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CAMBODIAN WILD HONEY BUSINESS DEVELOPMENT STRATEGY

TASK ORDER NO. 04

SEPTEMBER, 2009

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CAMBODIA MSME 2/BEE PROJECT

CAMBODIAN WILD HONEY BUSINESS DEVELOPMENT STRATEGY

TASK ORDER NO. 04

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Author: Merrilene Peramune

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Overview of Honey Value Chain

A schematic outlay of the honey value chain is shown in Figure 1 below and helps to identify the various players in the value chain as well as markets and value added at each stage. Further, the McNaughton honey value chain assessment prepared for the Cambodia MSME Project in May 2009 captures the roles of each of the primary value chain players and discusses the strengths and weaknesses of each of these actors.

McNaughton's value chain assessment and further work by Cambodia MSME Project's value chain and biodiversity teams at the workplan development workshop in Battambang in July 2009 helped refine the constraints affecting producer and retail markets.

The honey value chain in Cambodia at present is characterized by the following:

1. Unsustainable or opportunistic honey harvesting which many projects have tried to address in different locations.¹
2. Weak market linkages due to
3. the lack of traceability and trust concerning the purity of the honey
4. seasonal nature of honey harvesting
5. remote locations
6. entrenchment of non-governmental organizations in the honey marketing activities taking positions in the supply chain
7. lack of a commercial distribution channel to access big city markets

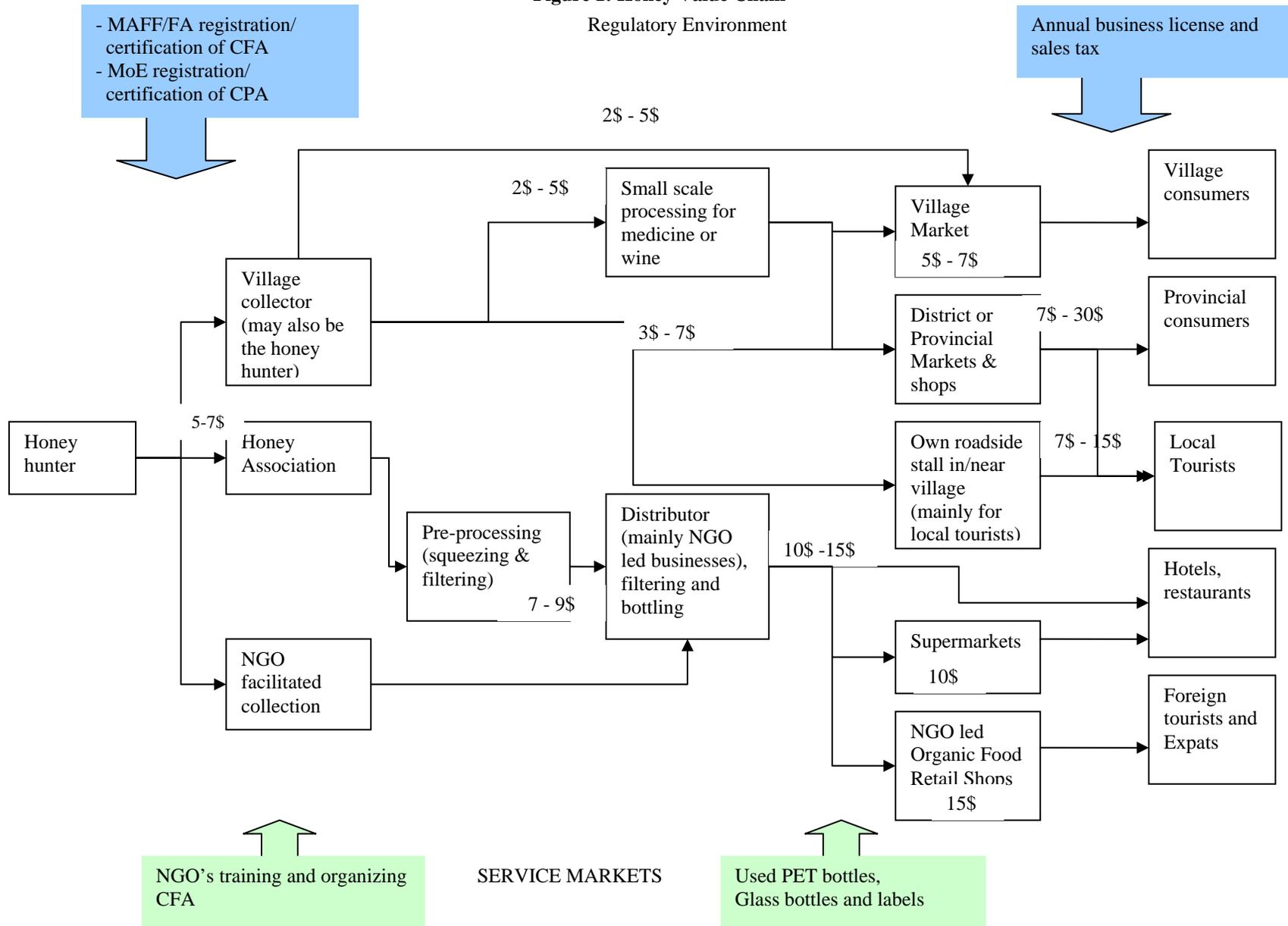
Untapped market potential lies in the following:

1. capitalizing on the interest in wild honey among local tourists and expatriate residents,
2. promoting the environment-saving aspects of the honey business with foreign tourists and expatriate residents, and
3. developing commercial market intermediaries to improve the outreach of Cambodian wild honey.

Work on understanding present and potential markets for wild honey is the first step in the development of the wild honey business. Preliminary work on the honey market was commenced during this consultancy assignment.

¹ McNaughton's report and discussions with Daniel R. Jump, a beekeeper with many years of experience in trying to develop Cambodian Wild Honey, indicate that many projects' attempts at introducing sustainable harvesting practices have been successful until market linkages failed. This has been a point of frustration for the projects as well as the honey hunters. A producer end approach appears to be the bug bear of many well intentioned wild honey projects in Cambodia.

Figure 1: Honey Value Chain



Current Markets for Wild Honey

Market Segments

The market scoping showed the following five markets in the honey value chain.

1. Village Buyers

Market Place: Village markets and within the honey hunter communities

Price per liter: \$5 to \$7

Packaging: Usually sold in honey comb.

Market Characteristics: Trust is high but affordability is low. During the peak season honey prices drop. Honey is mainly consumed for medicinal purposes.

2. Provincial Consumers

Market Place: District and Provincial Wet Markets

Price per liter: \$7 to \$10

Packaging: Vendors purchase honey by the liter and have it squeezed from honey comb at the market. They re-pack into used plastic water bottles that are probably not sanitized. There is no labeling.

Market Characteristics: Provincial consumers prefer to buy from known provincial vendors. Honey hunters are usually outsiders to these markets when they try to sell the honey themselves. There is usually a lot of contamination by the time honey combs reach provincial markets. Provincial market vendors establish trust. Honey is purchased during the season and stored by provincial market vendors. Honey is mainly sold for medicine and food.

3. Local Tourists

Market Place: Roadside stalls and food outlets and provincial markets, where provincial markets intersect local tourist routes

Price per liter: \$15 to \$30

Packaging: used, not sanitized used water bottles with no labeling

Market Characteristics: Local tourists look for a trustworthy source for Cambodian wild honey. They usually purchase from roadside stalls in honey producing areas. Trust is high as honey hunters are established vendors at roadside stalls close to their homes. Honey is sold only during the season so storage is not a consideration for the seller. Honey hunter communities on main travel routes have direct links to the market and so earn a higher income from the honey.

At food stalls frequented by local tourists the purchasing system is similar to that for provincial markets. However, the secondary market value of this honey is sometimes much higher due to the location or reputation of the shop.

Affordability of local tourists is also higher than provincial consumers. Wild honey is used for beauty therapy, medicine and food.

4. Expatriates and Foreign Tourists

Market Place: Supermarkets, Organic Food Shops or NGO-operated outlets

Price per liter: \$10 to \$15

Packaging: Glass jars, labeled. Usually less than 500ml

Market Characteristics: Very little wild honey is available to or purchased by expatriates and foreign tourists. The price, texture and taste comparison with imported honey makes local honey less attractive. Wild honey has no consistent taste and most Cambodian honey has much higher moisture content than imported honey. Imported honey of Malaysian and Chinese origin is much cheaper at \$6.25 per liter. Cambodian wild honey has not been able to successfully reach this market in large enough volumes. The organic market for honey is very small. So far no wet season honey is on the shelf. However when honey is purchased from NGO shops trust is high as expatriate consumers believe, rightly or wrongly, that the honey sourcing is project based and sanitary. Often, the package size is not suitable for foreign tourists to carry.

5. Big City Hotels

Market Place: Supermarkets and distributors

Price per liter: \$10 to \$15

Packaging: Glass jar or plastic jerry can

Market Characteristics: Big city hotels require a year round supply of honey and especially prefer to buy during the peak tourist season. In most areas the peak season does not coincide with the honey producing season. Transacting with honey hunter groups to obtain the required quantity at the required time is a challenge in this market. Only a few select hotels in Siem Reap indicated a need for good quality wild honey for specific dishes, jams and preserves. The majority of the hotels buy honey for use in pastries, roasting meats and for serving with pancakes at breakfast. Most hotels indicated that price was the consideration and preferred to buy cheaper imported honey that had a better consistency.

Summary

The market scoping showed that local tourists paid the best prices for Cambodian wild honey. They would typically pay \$15 to \$30 per liter compared to other markets of less than \$15 per liter. Local tourists appreciate the taste and texture of Cambodian wild honey. On the other hand hardly any Cambodian wild honey has made it to supermarkets and shops frequented by expatriates. Other than for honey marketed by Senturs d'Angkor no Cambodian wild honey was available to foreign tourists. Even then the package sizes and prices were priced on par with imported honey translating to approximately \$10 per liter. Drying wet season honey sufficiently for super market storage and year round sale has not yet been successfully undertaken on a commercial scale.

Customer Perceptions of Wild Honey

Since local tourists paid the best prices they were surveyed for their purchase choices in wild honey. The preliminary results showed that customers identified wild bee honey from its smell and taste. Local tourists were not comparing the Cambodian wild honey with the taste texture or smell of other foreign products. They were looking for familiar tastes and smells. Those buying wet season honey expected to have some frothiness in the honey; this was seen as a sign of authenticity. Although this frothiness is actually a sign of fermentation customers said they did not mind). Customers were aware that fresh honey was light colored and the honey darkened as it aged. City customers were aware that they needed to refrigerate the honey for it to keep. This was not seen as a disadvantage.²

Potential New Markets for Wild Honey

Building on customer preferences, the following new markets for wild honey are suggested:

1. Eco-tourism Sites

Many of the eco tourism sites are frequented by local tourists, Thais and back packers from western countries. The average price for souvenirs in these sites is very small averaging less than \$1 per item. The souvenirs are mostly hand made trinkets. Additionally, local food items are sometimes sold.

The market scoping visit looked at developing inter-community linkages among honey hunter communities and eco-tourism communities.³ Clear interest was indicated in developing availability of honey with direct contact between the communities for marketing a quality product. Honey interest groups can be matched with the eco-tourism communities they can best serve with low transaction costs and coached to develop business relationships among themselves. This will be also a much less daunting and practical exercise of going into honey markets for the honey interest groups than directly approaching supermarkets or big city consumers. Package sizes will need to be experimented. While smaller packaging may reach western tourists, a 300ml to 500ml pack may best serve the local tourists. It is suggested that honey groups be coached to experiment with the pack sizes and determine for themselves what works best at different sites. Appropriate packaging and labeling should be developed by the communities.⁴ It is likely that communities can earn \$15 per liter of honey at these sites.

² A concern this writer has is the re-use of PET water bottles as packaging for honey.

³ Discussions were held with community leaders from Chambok, Beung Kayak, Trapang Andong, Trapang Rong, Ampe Phnom

⁴ Very high inputs by NGOs in developing packaging, labels and markets were observed. This increases the community's reliance on external institutions to organize marketing activities for them.

2. Local Tourist Routes

Many communities in the MSME Project supported bio-diversity sites have little access to the potential in local tourist markets due to their remote locations. There is potential to access these high value markets directly by setting up association-operated community sales points or stalls with adequate promotion of their products, strategically positioned along busy routes and key towns like Kompong Thom.

Such stalls may be operated by the associations and communities may nominate women from the community to market their products. Some differentiation maybe created by labeling and improving packaging. The green tea bottles were noticeably more attractive than the water bottles. The associations will need some professional help in developing labels and promotional banners. It is important that the stalls become a regular feature to promote trust with local tourists. The stalls may also be used to sell bees wax and other local products.

3. Souvenir Products for Foreign Tourists

A potential high value market for the honey is as a souvenir product for foreign tourists. This is an untapped market and possible promotion includes identifying the unique tastes of wild honey based on its source, such as is done with Melaleuca forest honey and flooded mangrove honey in Indonesia. Two or three such product types may be promoted as souvenir items for foreign tourists with a background story of the communities producing the honey and the forests they help save. The packaging should be small enough (less than 100ml) and secure enough (well capped and sealed plastic bottles) to traveling with. A 50ml souvenir pack may be retailed for approximately \$2.

Developing tourist-sized packaging provides an end market price of \$40 per liter which will ensure a good income to honey producers while covering branding, promotion and packaging. It is recommended that this line be developed and branded with potential reputed intermediaries in the upscale market food and beverage industry. Initial discussions were conducted with Sokha Hotel, Bopha Angkor and the FCC group who showed interest in developing such a product line after the next season.

Further discussions are necessary to link selected honey producing communities directly with these intermediaries. Training to improve quality and negotiate business will be necessary for the participating honey communities.

4. Reliable Cambodian Brands for Phnom Penh Markets

Cambodian branded food products for more selective local markets have been developing slowly. Some of the prime movers have been Khmer Mekong Food Products Company, Vissot, Cambodian Harvest Dried Food Company and, for spirits Comfirel. Such a market intermediary will be beneficial to improve market outreach in wild honey marketing. These linkages may take time to develop but preliminary discussions will help determine the potential interest of these

companies. Without such a committed commercially-oriented intermediary wild honey is less likely to succeed in big city markets.

5. Honey and Bees Wax Based Products

Honey is used in Cambodia for medicinal purposes after child birth to aid in the healing cuts, to improve vitality (in men) and beauty (in women), for basting food and on a small scale for preparing wine. Honey based soap is also imported on a small scale from neighboring Thailand. Whether such a product can be produced and marketed locally should be investigated. Further the use of wild bee honey in spa treatment is not yet promoted. Such a business linkage maybe explored with well known spas and hotels. Bees wax is sold in blocks for preparing candles for religious ceremonies. Developing a scented candle industry or linking with such an industry may be an improvement for honey interest groups and associations to consider.

Year 2 Strategy for Developing the Wild Honey Business

The most inhibiting factor in the developing the wild honey business has been the absence of market intermediaries. Well-intentioned NGOs have often played the role of market intermediaries, but this has left honey hunter communities unable to access and respond to market needs on their own; it inhibits the flow of market information between the consumers and others in the supply chain.

The most important element of the honey value chain development strategy for the Cambodia MSME Project will be to play the role of business enabler in a manner that encourages communities to develop specific market links within their capabilities, accessibility and transaction costs.

The Year 2 MSME strategy recommendation follows on from efforts in Year 1 to establish honey interest groups and associations, train them in sustainable harvesting practices and build on community business activities. Work in Year 2 may be founded on six key building blocks, as follows:

1. Selecting honey business communities (potential lead organizations),
2. Identifying and developing site specific market linkages,
3. Building trust and traceability,
4. Improving quality and production, and
5. Developing market intermediaries.
6. Facilitating a better honey business enabling environment

1. Selecting Honey Business Communities and Groups

It is recommended that while all communities with access to honey resources within the bio-diversity target communities in which the Project engages may be trained in sustainable harvesting practices only those capable of developing the honey business beyond their immediate environment be selected for market linkages. This will

require first to identify communities with capacity to develop business linkages in honey trade.

The following criteria for selecting honey business groups are suggested:

1. Good leadership and basic business sense.
2. Sufficient quantity of honey to access markets outside of their immediate community on a sustainable basis.
3. Capacity and commitment to understand and improve quality to meet market requirements.
4. Ability to access markets with relatively low transaction costs

2. Identifying and Developing Site Specific Markets and Business Linkages

The project needs to identify site specific markets for the key 3-5 sites that will emerge⁵. This study makes some suggestions for new markets which may be developed at specific locations. The market scoping also showed that links with existing markets (for example with reputed traders in the Sre Ambel market for the surrounding communities) need to be strengthened. Requirements in these site specific markets need to be incorporated into the product quality, trust and traceability building. The honey business communities need to be enabled to transact business with these intermediaries. An important aspect will be business training, market access training and developing business negotiation skills.

3. Building Trust and Traceability

Commercial-scale traceability will not be required for most markets, more likely trust building among associations and vendors will better serve the short- and medium-term needs well. Even in accessing more sophisticated foreign tourist markets, co-branding with reputed food and beverage vendors will serve as adequate traceability. In fact, traceability and certification maybe required only to access export markets for which Cambodian honey producers are not yet equipped in terms of quantity and organization.

4. Improving Quality and Production

Critical to the honey business development will be the training of the associations to supply a consistent product. This training will entail having the associations understand the market requirements, ensuring the harvesting of mature honey, arranging for adequate drying, and hygienic handling⁶. Undoubtedly all these aspects will need to be built into the sustainable harvesting practices and business training. In addition, this training will also include the identification of the lead honey community trainers for community-to-community training, promoting community interaction and building relationship among the communities.

⁵ It is recommend that site specific market strategy be developed for each bio-diversity group

⁶ Projects around the Danau Sentarum Lake in Indonesia have trained honey hunters to slice and drip honey from the comb instead of squeezing to avoid/reduce contamination

A business diagnostics exercise conducted after the site specific market development study will help communities to understand and address the gaps.

Ability to supply a marketable quantity will be the critical skill. A possible way to increase quantity may be to encourage the siting of rafters closer to the village.⁷

5. Developing Market Intermediaries

While associations can play some intermediation role, widening market access will require developing this missing value chain actor. Market intermediaries will play an important role in developing traceability and trust and promoting market access. Encouraging market intermediaries in food and beverage products to meet with the associations may be an excellent way to begin.

6. Facilitating Honey Business Enabling Environment

While promoting honey production, marketing and market linkages, the honey business enabling environment will also need strengthening as the honey business grows. This requires enhancing links among the value chain actors through

- 1) improving the dialogue among the public and private sector actors and
- 2) facilitating a honey-friendly business policy development including the dissemination of relevant regulations and regular meetings between public and private sector players .

⁷ A project in South India is also experimenting with various bee boxes which maybe used to commercialize wild bee honey production.