



REQUEST FOR PROPOSALS

# Demand Assessment for SME Financing in Vietnam's Coffee Industry

Deadline: February 22, 2019

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# OVERVIEW

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Root Capital, Inc. is a U.S.-based financial institution that provides loans to small- and medium-sized agricultural businesses in Asia, Africa and Latin America. With two decades of experience, we have earned the trust of some of the world’s most successful grassroots agricultural businesses. We build long-term relationships with these enterprises and provide them what they need to grow: reliable access to financing and tailored financial advisory services.

In 2014, we expanded our operations to serve producer cooperatives and private enterprises in Southeast Asia. Having already disbursed more than 15 million USD to a network of nine borrowers, we are now exploring the possibility of scaling up our lending activities in the region. Ultimately, our aim is to accelerate the growth of agricultural SMEs in the country and, in turn, boost income among smallholder farmers.

Root Capital is currently seeking highly qualified candidates to conduct an in-depth scoping of Vietnam’s coffee sector. We will prioritize candidates with demonstrated experience within Vietnam’s coffee sector as well as those with local networks. Please see detailed qualifications below.

## Timeline

This assignment requires the full-time equivalent of 30-40 days, concluding by April 30, 2019. Prospective candidates shall submit a detailed proposal consistent with the following:

ANTICIPATED MILESTONES	DATES*
Proposals Due	February 22, 2019
Consultant Selected	March 1, 2019
Desired Project Kickoff	March 4, 2019
Interview Guides and Source Lists Submitted for Review	March 22, 2019
Interim (Draft) Report Due	April 19, 2019
Final Report Due	April 26, 2019

*\*Some flexibility in the timeline is possible (including start and end dates), but will need to be negotiated and determined up front.*

## Expected Deliverables

The expected outputs of the project are:

1. Comprehensive catalog of coffee-sector businesses operating in select regions of Indonesia, including best efforts to obtain the data outlined in the *Scope of Work*.
2. Final report that sufficiently addresses all areas of exploration outlined in the *Scope of Work*, below.
3. Any dataset(s) discovered or generated in the analysis, as well as a compilation of sources and relevant contacts consulted.

## Research Methods

We expect the selected consultant to design and implement tools and methodologies for primary data collection. This includes interviews, surveys, and/or consultations with producer organizations and cooperatives, traders and exporters, and other relevant stakeholders such as certifiers, industry associations, government bodies, local non-profit institutions, etc.

This primary research should be supported by a review of secondary sources that will shed contextual light onto the organization of Vietnam's coffee suppliers and the factors that would affect Root Capital's ability to serve commercial entities within the country.

## Required Qualifications & Competencies

- Demonstrated experience working in, or consulting for, the coffee industry in Indonesia or other closely-related areas; working knowledge of coffee production and supply chains
- Established regional network, with a strong preference for candidates with coffee industry contacts, and capacity to dialogue across sector stakeholders
- Strong research and analysis skills and proven project management capabilities
- Proficiency in Vietnamese and English

## Instructions for Proposal Submission

We need your industry expertise, and we understand the time and energy you'll spend completing a proposal. Thank you in advance for your effort to consider and complete it.

**Interested applicants should submit a brief proposal, structured as below, to [azielinski\\_IC@rootcapital.org](mailto:azielinski_IC@rootcapital.org) with the subject line: "Study Proposal: Coffee Industry in Vietnam (Last Name)" by February 22, 2019.**

A complete submission should include:

1. An executive summary presenting your unique qualifications for this project. Please focus on your expertise within the coffee sector and experience managing independent consultancies. (2 page maximum)
2. A CV or resume featuring coffee-related experience and/or relevant past consultancies. (2 page maximum)
3. A proposed workplan and timeline that outlines: the development of research tools, any travel plans, tentative interviewee list, and projected submission dates of deliverables. (3 page maximum)
4. A proposed budget, including consultancy payments and anticipated travel expenses (1 page maximum)
5. Three references, with at least one from the coffee industry or closely-related area and one client of past independent consultancies

**Applications will be reviewed on a rolling basis, so candidates are encouraged to submit their proposal as early as possible.**

# SCOPE OF WORK

*This is a preliminary accounting of the content that will be required; the scope of work will be refined in cooperation with the selected consultant. There are two distinct sections: 1) Comprehensive Entity Catalog, and 2) Industry Report. While the two components are interrelated and will be completed in parallel, the Entity Catalogue of potential lending clients takes precedent.*

## 1. Comprehensive Catalogue of Possible Lending Clients

The catalog shall seek to identify and describe the network of relevant actors within Vietnam's coffee supply chains, accompanied by a description of key relationships. The focus should be on women-led and gender-inclusive enterprises that meet Root Capital's minimum loan qualification criteria (detailed in appendix). This section should provide a comprehensive dataset of relevant enterprises (aggregators, processors, and traders), including best efforts to obtain important data about each as laid out on the following page.

Analysis of the entities profiled in the catalogue should also be summarized into key findings, answering the questions:

- How are financing needs of these businesses currently being met (or not)? What is the typical amount and nature of external debt financing required?
- Which financial institutions are actively involved in financing Vietnam's coffee sector? What financial products are they providing?

The Entity Catalogue may be compiled in a format like the example provided on the following page. The final format and desired components of each profile will be determined by the consultant and the project manager after the project kick-off based on an initial understanding of available data.

The consultant and project manager will schedule a check-in halfway through the workplan in order to evaluate the progress of the Entity Catalogue and determine how to proceed. Should it be determined that there is a lack of possible lending clients in the sector, the second portion of the project may be revised.

Example format for Entity Catalogue entry:

Client Profile			
Enterprise Name:		Region:	
Basic Indicators			
Years in Operation	Annual Revenue (Est)	Enterprise Type	Number of Producers
Management Profile and Gender Inclusion			
Years of Experience	Owner Gender	Women Board/Mgmt	Women Producers
Access to Finance (current funding sources)			
Commercial			
Embedded			
Social			
Self			
Demand for Finance			
Interested in new sources?		Rate expectations?	
Contact Information			
Name	Title	Email	Phone/WhatsApp
Notes			

## 2. Industry Report

We seek both national data and information relevant for market sizing and future credit analysis, with a focus on commodity, country, and market contexts. The final report should cover:

### Commodity Context: *(5-6 pages)*

- **Crop details:**
  - Seasonal crop calendars
  - Common and preferred coffee varieties, their availability, key characteristics (and specific customer applications if any)
  - Age and quality of tree stock
  - Common coffee crop diseases and most recent large-scale incidence of the same
- **Market trends:**
  - Market size and trends over past 5 years of overall coffee production in both volume and value
  - Market size and trends over past 5 years of overall coffee production in both volume and value (only exports)
  - Market size and trends over past 5 years of overall coffee production in both volume and value, split by region
  - Market size and trends over past 5 years of overall coffee production in both volume and value, split by size of producers
  - Total area under coffee cultivation
  - Average yields over past 5 years
  - Sales split by types of value chain (e.g., conventional, Fair Trade, organic, specialty, etc.)
  - Sales split by customer segment
- **Cost of production:**
  - Small farms (*each category to be defined based on local context*)
  - Mid-sized farms
  - Large farms
- **Value chain entities:**
  - Common entity types and value chain structures
  - Key challenges and opportunities noted by value chain actors

### **Country Policy Context: (1-2 pages)**

- Government policy and regulatory frameworks related to coffee value chains and, more broadly, export-oriented agricultural products
- International trade agreements or key inter-state relationships related to coffee
- Government subsidies, price supports, or special credit programs in place, as well as other government support to advance the interests of the industry

### **Private Entity Ecosystem: (1-2 pages)**

- Historical price trends and dynamics
- Description of non-governmental institutions, certifiers, service providers, key donors/investors, or other parties involved in the sector, as well as an outline of interests and active programs for each
- Key export markets and global/regional/domestic buyers
- Market requirements including quality standards, sanitary and phytosanitary requirements, and other conditions for export or trade

### **Value Chain Overview: (1-2 pages)**

- Description of value chain covering all key segments (producers, aggregators, processors, distributors). To cover scope of operations at each step, average size (revenue, production volume, number of employees) and industry trends (consolidation, vertical integration, etc.)
- Description of value-added services providers in the ecosystem (focus on Technical Assistance providers, and credit providers)
- Presence and role of industry interest group or inter-professional body

### **Value Chain Deep Dives: (7-8 pages)**

- **Aggregation**
  - Key aggregators operating in this geography and their legal structures
  - Description of the procurement process (direct, intermediaries, etc.)
  - Description of producers procured from a scale of operations perspective
  - Competitive dynamics between aggregators purchasing from smallholders in this geography



- Pricing strategy and payment mechanism
- Key buyer segments and contract structures (including contract awarding processes)
- Sources and utilization of debt financing
  
- **Processing**
  - Key processors operating in this geography and their legal structures
  - Value-added services provided by processors (with relevant conversion ratios)
  - Key pain-points of processors (e.g., seasonal labor shortages, appropriate machinery with the skilled labor to run and maintain it, etc.)
  - Geographic split of processors (in-country vs. after export)
  - Size-based split of processors (based on local definitions of small, medium and large)
  - Competitive dynamics between aggregators purchasing from smallholders in this geography
  - Pricing strategy and payment mechanism
  - Key buyer segments and contract structures (including contract awarding processes)
  - Minimum processing standards/requirements (e.g., processing capacity, staffing, quality parameters of final products, storage) to be met by processors (including comparison with global standards)
  - Required licenses and/or certifications for this industry (with renewal details)
  - Sources and utilization of debt financing
  
- **Commercialization (local distribution or export channels)**
  - Potential pathways to commercialization (e.g., export, local sales, etc.)
  - Key importers / exporters operating in this geography (special focus on large global players, or any other noteworthy domestic players)
  - Description of offtake agreements including the typical terms of sale
  - Minimum processing standards/requirements (e.g., quality, quantity, volume, operational capacity parameters, storage, staffing, transportation, insurance, required licenses and/or certifications, etc.)
  - Sources and utilization of debt financing

*\* The region of focus is the Central Highlands. Adjustments may be made per conversation with the selected consultant.*

# APPENDIX

## Root Capital Lending Criteria

- Years in Operation: 3
- Minimum Annual Revenue: \$250,000
- Location: Must be legally established in one of Root Capital's lending countries or within Indonesia, the Philippines or Vietnam
- Documentation: Must present audited or management-prepared financial statements from the past three years.
- Products & Services: Must be active in one or more of our focus industries: coffee, cocoa, honey, tree nuts, vanilla, grains, oilseeds, oil palm, or other staple crops.
- Commercial Relationships: Must have strong relationships with established buyers and at least two professional references.
- Ownership and Supply Chain Composition: Please identify the gender of leader, owners, and members/suppliers as this particular body of work is focused on serving women