

Strengthening Farm Livelihoods

S3IDF





India's Agricultural Sector

The small and marginal farmer is in a state of distress.

Roughly 85% of Indian farmland is cultivated by small and marginal farmers (less than 2-hectare holdings). Managing these land-holdings is becoming unviable for the small and marginal farmers. Further, climate change production risks and volatile global produce prices result in increasingly vulnerable farmer and agricultural labor livelihoods and farmer suicides.

If farmers were organized into strong collectives they would be able to mitigate both production and price risk, and enhance the value capture of their produce. These collectives could then become the institutional basis for enterprises that capture greater value on the farmer's produce. The Ministry of Agriculture, GoI, notes that;

Collectivisation of producers, especially small and marginal farmers has emerged as one of the most effective pathways to address the many challenges of agriculture, but most importantly, improved access to investments, technology and inputs, and markets.

The Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India has identified farmer producer organizations, registered under the special provisions of the Companies Act of 1956, as the most appropriate institutional form around which to mobilize farmers and build their capacity to collectively leverage their production and marketing strength. The Indian Government has also instituted many schemes to enable such farmer collectives to mobilize capital and access technology.

However, while the promotion of small and marginal farmer collectives has gained traction - their capacity to develop viable business ideas and translate them into sustainable operating enterprises is still missing. Further, the sector lacks an overall ecosystem that can support the FPCs through their journey from inception to becoming a self-sustaining, member-controlled organization that successfully operates a business and effectively strengthens farmer livelihoods for community, market and national impact.

S3IDF's Methodology

S3IDF understands the infrastructure service barriers facing various stakeholders within the agricultural sector, and specifically the inefficiencies restricting FPC strengthening. S3IDF, in conjunction with our partners, uses this knowledge to design targeted market-based solutions, which address the FPC lack of cohesive business and marketing strategies, and their inability to access appropriate finance, technology, and product development.

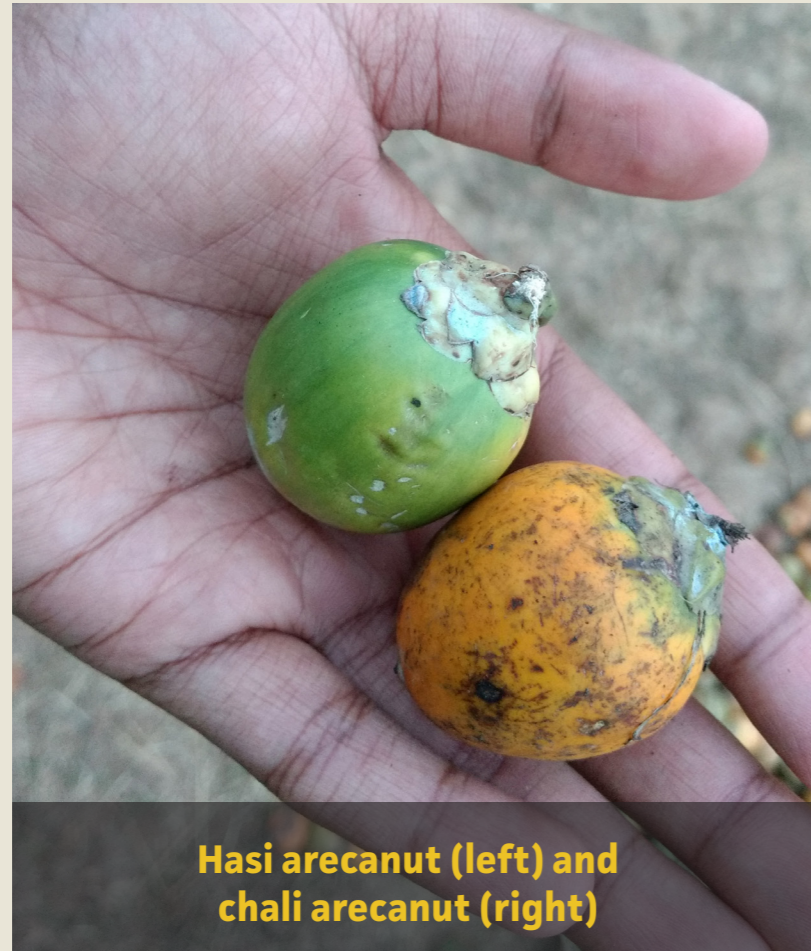
S3IDF partners with grass roots NGOs (and other organizations) that promote farmer and agriculture labor collectives, enabling the NGOs and the collectives to ideate and evolve workable business models on the ground. Further S3IDF provides the critical services necessary for them to be able to mobilize capital and access suitable know-how and technology necessary for their business models through intermediation services. S3IDF and its partners engage with pro-poor farmer collectives such as Farmer Producer Companies (FPCs), agriculture credit cooperative societies, farmer groups, Self Help Groups and entrepreneurs to enable maximum impact. Thus, S3IDF helps fill the capacity and eco-system gaps on the ground that generate barriers for these collectives, so that they may take advantage of the larger enabling policies of the Indian nation and its states.

Integral to S3IDF's mission and operations is the provision of catalytic support to farmer and agri-labor collectives, with the help of their promoting organizations, in the form of three critical services:

- 1. Business Development Services:** S3IDF engages with key stakeholders within the enterprise to help develop the appropriate business models and business and marketing plans, ensuring risk mitigation strategies are applied.
- 2. Access to Technology & Training:** S3IDF helps the enterprise to understand its technology needs, decide amongst various technology options, connects the enterprise to technology suppliers and helps the enterprise with its techno-commercial evaluations. Our approach also considers existing energy infrastructure, and when necessary assists in securing appropriate energy access through a variety of means. Further S3IDF ensures adequate technical capacity building within enterprise operations and the integration of after-sales maintenance and services into the deals with the technology suppliers.
- 3. Access to Finance:** S3IDF helps the enterprise with all forms of financial (and related) institutional engineering, and helps the enterprise to mobilize and access finance through local stakeholder equity, local capital markets and where relevant and appropriate through government schemes or philanthropic sources. S3IDF may participate financially in these enterprises to overcome collateral constraints (eg: by providing loan guarantees to local banks) and/or as a "gap-filling" source of finance to enable deal finalization. However, all of S3IDF's financial participation is geared towards leveraging finance from local capital markets or other sources of development capital. It is oriented towards enabling wider ecosystem players to participate in these projects thus creating transaction records of accomplishment that demonstrate FPC credit-worthiness and allow institutions to develop appropriate products for their new clients with simultaneous collective profitability. These transformations further help facilitate a larger ecosystem evolution in which such enterprises can thrive.



Case Study: Value Addition Infrastructure Support for Areca Nut Farmers



Hasi arecanut (left) and chali arecanut (right)



Areca tree with hasi and chali

On-The-Ground Partners:

Promoting Organization - Manuvikasa

Farmer Producer Company - Pragatimitra North Kanara Farmers Producer Company

Location of Project:

Sirsi, Uttar Kannada, Karnataka

Background:

The Sirsi region receives high rainfall suitable for cultivating many crops, but most farmers have land holdings of less than 2 hectares due to the topographical nature of the region, presence of protected forests and high rate of land fragmentation. In this particular region, members of the Pragatimitra Farmer Producer Company (FPC) mostly grow areca trees, which produce ripe and unripe areca nuts.

The areca nut (aka supari) is widely consumed throughout India, with Karnataka as its highest producer. The nut is harvested at two stages of ripening, one is called hasi (green, unripe) and other is chali (orange, ripe). Hasi and chali areca nuts typically grow in equal ratios on the trees.

The production services leading to the processing of the areca nuts are highly labor intensive, and changing labor dynamics in the region, have put stress on the agricultural community. Further, farmers do not as individuals have business acumen, nor access to processing technology nor working capital, and as a result, they are often forced to sell their areca nuts unprocessed, missing out on critical value add services that would raise their crop price and increase their incomes. FPCs have been touted as a means to enable farmers to gain access to these services and knowledge, but have often failed to demonstrate that value for their farmer members.

Overview of our Engagement:

S3IDF and our local partner Manuvikasa collaborate with a local areca nut farmers' collective, the Pragatimitra FPC, which lacked access to the technology, finance and business acumen and development plans it required for strengthening. S3IDF and Manuvikasas collaborate with the FPC to provide business incubation services and enable the FPC to grow and more fully provide for its members.

Hasi & Chali: The Processes

Hasi

From October to February, farmers harvest and process the hasi nut, by first manually peeling then boiling and finally drying the nut within 7 days of its harvest. Women traditionally peel the hasi nuts, while men are responsible for boiling the nuts before they're sold. Hasi has a higher global market demand, than chali, but its labor intensive and time-constrained processing impedes farmers and laborers ability to capture its full value.



Women laborers manually peeling the hasi nut at the FPC



Traditional boiler for the hasi nut



Hasi nut drying in the sun after boiling



Chali nut drying at the FPC

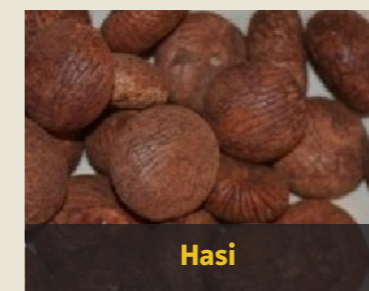


Chali nut de-husker financed by S3IDF

Chali

The chali nut can be stored and processed year round. The de-husking of chali was traditionally done manually, but with the use of machinery it can be accomplished significantly faster, thus increasing farmers' captured value of their crop. Additionally, farmers, communities and self-help groups can make biodegradable plates and bowls from the dried areca leaves.

Finished Products

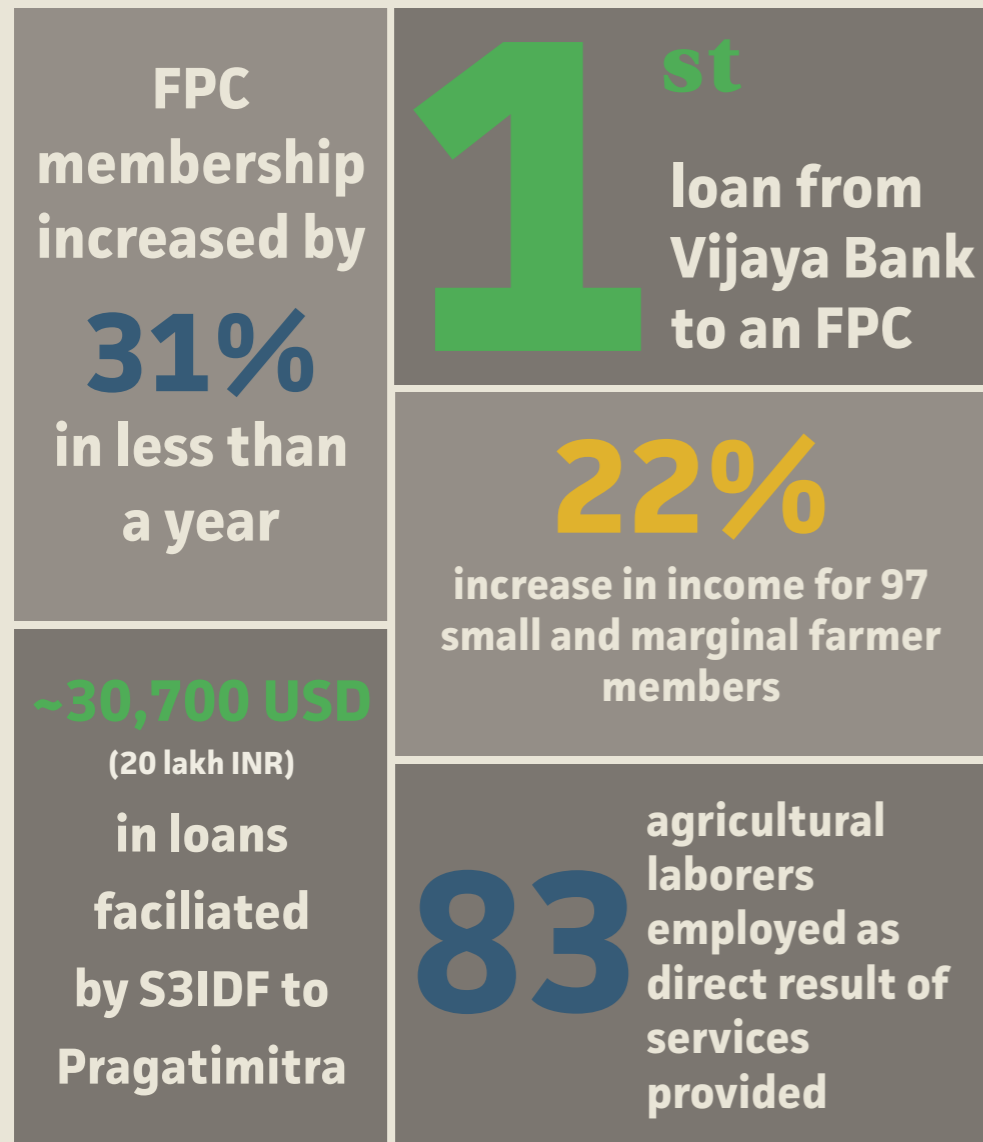


Hasi



Chali

By the Numbers



FPC: Under-served and Unable to Strengthen

In December of 2016, S3IDF's field partner Manuvikasa created the Pragatimitra North Kanara Farmers Producer Company in an effort to assist small and marginal farmers to improve the areca nut value chain through mobilizing labor and machinery, providing collective harvesting and processing services to farmers, and consistent employment opportunities to laborers. They mobilized 450 farmer members from the Sirsi, Siddapura and Yellapura taluks (administrative districts) of the Uttar Kannada district and expect to have over 1,000 members by 2018.

Despite successes in increasing laborer employment, the need for mechanized technology to provide post-harvesting services continued to critically inhibit Manuvikasa's efforts at FPC strengthening. Although the supply of such technologies exists in the formal market, a technology that would collectively address the constraints of productivity, scale, mobility, usability and quality was missing.

Further, government schemes aimed at assisting FPCs to strengthen, channeled from the Small Farmers' Agri-Business Consortium (SFAC) through local banks, are failing to reach FPCs due to their relative inability to strengthen into entities capable of meeting the minimum criteria required by the SFAC and distributing financial institutions to apply for funding.

S3IDF's Value

S3IDF played a crucial role in establishing a sustainable business strategy for Manuvikasa and the FPC. In January 2017, S3IDF provided a 5 lakh partial loan guarantee to leverage a loan of **10 lakh INR** (~15,400 USD) from a local labor agricultural cooperative (Pragatimitra Souharda Sahakari Niyamita) to enable the FPC to address many of the critical upgrades and investments they required, while also beginning the process of building a formal credit history.

The FPC used this loan to purchase a mobile de-husking machine for the chali nut that can operate out of the center, or closer to farmers' plots for ease of transaction. Further, they expanded the shed under which the laborers manually de-husk the hasi nut, enabled access to a water supply used for boiling the nuts and acquired a biomass boiler to replace the existing traditional boiler. In addition S3IDF helped the FPC formalize processes by which farmers could to sell their wares (contract harvesting, and exchange transactions), and addressed the needs of farmers to access reliable labor at harvest time. **Further, due to our engagement, 97 farmers achieved an estimated gross income increase of 22% (INR 3,26,700), and the FPC added 125 new members (from 400 up to 525).**

While the cooperative loan was crucial to Pragatimitra's growth, the cooperative is unable to sustain loans at larger levels as required by the FPC to continue strengthening, however Pragatimitra didn't have the connections nor extensive credit history to demonstrate to most banks a necessary level of bankability. S3IDF recognized this critical financial services gap and facilitated a conversation between the FPC and our partner Vijaya Bank. Based on our professional relationship, the demonstrated initial credit history of repaying the cooperative at an accelerated rate, **Vijaya Bank agreed to extend a collateral free credit line of 10 lakh INR (~15,400 USD) to the FPC and we are trying to augment these 10 lakhs with an additional guaranteed 5 lakh term loan for investments.**

This loan was the first time that Vijaya Bank offered credit to a Farmer Producer Company, and its significance is complemented by its opportunity for expansion. As of today, the investment has had positive returns and S3IDF continues to work on strategies for the expansion of the FPC in Siddapura and Yellapura. The ultimate aim is to create a permanent credit solution for the FPC that makes S3IDF redundant. Vijaya Bank (supported by S3IDF) will now explore guarantee funding from the SFAC that would enable the Bank to extend up to a 1 crore INR credit line (~\$154,000) to the FPC.

Infrastructure Investments

- Mobile **de-husking machine**
- Constructed **space for laborers** to work in a safe, comfortable environment
- Secured **water supply** for nut processing
- Purchased **biomass boiler** for nut processing

Looking Forward

Beyond this FPC engagement S3IDF, with partners like Manuvikasa, will continue to expand its agricultural knowledge base, while simultaneously strengthening its existing sector-specific expertise. Through leveraging policies and schemes, such as from the SFAC and NABARD, as well as our own financial sector relationships we can effect a systems-level change in the role that farmer producer organizations as a whole can play for the small and marginal farmer. There is significant potential for our market-based interventions to have substantive impact across the agricultural sector, fostering sustainable growth on the community, market and ecosystem levels. Using the widely applicable SMBA® S3IDF will engage, through field partners, with small and marginal farmers to address their technological, business know-how and financing needs.

Contact Us

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S3IDF-US is a 501(c)(3) nonprofit

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S3IDF India is a registered non-profit company with charity status under Section 8 of the Companies Act, 2013 (Section 25 company under the old Companies Act, 1956) and is registered under Section 12A and 80G of the Income Tax Act

