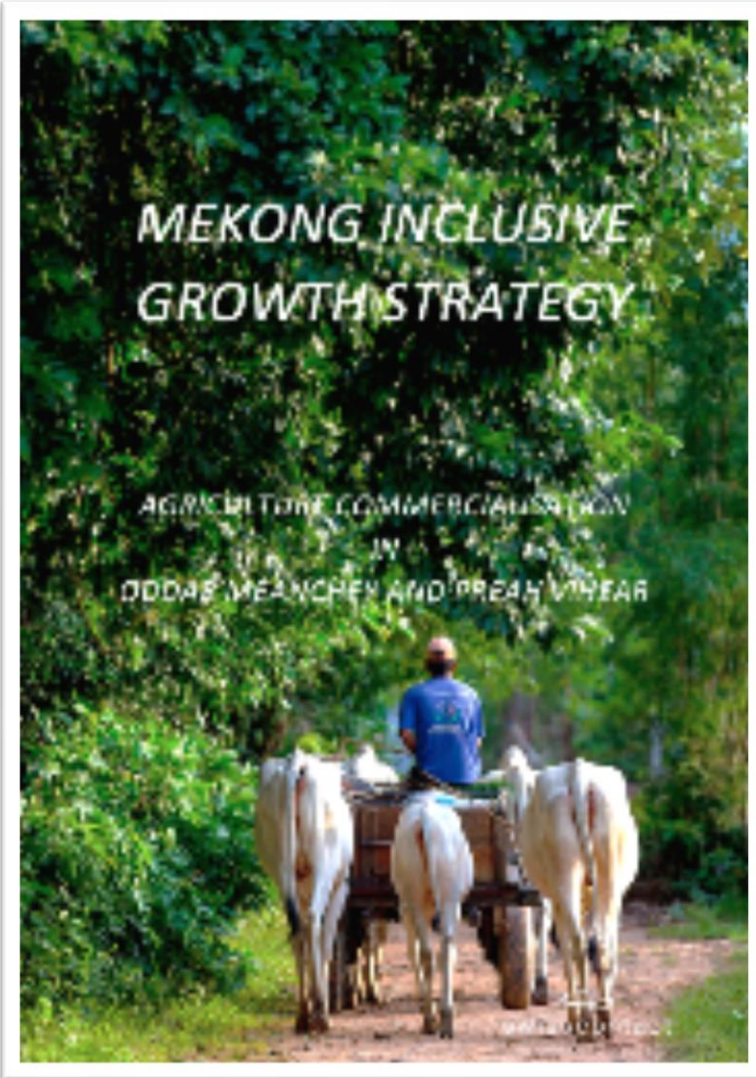
- Who are the 'real' customers? Are all farmers the same?
- Identifying the potential market
- Knowledge
- Policies do not promote the companies
- Repair
- Loan products suited to the new services



# Market Analysis



## Leading to an Inclusive Growth Strategy...



The **Inclusive Growth Strategy (IGS)** is to provide the most important information about the **market/sector** or specific territory or regional (multimarket) and define in detail the **prioritized interventions** that will **lead to increased growth and inclusivity of the system.**



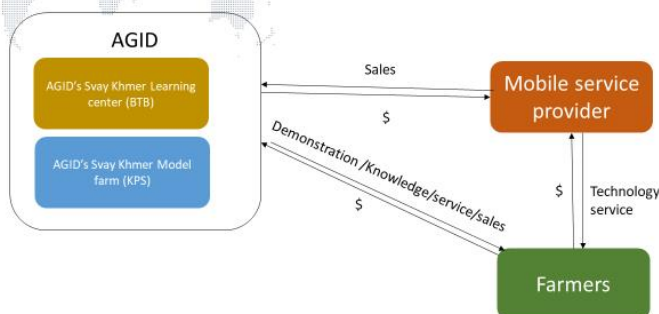
...We pitch to the private sector/actors...

The pitch is used to present ideas, **business models** to communicate and negotiate with private sector

It needs to make business sense for the private sector



**Business Model**



... to get their “buy-in” ...

# Resulting in a Partnership Agreement...



The partnership Agreement details the **business model, budget, activities, and timelines**

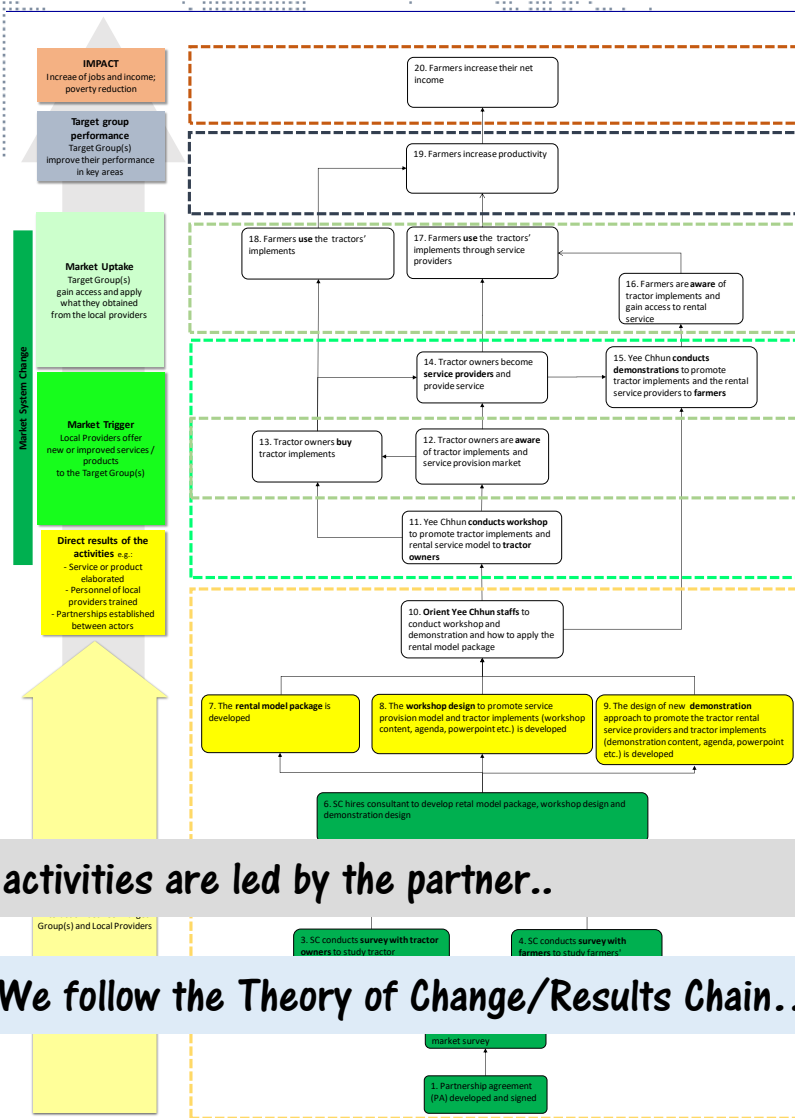
*and also includes*

**Sales Targets, Increase in business volume**





# Then we implement and monitor...



All activities are led by the partner..

...We follow the Theory of Change/Results Chain...



..and monitor results and carry out course corrections...





MIGIP

Mekong Inclusive Growth  
& Innovation Programme



## Working with Yee Chun (Dealer of Kubota)

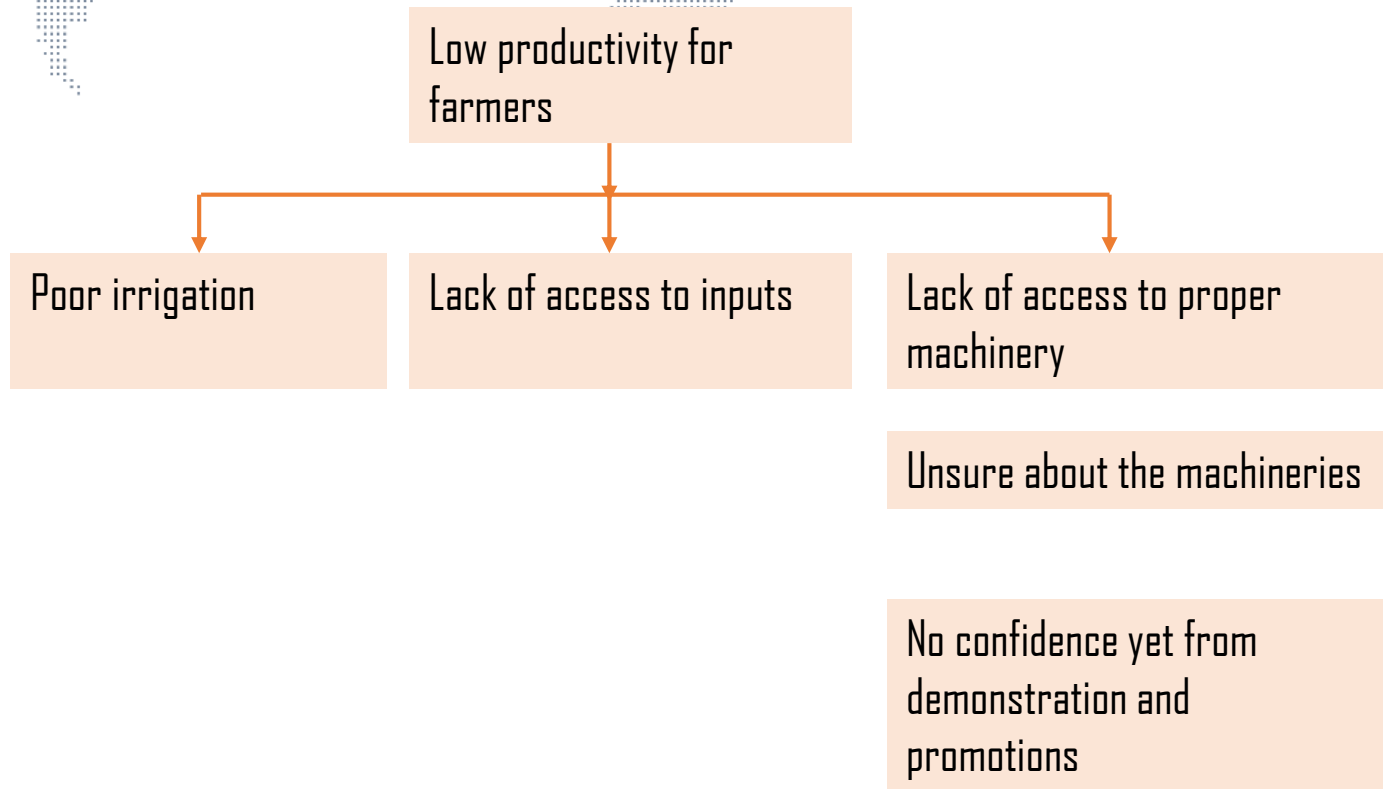
- Kubota holds around 80% of the agriculture technology market in Cambodia
- Yee Chun is a Kubota dealer in Oddar Meanchey
- Tractor Sales was not a big problem for Yeechun
- However Yee Chun had some problems selling implements, primarily the new cassava planter on a L-series tractor
- MIGIP worked with Yee Chun to promote the implements



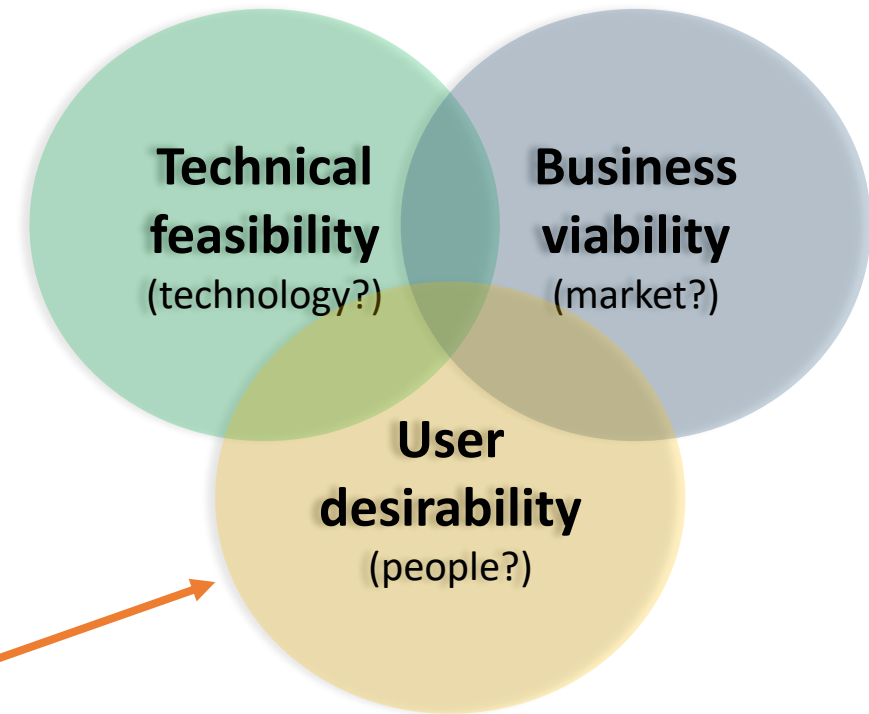
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# Where did we start?



## The world of "Systems" for technology commercialisation



# ..we dug deeper with Yee Chun...



No confidence yet from demonstration and promotions



Demonstration was too generic, did not target the right "consumer"

Yee Chun spending a lot on demonstrations and were not doing anything else

Was difficult to identify the "customer"

Yee Chun would be happy if they could targeted the ones that buy the equipment



Yee Chun ready to test a **Customer identification model** with MIGIP



# But the **Customer** was not the farmer...



Was important to identify who these people were...

Was also important to understand the demography/interest of the farmer...

Yee Chun ready to test a **Customer identification model** with MIGIP

# We then introduced the 4S model...



Yee Chun ready to test a **Customer identification model** with MIGIP







# Components of 4S



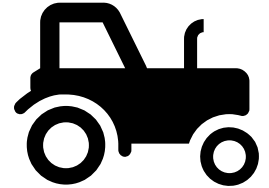
Search



Set up

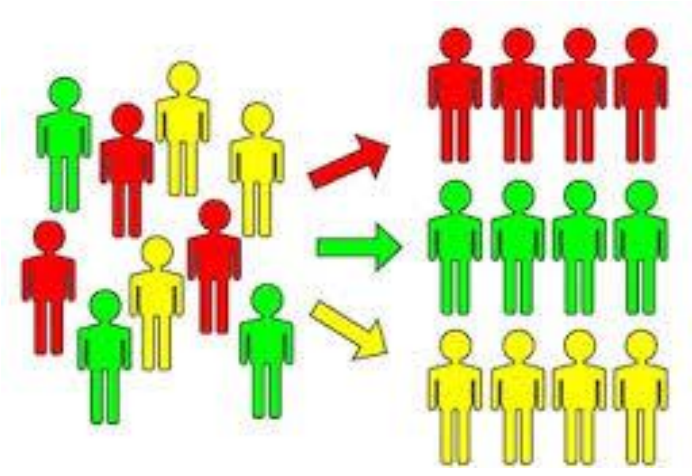


Service



Show case

*Towards customer segmentation for better targeting*







Search



**Identified service providers (tractor owners) with L-Series tractors – key customers**  
**Mapped villages where the tractor owners (TO) could provide services**  
**Identified farmers that could be potentially interested in the services**  
**Identified VIP farmers and tractor owners that were interested in the cassava planters**  
**Took that list to the next step of Demand Creating meeting**



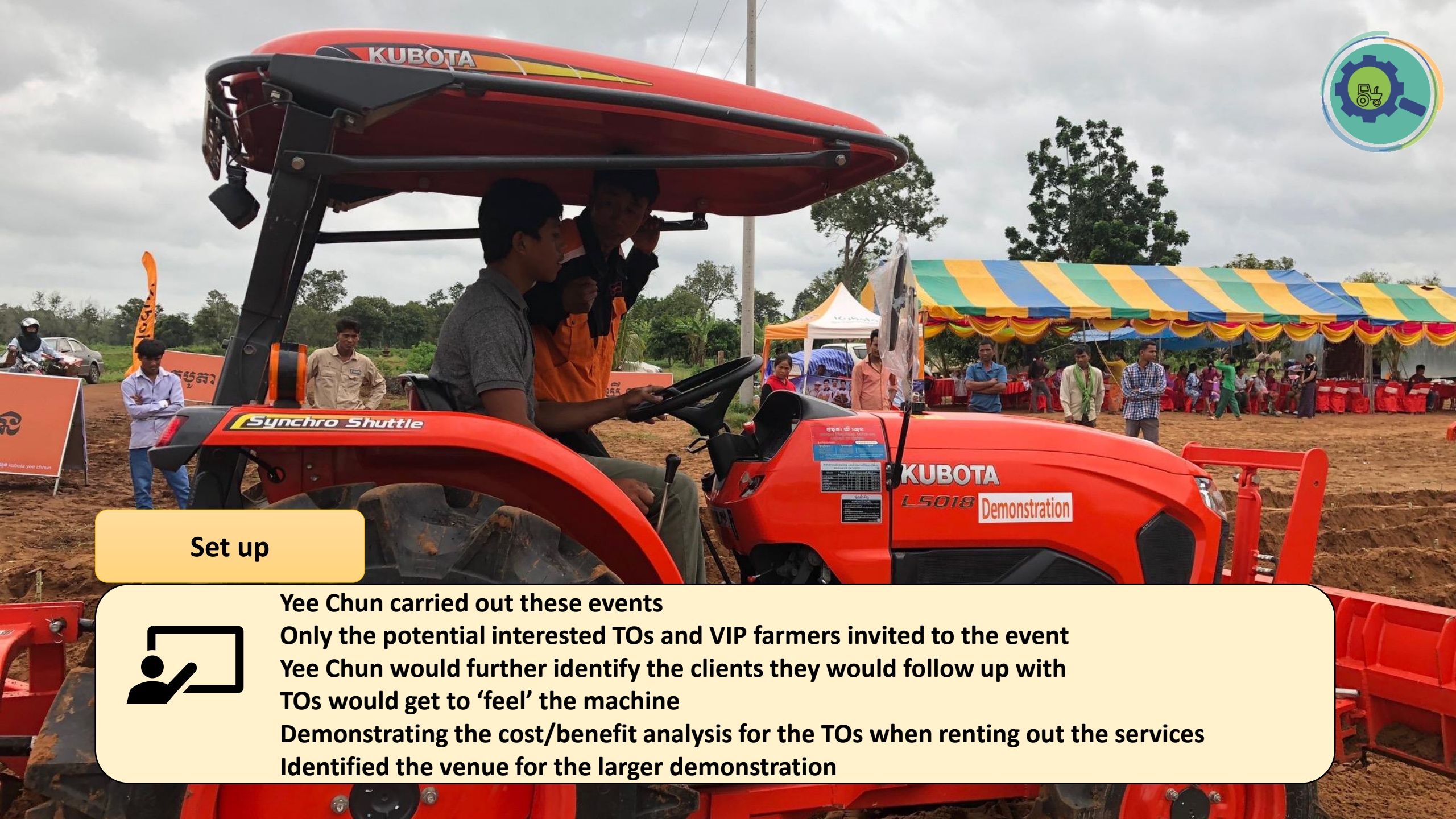


## Set up



- Brought the TOs together with the farmers
- Took down the names of the interested TOs in the machine
- Brought that list to Yee Chun (Yee Chun now willing to go to these meetings)
- Identified the venue where the Service event would take place





**Set up**

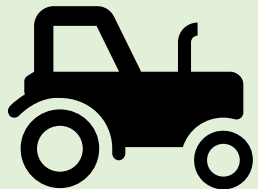


- Yee Chun carried out these events**
- Only the potential interested TOs and VIP farmers invited to the event**
- Yee Chun would further identify the clients they would follow up with**
- TOs would get to 'feel' the machine**
- Demonstrating the cost/benefit analysis for the TOs when renting out the services**
- Identified the venue for the larger demonstration**





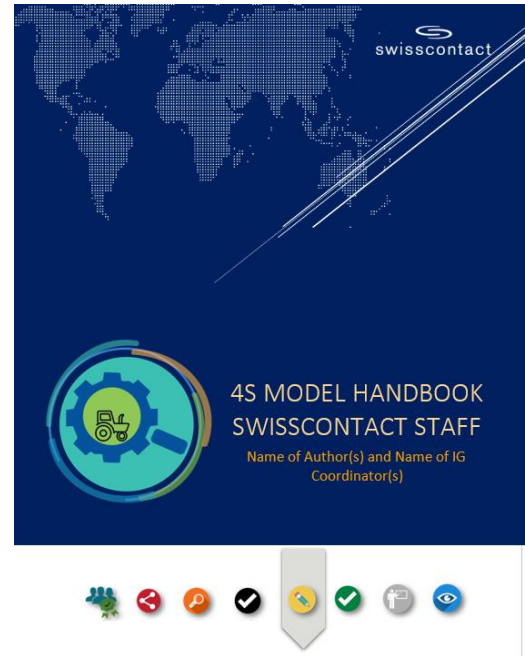
Set up



Normal demonstration event for companies



# 4S Model will be further elaborated....



..involving the private sector is not just about technology...

**Technical  
feasibility**  
(technology/design)

**Business  
viability**  
(market)

**User  
desirability**  
(people)



# ...market systems analysis is key...

## Overcoming the "valley of death"

Research on agriculture technologies (Technical feasibility)



**Technical feasibility**  
(technology/design)

**Business viability**  
(market)



Commercialization of agriculture technologies (Business viability)

**Government/Development sector**

Projects, R&D, Government Provisions

**Private sector**

Marketing and promotional activities, R&D

**User desirability**  
(people)



**Successful technology commercialization that creates impact**

..and starts with understanding the market and the customer...

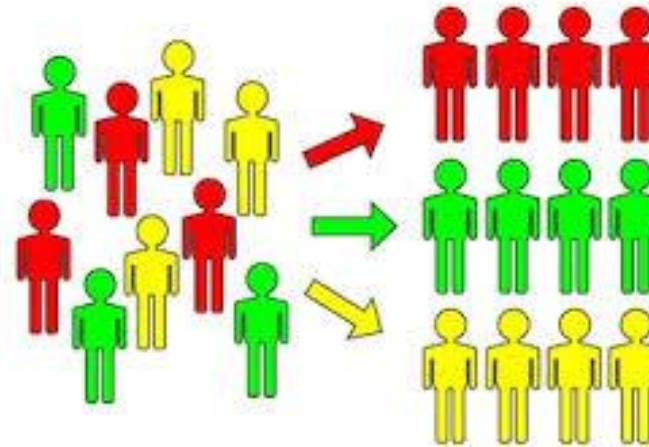
Search

Set up

Service

Show case

*Towards customer  
segmentation for better  
targeting*



...providing market information, methodology and other information will interest the private sector...





swisscontact

We create opportunities

