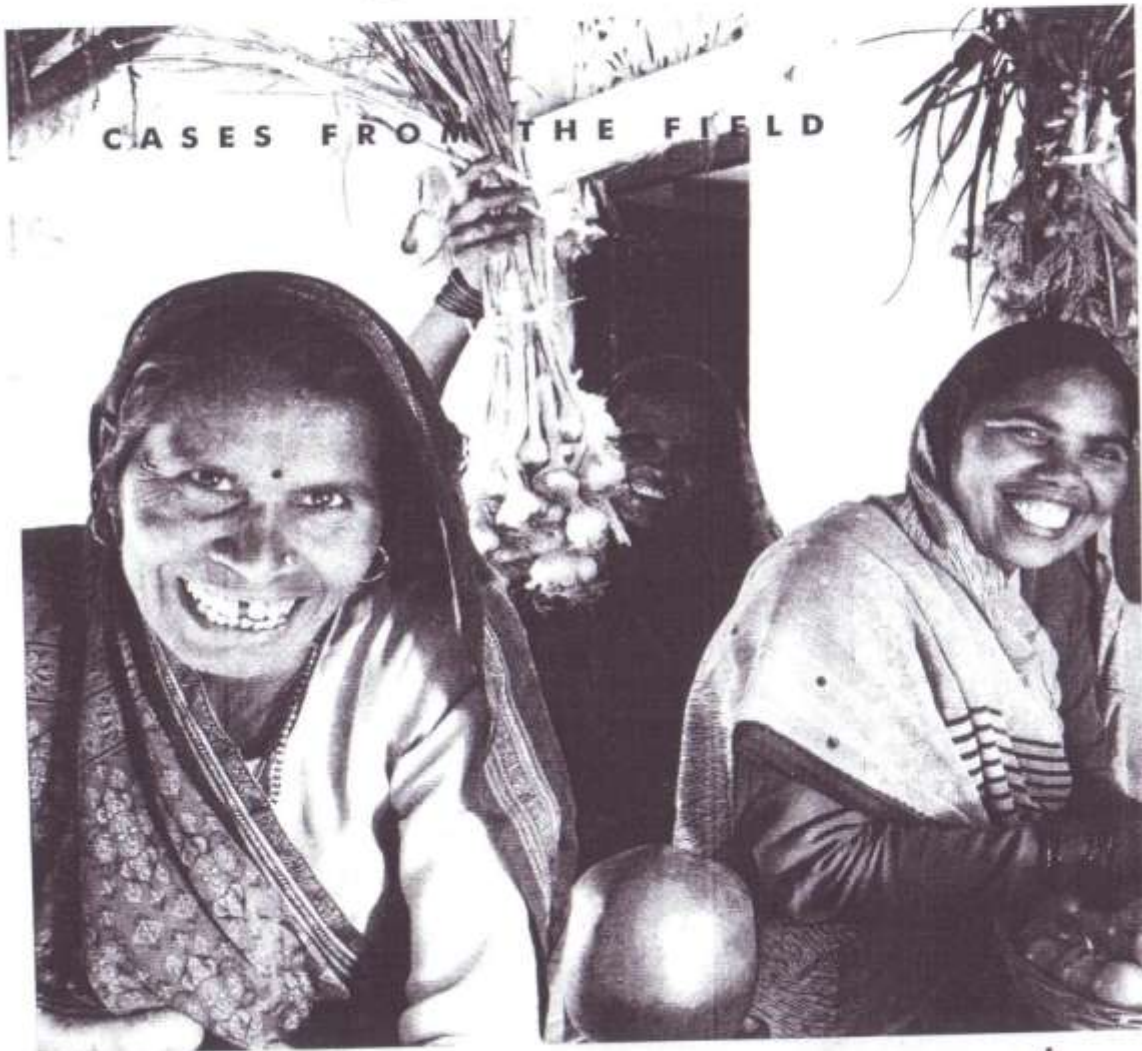


SUBSISTENCE TO SUSTAINABLE

The Power of Aggregation in Agriculture



Sitaram Rao Livelihoods India
Case Study Competition



Rabobank



SUBSISTENCE TO SUSTAINABLE

The Power of Aggregation in Agriculture

This book is a compendium of the 10 best entries to the Sitaram Rao Livelihoods India Case Study Competition 2010. The competition strives to bring together the collective intellect in the country and assimilate innovative solutions, breakthroughs, good experiences and best practices that can help change the poverty status in India.

The 2010 theme for the competition was 'Power of Aggregation: Poor in agriculture'. After a rigorous evaluation process by an esteemed Jury, the 10 best cases were selected, which are published in this compendium. The authors of these published cases are a diverse set of people, ranging from students to organization heads to practitioners. The compendium gives an insight into some innovative practices across the country, which aim to provide sustainable livelihood solutions to the poor engaged in agriculture.



ACCESS Development Services

28, Hauz Khas Village, New Delhi - 110 016
Tel. 91-11-26510915/26536435 | Fax. 91-11-26850821
www.accessdev.org | www.livelihoods-india.org

CONTENTS

<i>Preface</i>	<i>v</i>
1 BAIFF: Transforming Dreams into Reality for Rural India	1
2 Fishing for Innovation: The Story of Samudram Women's Federation, Orissa	25
3 Weaving Strength with 'Suta'	43
4 Aggregation of Traditional Fisher folk in Gujarat Coast - Kutch Seafood Producer Group	55
5 Chetna Organic: Environment...ethics...equilibrium	73
6 Chirag's Market Linkage Program for Small Marginal Farmers	89
7 Enabling Aggregation through Institutional Framework for Farmers: Poonpohar Farmers Federation Model	107
8 Enterprising Farmers forming Farmer Enterprises	119
9 Fostering Farmer's Organisations With Business Rigour	135
10 The Power of Aggregation in Agriculture: A Case Study from Udyogini	151

Published by
ACCESS Development Services
26, Huzar Khas Village,
New Delhi - 110016

Subsistence to Sustainable The Power of Aggregation in Agriculture

Copyright © ACCESS Development Services, 2010

All rights reserved. This book, or parts thereof, may not be reproduced in any form or by any means, electronic or mechanical, including photocopying, recording or any information storage and retrieval system now known or to be invented, without permission by the Publisher.

Cover Photograph:
Nagender Chikkana/ Rajender Shaw/ Ranjan Kabi/ Osham India

Printed by
Purple Communications
New Delhi

PREFACE

Agriculture continues to be the backbone of India, contributing a sizeable proportion to GDP and exports, and providing food to 1 billion people. Although critical, as a large proportion of the population practices agriculture as its mainstay livelihood occupation, there are inherent weaknesses in the system. Fragmentation of land, low technological inputs, unsustainable water management, poor infrastructure and low value addition have plagued Indian agriculture, leading to low per capita productivity.

Of the poor engaged in agriculture in India, almost 80% are small and marginal land holders. By virtue of being small, they have very limited access to resources (land, water etc.) as well as access to markets and other related services like finance and business development. Small and marginal farmers have very low marketable surpluses which provide a disincentive for seeking high value markets and almost always resort to obligatory selling. There are several experiences of aggregating small surpluses as a marketing strategy through various institutional forms like agriculture cooperatives, producer companies and federations. It is essential that these models are studied and learning from them disseminated across the sector, so as to aid better organization of small and marginal farmers and increase their incomes.

ACCESS Development Services, instituted and mandated to serve the poor and help them overcome poverty and live with dignity, has been making significant efforts at all levels of the sectoral value chain to impact and improve the livelihoods of the poor, specially small and marginal farmers. While working on-the-ground, ACCESS also realizes the critical significance of needing to assimilate learning as well as to disseminate these for the benefit of the entire sector. Through the initiatives like the Microfinance India Summit, the State of the Sector Report-Microfinance, the State of India's Livelihoods Report and various policy retreats and visioning exercises, ACCESS has been attempting to contribute towards dissemination and sharing of best practices for the benefit of the sector, and has started to increasingly play the role of a knowledge repository.

It is with this perspective that ACCESS initiated the Sitaram Rao Livelihoods Case Study Competition. The theme for this year - "Poor in Agriculture - Power of Aggregation" aligns well with the Livelihoods India Conference which also focuses on agriculture. ACCESS received 69 cases as a part of the competition, each narrating a unique experience. It was indeed a hard task for the Jury to pick the ten best cases. The experience and expertise of the Jury, comprising of Biswa Bandhu Mohanty (Ex CGM, NABARD), Debiprasad Mishra (Professor, IRMA), Nisha Agrawal (CEO, Oxfam India), Rajiv Mehrishi (Additional Secretary, Ministry of Agriculture) and Sanjoev

Asthana (Founder and Director, I-Farm Venture Advisors), has ensured that only the very best cases have made it to the final ten.

The gamut of cases covers wide ranging experience from **BAIF's** Wadi model which had as its core program, plantation of a combination of fruit and forest trees on underutilized lands, value added layers such as food processing & co-operative marketing in order to ensure appropriate price for the produce, to **Samudram Women's Federation** which is an inspiring story of a women's collective which first came together and succeeded in stopping sale of illicit liquor and has now become a Federation of 15 women's organizations. Also, another off the beaten track example, which has grown from strength to strength, is that of a producers' collective of yarn producers, **MASUTA Producers Company Ltd (MPCL)** that has been able to leverage access to capital from financial institutions and reduce information asymmetry in the market.

Other cases include experiences from **Kutch Seafood Producer Group** (which works towards a collective marketing solution by mobilizing fisherfolk), **Udyogini** (which organized tribal women in Mandla for aggregating Mahua initially and moving to food crops progressively), **Chetna Organic** (working with small farm holding households involved in cotton cultivation), **Chirag** in Uttarakhand (which provides small and marginal farmers with market linkages to aggregate produce), **Poompuhar Farmers Federation Model** (which provides several value added services to its members to increase profitability), **Farm Advocacy Group** in Andhra Pradesh (which established a lucrative partnership in Jatropha crop with RIL) and **Shri Jagdamba Samiti (SJS)** in Uttarakhand's Uttarkashi District (which works with apple growers wherein farmer trusts have been set up in partnership with a corporate).

These different case studies enrich the knowledge bank of the entire sector and we hope this compendium serves as a quality reference for practitioners to innovate livelihoods solutions.

On behalf of ACCESS, I take this opportunity to thank the Rabobank Foundation for supporting this important initiative. Particularly, I would like to thank Pierre Hedel, Managing Director and Arindom Datta at Rabobank Foundation for giving us the opportunity to bring together these interesting case studies on the power of aggregation in agriculture. I also thank all those who have shown interest in the case study competition and submitted their cases. Though only 10 could be finally shortlisted, the rich content of all the cases is beyond any doubt. Special thanks and appreciation is due to the time and effort put in by the Jury members, albeit their very busy schedules, to critically examine the cases and help us with the final list. Lastly, I would like to thank Kaarak Enterprise Development Services Pvt. Ltd. for contributing with their timely support to not only read all abstracts

and cases for submission but also help in shortlisting the final ones which helped the Jury to make their choice. Kaarak's experience as a livelihood and enterprise management consultancy assisted ACCESS in organizing the competition. Most importantly, Aarti from the Livelihoods team championed this initiative with support from Puja, Associate Vice President, heading the initiative. It thrills me very much when young professionals take on big tasks, and accomplish them with aplomb.

Vipin Sharma
CEO, ACCESS Development Services

The Power of Aggregation in Agriculture: A case study from Udyogini

Vanita Viswanath

Introduction

Kanti Bai is an illiterate Gond (tribal) woman from Mandla district in MP. She eked out a living from agricultural labor and non-timber forest produce (NTFP) collection until she became one of the drivers of the value chain for aggregating agriculture and NTFP commodities established by Udyogini. Kanti Bai is now assisted by other illiterate or barely educated tribal women like herself, selected, trained and incubated by Udyogini to manage two Cluster Level Service Centers (CLSCs) at the top end of the value chain at sub-block level. CLSCs are the aggregation, value addition and marketing business managed by UJAS, the registered association of women producers. The 18 Village Level Service Centers (VLSCs), which are upstream enterprises, owned and operated by individual tribal women entrepreneurs, undertake the first-level grading and sorting of commodities brought to them by producers. VLSCs sell these primary processed commodities to the 2 CLSCs. The same chain retails processed commodities, other products of everyday use as well as services to 2000 women out of which 500 are member of Self-Help Groups (SHGs) formed under UJAS in the villages that are currently served by this chain. The VLSCs are unique micro-franchises in which agriculture, NTFP and other products and services are bought and sold for benefit to entrepreneurs and producers. The aggregation activity began in 2005 at the SHG level and shortly thereafter was linked to the CLSC that was established the same year. The VLSCs were added in 2007.

Context and Relevance to the Theme

Mandla is inhabited by Gonds, Baigas and their sub tribes who are predominantly dependent on agriculture as well as forest produce collection and trade for their livelihood. However, due to poorly developed agricultural infrastructure, low agricultural inputs, traditional agricultural practices, small landholdings and now environmental challenges as well, returns from those activities have been low. Only 10 % of the farms are irrigated & can take 2nd (Rabi season) crop. Paddy is the major kharif crop. Productivity of the major crops is also well below the national standards, with mostly mono-cropping being practiced. The forest cover of Mandla district, that is around 63%, has been a primary source of income besides agriculture on which around 65% of the population is dependent for their livelihood. The average land holding is about 2.66 hectare. As the returns from agriculture and forest resource are not adequate to meet the basic requirements of the families, a large

number of productive family members between the age group of 16 - 45 migrate to urban areas in search of work in construction and agriculture.

Though the district has a positive sex ratio the literacy rates are however skewed with female literacy being only 42% compared to male literacy rate of 72% in the rural areas. Electricity is available in some villages but the supply is highly erratic. Gram Panchayats are formal institutions in the villages with elected leaders. However, Gram Sabhas are not always held.

The area has major mandis and access from villages is by pucca and kutchra roads depending on the village. The local haat is the main market for the community and producers either walk or travel by bus. For large purchases they go to Mandla town. The community generally trades produce individually and in small volumes in the haats and village shops. This was suboptimal because there was widespread cheating in weights and measures. Traders divided and ruled! For purchasing essential household items and for credit needs the community relied on the same traders so it became a circle of exploitation.

Although there is considerable scope to improve agricultural productivity through land and watershed development to impact family incomes, Udyogini's work and the subject of this case study is aggregation and value addition in an organized value chain that addresses not just household income but also women's lack of knowledge, skills, market access and control, access to new products and services, entrepreneurship, growth and eventually empowerment.

This combination of benefits fulfilling basic and strategic needs of tribal women constitutes the true POWER of aggregation.

The value chain began in early 2005 in 13 villages to support around 200 women. By the end of that year, Udyogini was working with nearly 1200 women from 60 villages and by the middle of 2010, numbers have gone up to 3000 women in 100 villages in a variety of agricultural support work of which 18 villages and 2000 women are connected to the value chain through VLSCs.

In Mandla, agriculture and NTFPs produce together form the universe for commodity aggregation because both are equally important for the livelihoods of tribal women.

Rationale for women's interest in aggregation

The key constraint for tribal people, especially women, was their lack of holding capacity for commodities in large volumes. This problem results

in price advantage going to traders rather than to producers due to the following reasons:

- a) Lack of access to credit at reasonable rates that would have enabled them to store commodities to sell later when the prices were higher.
- b) Women producers were dealing individually with the buyers which allowed the buyers to negotiate the selling price.
- c) Women lacked knowledge of prevailing rates and could not enforce accurate weights and measures so they sold the commodity at the prices quoted.
- d) Many of the traders they sold to were also suppliers of other essential commodities and of consumption credit that the families required. Women were dependent on them.
- e) Since the market-based traders govern the trade, producers are unable to build a stake in the trade though they are both producers and consumers.

Initializing

Udyogini began its initiative with mobilizing women into SHGs and simultaneously through its Grassroots Management Trainings (GMTs) which oriented women about enterprise and its benefits as well as motivated them to think of SHGs not as a means of consumption credit alone but also as a way of funding investments in the enterprise. Through GMTs, women realized that they could use credit to improve their holding capacity. Udyogini has developed an enterprise motivation training kit that covers key aspects of entrepreneurship and enterprise-building. Among other things, the training tries to raise women's consciousness of their inherent risk-taking abilities and multi-tasking prowess. The first foray into making investments consistent with this consciousness was in procurement and aggregation at the group level. With the group working within the framework of investments in commodity aggregation for enterprise, the SHGs were rechristened Women Enterprise Groups (WEGs).

Procurement

Although there were many commodities that could be aggregated to obtain good returns, in order to motivate women to begin aggregation and storage, Udyogini had to identify a commodity that was in continuous demand, being collected and traded by women already, that would yield returns when aggregated and value added at home and that had a reasonably short cycle between collection/purchase and sale. Mahua, a flowering seed that is used largely in the making of country liquor, fulfilled all these requirements. It is annually available and its collection does not have major ecological implications. Mandla is a big market for mahua. Around 1000 tons per season is the volume of trade in mahua.

in the two clusters where the CLSCs are located. Women sell sun-dried mahua flowers, used to make liquor, in the local markets in March-April, the season for collection. Dried flowers can sell for anywhere between 40-70% more in the off-season—around October and double just before the festival of Sankranti, the following January. Women's need for immediate income for household food security, forces them to sell the produce within a month of collection or purchase (often termed as distress selling). Local agents buy from the women and sell to buyers who store them for sale in October of each year.

In 2004, when value chain interventions were first conceived, mahua was the most acceptable and obvious choice to begin aggregation with. Due to the encouraging returns, mahua storage has become a widespread activity with involvement of 2000 women by 2010. Initially, WEG members obtained credit from Udyogini to aggregate at group level for deferred sale in the local market. Even at WEG level and with small volumes, the capacity to hold on to produce was able to give women at least 30-40% more than if they sold immediately (even accounting for cheating in weights and measures by buyers). This capacity of women at WEG level for one commodity was the impetus in 2005, for the idea of having a CLSC for aggregation on a bigger scale also including additional commodities. The other commodities added were maize, masoor, pulses, bajra, chana and mustard. Research done by Udyogini in available agriculture commodities showed that Mandla district has an estimated production of about 10,000 tons of mustard, 4,000 tons of Masoor, 2,500 tons of Chana and 5,000 tons of Bajra. In the Udyogini project area the estimated production is 800 tons of mustard, 400-500 tons of Masoor, 300-350 tons of Chana and 500-600 tons of Bajra. The research covering 20 commodities in NTFP revealed that, apart from mahua, there is a potential of about 2-3 tons of Chironji fruit which is a quarter of the available resource in all of district Mandla. Gulli is estimated to be around 50-75 tons in the project area and about 500 tons in the district. The procurement season is mainly from November to April for both agriculture and NTFP.

Retail

Women in the villages bought their essential home consumption products from shops owned by local traders. Aware of the dependence of the women on them, traders charged high prices for products. Women also incurred considerable time and cost to reach these shops which were 3-5 km from their homes. It was clear that if aggregation could be extended to retail, the women would save time, energy and wages as well as cost of transportation by bus. More significantly, retail services could serve an entire village (rather than WEGs) that would enable scale and encourage them also to sell to VLSCs in addition to buying from them.

The demand from villages for products included irrigation pumps, pipes, agricultural inputs and vegetable saplings (to support the vegetable intervention at household level being separately promoted by Udyogini in many villages). Reliance, a Corporate, was buying jatropha seeds through the chain to give to farmers for cultivation. Although Reliance's buy back guarantee for jatropha has now been withdrawn, the seeds continue to be procured from producers and sold in the market. In addition, there are FMCG products produced by local manufacturers such as soap, biscuits and sweets that are in demand and CLSC revenues were boosted when they added these to the menu of marketable products available to village customers. It was also an ethical move to safeguard the interest of local microenterprises. Other small enterprise products that will be sold to village customers through this chain are solar lights. A total menu of 109 products has been identified as daily needs requirements that have a demand and can be sold through the chain. Retail operations run year-round.

The Value Chain: Core Elements

Cluster Level Service Centers (CLSC)

The CLSC in Bakori, Mandla was the first institution to be established in 2005 enabling the aggregated commodities to be stored, graded, inventoried, priced and marketed. These functions are executed by a cadre of Business Development Service Providers (BDSPs) that are the backbone of the aggregation and value addition for the market. An additional CLSC was opened on the other side of Mandla town, to serve another cluster of villages in 2006. The commodities aggregated at the WEG level were, at the time, sold directly to the CLSCs. CLSCs sell to distant markets and manage functions such as finance, accounts, inventory and the movement of commodities and products through the chain. The success of procurement with mahua and other commodities resulted in increased business for the CLSCs with annual turnover for both taken together averaging Rs. 4 - 5 lacs by 2007.

This return, within a short time, was encouraging. It became apparent that the volume and diversity of commodities that could be consolidated and sold to benefit producers (including village level retail that had not begun by then) merited an entrepreneur-driven vehicle between the producers and CLSCs that could identify demand and increase the catchment of producers served by the chain. It was also an opportunity to create women entrepreneurs at the village level. Further, additional services, such as insurance, mobile recharge, etc. could be added to the menu once private companies became aware of the existence of such facilities.

VLSC Micro-franchises: The Key Innovation

VLSCs are upstream enterprises (Udyogini calls them micro-franchises) owned and operated by local women with entrepreneurial interest providing opportunity to producers, especially those in distant villages to buy and sell in the village itself at reasonable price. VLSCs are part of the value chain and provide competitive volumes to CLSCs to maintain viability and support producers. VLSCs have now become the anchors for the chain since they are the 'hubs' for goods and services going both ways (producer to distant market and distant market to producer). VLSCs follow set parameters (prices, value addition fees, procurement margins, record-keeping systems, etc) for retail and procurement. For example, in mahua, a VLSC entrepreneur gets a margin of 45 paise/kg for value addition for a certain quality determined by the CLSC.

Ten VLSCs have been provided with wireless STD booths to enable them to get daily price information and also to give them an additional avenue for income from producers who use the service for their communication requirements. The product range varies among VLSCs depending on the demand of producers in the catchment they serve. After the VLSC innovation was introduced in 2007, the turnover at the CLSC level increased three-fold to 15 lacs in 2009-10. Since FMCG products move more rapidly in comparison to processed commodities, the share of retail in turnover for the chain is approximately 70% and that of procurement is 30%. VLSC entrepreneurs' incomes range from Rs. 750-1200 per month (processing margins, retail commissions) on a turnover of Rs. 10,000-12,000. Based on good performance (over Rs. 15,000 turnover per month), entrepreneurs qualify to receive a loan from UJAS of upto Rs. 10,000 for expansion of business. When VLSCs emerged, the focus on WEGs shifted to a focus on all producers within catchment villages. Hence, the locus of support for credit and other services also shifted to the micro-franchisee who would directly market themselves to producers in the catchment to increase business. This shift helped women like Dhankumari bai to expand their business and make new linkages. Dhankumari is now supplying products to 3 anganwadis in her catchment.

The backward (to the producer/customer) and forward (to CLSCs) linkages are robust not just for marketing but also for helping VLSCs remain accountable to the system. CLSCs supply products, supervise, provide information and advise the VLSCs, including on daily market prices (communicated to CLSC management by traders in the mandi). VLSCs have the flexibility of selecting products stored in the CLSC according to what their customers demand. VLSCs maintain their own accounts, inventory and sales data. The record keeping registers have been provided in every VLSCs and to the producers in the catchment so that

even the producers can verify the transaction detail of what been sold, the quantity, rate and total amount given to them.

Franchisee fees for the 18 existing VLSCs were Rs. 3000 each. The demand for VLSCs has gone up with the value of such service facilities becoming known and the fees have been raised to Rs. 5000 each. In 2009, when UJAS was making the offer of new micro-franchises in a workshop held in one of the CLSCs, it was a remote village with no effective services that came with a large representation to make the case for a VLSC for the village and nominate the entrepreneur who would own and manage it.

The Value Chain: Support Elements

Udyam Jagran Sansthan (UJAS)

UJAS is the registered society of producer-members under whose governance the CLSC (and now the whole value chain) is operated. The members have elected a Board of Governors that oversees the work of the two CLSCs and the interests of the producers whose supply enables aggregation, profits for the CLSCs thereby sustaining the value chain. UJAS receives revolving funds from Udyogini and on lends to micro-franchisees. Through its marketing and management committee, UJAS is providing assistance in making market linkages for products. It has built good relationships with distributors of Mandla and Jabalpur who are now supplying retail products to CLSCs on credit (Rs. 80,000-1 lac on credit with a one-month payment schedule). UJAS committee discusses and records the requirements of VLSCs in meetings on the 1st of every month to enable efficient supply as well as inventory management.

UJAS also owns an oil extractor, a dehussing cum grinding machine which it has rented out to two BDSPs who are operating these as their businesses. For the moment, these units are functioning as service facilities for women from the cluster of villages who need to process commodities for their household use. Women pay for these services. The facilities are mainly extracting oil from mustard seeds, dehussing rice and grinding wheat to make atta. The rent, though small, helps UJAS to understand the value of diversified businesses contributing to the profitability of the core value chain.

Kanti Bai, an agricultural laborer prior to involvement in the value chain, not only trained to manage the Bakori CLSC but became President of UJAS in 2006. She also served on the Board of Udyogini for three years and received a fellowship from an International Foundation for one year to enable her to fully concentrate on UJAS governance and bring producers, BDSP and VLSC entrepreneur voices to the Udyogini board.

Research, Development and Market Linkages (RD&ML) facility

The Udyogini Business Development Services (BDS) Center in Jabalpur is the RD&ML facility for the core value chain including the VLSCs. It is managed by a BDS Manager. The commodity and retail products selection was based on research conducted by this facility. Retail products were selected after analysis in the context of access, existing delivery channels and price competitiveness. The facility also provides market linkages and negotiates with companies for a competitive rate for products needed by producers and sold through the chain.

Intel-Udyogini School of Entrepreneurship:

The training programs for the BDSPs and VLSCs are now conducted through a new training facility located near one of the two CLSCs. It is anchored by a manager in charge of training. Called the Intel-Udyogini School of Entrepreneurship (I-USE), it is a partnership between Udyogini and Intel Corporation and is co-branded venture. I-USE is institutionalizing training for prospective entrepreneur owners of micro-franchisees and BDSPs for employment in CLSCs (and in the expanding VLSCs). I-USE courses will help to regularize and standardize the training that was earlier conducted on an 'as needed' basis. The corporate partnership is intended also to introduce IT-related courses in I-USE that will help to integrate IT in the value chain operations. These courses will help generate additional revenue through placement in other jobs as well, a facility that can be offered for a fee through the BDS center and marketed by the VLSCs.

Financial Resources:

In the initial phase, Udyogini, the SGSY program and NABARD provided the financing for aggregation at the WEG level and the CLSC but it was introduction of VLSC as a micro-franchisee concept and operation that enabled scale-up to the present 18 VLSCs and CLSCs. The value chain model was recognized by NABARD as an innovation and funded under its Rural Innovation Fund. VLSCs' growth is funded through credit provided by UJAS for which Udyogini received funds from a donor. Negotiations are on with a social venture fund for direct loans to entrepreneurs guaranteed by Udyogini (this social venture fund has already given loans to entrepreneurs in another project of Udyogini).

Impact and Outreach

This two-way services (procurement and retail) facility increases the viability of the micro-franchisees resulting also in increased incomes for entrepreneurs. Second, it helps in poverty alleviation as producers get more margins for commodities sold, better prices and quality for processed agricultural and NTFP products that they purchase for their needs as well as availability of better-value services closer to home. With the introduction of VLSCs, the key innovation, outreach has been greater. Prior to this, in a village of 100 households, with only the CLSCs as the aggregator, only WEGs were served.

Impact has been the following: producers' income has gone up by 10-15% resulting in total benefit of about Rs. 5000/year (increased margins of Rs. 2-3 per kg of commodity sold to the VLSC, significant savings on transportation; gain of a day's wages as a result of access to a VLSC); entrepreneur's income up by 30-35% (from service fees against primary level processing of commodities and commission on retail); there is a demand for micro-franchisees and women are willing to pay for them (even at the increased rate of Rs. 5000 per micro-franchisee); CLSCs have also established systems and benchmarked the prices based on quality and accuracy of weights and competitive with the market prices that are checked every day by them.

The freedom to decide the services and products required in their catchment villages gives micro-franchisees decision-making power and confidence. The increased knowledge, skill and autonomy leading to empowerment of micro-franchisees are evident through the commitment to remain in business and grow it. None of the VLSCs have actually closed even when business has been slow.

At the present time, the chain is reaching around 15% of the households in a village of 100 households. The goal is to reach at least 30% of households by 2013 (15,000 producers) through 500 VLSCs. Given the volumes of commodities available in Mandla and retail potential, the chain can grow. Hence 30% coverage at the present rate of expansion of VLSCs and a turnover of Rs. 15 crores is achievable, although UJAS actually has a more ambitious target of procurement from 50% of households per village by 2013. The total turnover, with this coverage, is projected to be Rs. 26 crores annually.

Sustainability

Threats:

- a) The traditional practice of barter may still prevail among producers who do not have ready cash for their purchases. This could hamper

their participation in the value chain and continue the unfairness in the market. However, this is a small number at the moment and not expected to affect viability of the chain.

- b) Side-selling can be an issue especially when market prices are high. Other market players try to influence the VLSCs by offering short term benefits. This has resulted in breach of trust by some micro-franchisees. However, strong record keeping measures and increased participation of community in monitoring the activities of VLSCs has controlled the side selling. These cases may not be completely eliminated (and fortunately, this case of side selling happened early in the intervention) but with adequate volumes flowing through the chain, the viability is unlikely to be affected even when such cases arise. Additionally, the fact that there are more VLSCs being established suggests an expanded demand for more fairly-priced shops in the village.

Strengths:

The VLSC entrepreneur pays a fee to own the micro-franchisee which means there is a demand; the entrepreneur pays for her training which means she sees value in it; she follows a business plan that she is able to understand; and the scale is encouraging since most of the micro-franchisees have been established within a single year (2009-10). Udyogini works in three other districts in MP and the expanded catchment of producers from these districts will increase procurement and retail volumes. Government has come forward to involve the core value chain in helping to deliver their services and UJAS has joined hands with "Nagrik Suvidha Kendra" a government of Madhya Pradesh scheme which is meant for providing services to rural people through IT. UJAS is able to continually come up with business ideas to augment its income. It has bought a tractor and has rented it out. The funds from this go into a corpus being built by UJAS.

Incentives have been institutionalized. For example, producers purchasing goods worth Rs. 500 in one month from her VLSC, get a promotional gift of a certain value (like a pen). For goods worth Rs. 1000 the gift is a watch.

Replicability

Udyogini has already replicated this model in its commodity aggregation in lac in Jharkhand where the core and support elements of the value chain are established and operational in collaboration with a local NGO. In Uttarakhand, Bihar, Orissa and Assam, BDS centers have been established which will drive the commodity and product selection for procurement and retail. The idea of a business chain from village to market in MP

was itself inspired by a pilot intervention for artisans that Udyogini implemented in Bikaner, Rajasthan.

Innovativeness

The value chain, especially the VLSC, is innovative in the following ways:

- VLSCs are individually owned and managed but are under the overall care and supervision of UJAS and other support institutions working in an amalgamated way in Mandla. They provide the framework, training, advice, market and supervision to ensure a social enterprise brand value that the micro-franchisees can take advantage of. This makes VLSCs micro-franchisees and distinguishes them from kina stores (which are also operating in the villages).
- This concept of franchisee fees is prevalent in the corporate sector but new for social businesses especially for those that are multi-product.
- VLSCs are individually owned and autonomous in many ways but are still a part of the core value chain. This is not common since value chains promoted by NGOs are generally only collectives (Producer Company, SHG federations etc.)
- The value chain is composite-in a tribal area and involves only tribal women. It is composite because it involves agriculture, NTFP and other products and services moving both ways. Most value chains are limited in their product focus or do not generally include both procurement and retail. Those that do are usually not located in tribal areas or exclusively serving tribal women.
- Women's entrepreneurship as a value and principle has been promoted through VLSCs for which separate training on business is given through USE. An institutionalized facility for training local entrepreneurs for an existing chain is unique for social businesses.

Key Insights

Udyogini and the producers took a risk by beginning with a price-sensitive commodity like Mahua and they lost money in the second season because traders brought large volumes of produce from neighboring districts purposely to depress prices. However, despite the annual variability in the returns, women have stayed with the chain for the most part, partly because of market and price trends understanding given in the GMTs and also because they were deriving benefits for other commodities to compensate for price fluctuations in mahua. Hence, in any replication initiative, the commodity volumes and markets need to be clarified before major investments in the chain are made. Identification of service gaps in the villages that can be partially alleviated by NGO efforts is a way to build the retail business in the chain. The BDS center is exploring solar energy devices and drip irrigation systems to be provided through the

VLSCs to partially alleviate the problem of lack of electricity and irrigation in the area.

The time that was taken to come up with this model has been 6-7 years. It would have been shorter if staff turnover in the field had been less.

Entrepreneur selection and incubation is slow because women have mobility problems and do not have the requisite education to undertake the level of work required for the VLSCs to truly flourish. Inevitably, there is a strong role for the husbands and older sons in helping women manage the business. Gomti bai, a micro-franchisee, was not literate but her husband gave her support when she had to attend USE trainings. He managed her VLSC during her absence and dropped her and picked her up from the training venue. Her stellar attendance record in the training programs (95%) is testimony to his commitment in helping her make the VLSC a success. Given this experience, in the next round of expansion of VLSC, USE will train middle school and high school-educated local youth (men and women) in entrepreneurship and enterprise management and offer them VLSC micro-franchisees and BDSF positions in VLSCs that are expanding.

A model is being explored where micro-franchisee ownership will be separated from VLSC management where women can own micro-franchisees but hire men to manage them if women's constraints seem to be hindering the growth of the business. Over time and when a critical mass of women-owned micro-franchisees exist, these can come together in a formal institution to provide leadership and support to the expansion of the idea and strategy in MP and other states. When this happens, it will be a game-changing assertion of empowerment through aggregation and entrepreneurship from tribal women like Kanti Bai, Gomti, Gulabwati and Damyanti (who mortgaged her jewelry to pay the franchisee fees) who were earlier engulfed in drudgery and hopelessness but who can now proudly state the benefits of a value chain.