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Producer Companies-Linking Small Producers to Markets - II

Incorporating the best in a cooperative and a company, in terms of maintaining the member-ownership of the former and the structural advantages of the latter, producer companies offer rural small producers a viable option for sustainable market linkages

Linking Small Producers to Market: Some Issues

Producer companies are engaged in livelihood promotion and support. They have to make specific efforts in collectivising people, aggregating their products and services, and building their institutions. Importantly, they have to work on developing markets, sometimes new segments, sometimes through an alternative channel. Many issues and constraints can be identified that impede operations and growth. These may differ in nature and from region to region.

Some constraints are generic to any legal form, any organisation trying to work with small disadvantaged poor people and trying to link them with actors in the market place with whom they have unequal power status. Other issues have to do with the newness of the idea, linked to which are the lack of awareness and incentives.

The third set of issues has to do with the special architecture of the institution. And that, primarily, is because of the legislated constraint on capital, which is that capital shall only come from members, and members can only be producers. Therefore, the design itself sets out the constraints on capital. Here, one faces a Hobson's choice between bearing all the consequences, such as slow growth or not being able to use the most modern technology, or modern designs or investing in marketing and advertisements or in professionals. Or the other choice that some have tried is to get capital that does not seek returns, in other words, seek grants. The current form of the legislation does not permit mobilisation of an appropriate amount of capital and that is something we need to worry about. But the other very important point is that capital also brings in control. The people we are talking about are dispersed, segregated and small. There is a need to bring them together and, therefore, there is a need for an institution that has a clear format.

Institutional Design

Devising an appropriate format or building an institution is not enough. The appropriate business and which part of the business will be done by which part of the institution needs to be designed. There are also issues of technology and of market linkages, both on the raw material and the output side. Having just the right institutional and legal forms, therefore, is not enough to link the producer to the market. Attention must be paid to all of these other issues as well.

The question, then, before us is whether the producer company format facilitates all this. When we talk about the design of the institution, it does not have to be just one institution, we can look at multiple institutions. There are already examples of a partnership between a producer company and a private limited company. For example, Masuta is a producers' company owned by 2,037 women yarn producers, whose core activity is tasar yarn production and its marketing. For value addition, it has set up a joint venture private limited company with a private entrepreneur for fabric production and marketing. Masuta, thus, will get the benefit of value addition and will not be faced with a problem of management of fabric business. The producer company has helped in aggregating a large number of producers, who individually would not have a voice in the partnership company or the private limited company. But having collected under a producer company, they have a stronger voice than they would otherwise have had. This is different kind of function for a producer company. It is a new institutional design.

Access to Capital

Where does capital come from? Capital can be a mixture of a grant, equity and debt. It is very dysfunctional to have an institutional form in which only the small producers contribute to the capital. Therefore, what is needed is an institutional design that enables the producer company to attract capital, but on terms that deliver equitable benefits to both the parties—the producers as well as investors. In the case of cooperatives, the government would put up the capital. But, they tend to be *'sarkari'* in nature, affecting the whole system in the process. The other alternative is to follow the capitalist route, in which case the investor would end up taking away the bulk of the returns. In both cases, the beneficiary is not the rural artisan or the farmer or the craftsperson.

Is any hybrid of the two systems possible? Are there lessons from the corporate sector or are there new systems evolving in the financial world that can enable capital to be raised in a manner that it equitably benefits all concerned parties? The answer to both is yes. The financial sector is constantly innovating to meet the needs of different sectors and suitable institutional mechanisms should be evolved to benefit from them.

Globally, individuals have committed over 100 billion dollars for public purposes in the last two years alone. The issue on hand is how does the development sector attract some of that money to build the capital it needs? Currently, there is no mechanism to link the capital market to producer companies. For example, if Warren Buffet found that the NDDB had a viable plan, there is no reason why he would not consider investing in it. All investors look for returns and liquidity but not all of them are looking for control. In the financial world, there is a lot of differentiation happening on the supply side. It in this regard that the producer companies need the necessary legal and administrative structures to be able to attract such differentiated capital.

One of the ways in which producer companies can attract suitable capital is by allowing them to issue preferential shares or B class shares or voting shares. Changing the institutional design will enable mobilisation of capital. The current form of the legislation restricts mobilisation of appropriate amount of capital and that is something that needs to be looked at.

A producer company can also look at raising capital indirectly, through alliances, partnerships or joint ventures with another private company. Earlier, the norm was that such forward linkages could only be with some arm of the government and not a private company. Today, one can start a pooling company, a supply company or a bulking company having contractual arrangements with another private company. Today, a Producer Company can partner with Reliance, AMUL or anybody, provided such linkages are commercially rewarding. There is thus scope for building capital gradually by linking capital or equity with the services that such alliances enable.

Value Addition

Aggregating producers, distributors and retailers is one part of the process; the other is to ensure that suitable value addition takes place all along the value chain. A producer company has an institutional structure, one which substantially changes the cost-benefit dynamics. As the scales change, the markets widen and the benefit devolves to a wider spectrum of players.

An institutional structure helps to access the products markets better than what can be accessed by a bunch of disaggregated producers. There is need to ensure that capacity building, either in human resources or in value addition, spreads across the value chain. For example, a company in Himachal Pradesh is now raising Rs 3 crores to set up a fruit-and-canning unit. Earlier, it was just cultivating fruit. But it is moving up the value chain, getting into making jams and marmalades, pickles, etc. This will help it to add value and generate higher returns—two goals that should drive all producer companies.

Building Capacity

Setting up a producer company and attracting the required capital are issues that are specific in nature. What is more generic is how a producer company can help build the capacities of the people it has been set up to benefit. This is not a function that another competitor is going to perform.

The more organised the producers become, the more they will become a part of the larger supply chain. There may be some who think that such integration is not desirable. But if enhancing livelihoods of small producers is the aim, the only way forward is to make such producer companies commercially viable. It is only then that one will be able to move up the growth pyramid, with the benefits percolating to all in the supply chain.

The key question is how do producer organisations become a business and institutional success? Human resources are important in all forward and backward linkages that producer companies associate with as they increase their interaction with the markets. It is here the role of professionals in running such organisations becomes important.

Small-scale enterprises, owned by middle class people, also suffer from disadvantages, as do private limited companies run by highly qualified professionals. Everyone needs inputs for ongoing professional capacity building. Large corporations do, small producer companies do. However, in the case of producer companies, such capacity building assumes greater importance, specifically because they have been set up to benefit the small rural producer, the rural poor. This is a generic issue about institutional development rather than a specific issue related to producer company legislation.

Efforts at Market Development

For a producer directly selling to a trader, the trader is the market. But in the case of a business enterprise, the market is not only the product market. There are other markets that an enterprise has to participate in by virtue of being a commercial venture. Instead, it is also competing in the market for capital, market for labour, and even the market for land. The market space, in which a small producer never thought he was playing, becomes important for a producer company. All the classical factors of production, which we never thought were relevant, are what an enterprise is competing in all the time. Only, labour today has become substantially more differentiated.

Opportunities and Ways Forward

There are three facets to the co-operative structure. One facet deals with the regulatory environment, another deals with all aspects related to governance and the third facet deals with the kind of professional management that the cooperative would necessarily need to have.

These facets are equally relevant to producer companies as well. A producer company actually has a distinct advantage because it allows professionals to take part as directors in governance. This helps bridge the information asymmetry between the producer directors and professional managers. The Producer Company Act says that the producer institutions can even be unincorporated entities. Producer companies provide us with the opportunity of retaining the unique characteristics of a cooperative enterprise even as it enables flexibility in business operations that is not available under the Cooperative Act. There are undoubtedly going to be challenges as in the case of cooperatives. How does one ensure that people with vested interests do not come on the board of such producer companies? How do we keep vested political interests away from what essentially should be a business enterprise? There are other problems that would arise as a producer company creates its space in the marketplace. These are only natural and only professional management will be able to ensure that adequate commercial benefits accrue to all stakeholders.

What is important here is that the producer company is well-linked to the market. The key to success in terms of value addition or enhanced returns to producers is dependent on how well the producer company is able to establish the forward linkages. While other linkages have their roles to play, it is the linkage to the end market that is critical. This is possible only if the producer company builds a transparent and fair mechanism that adds value up the entire value chain. In fact, it is the failure to ensure such mechanisms that has been the bane of the cooperative movement. How does one build and sustain such linkage that is at the heart of a producer company's success.

Proposed Legislation

The Irani Committee, which has looked at reforming the Company's Act 1952, suggested that the Producer Company Amendment be scrapped as it was actually less of a company and more of a cooperative. According to the Irani Committee, the institution is either a company or not a company, and a producer company is not a company. But this suggestion treats producer companies purely from the profit point of view, totally ignoring that the major driving force behind setting up a producer company is to enhance the livelihoods of small producers. Whereas profits ensure the success of any commercial venture, it is not true that all successful ventures enhance the livelihoods of small producers, especially those living in rural areas or below the poverty line.

While some may argue that a producer company is not the best way of enhancing livelihoods of small producers, civil society should actively work towards ensuring that any change in the Companies Act incorporates the interests of community-based institutions and the small producers.

Areas of Improvement

The improvements must provide for extension of patronage-based voting rights to all. Currently, the law has one member one vote as the key feature of a producer company if only individuals are members or if individual and the producer institution are the members. The problem is that any other investor will primarily look at his/her economic interest and this could be to the detriment of small producers, who do not have the necessary capital muscle. So there should be some flexibility with respect to defining patronage-based voting rights.

As with any other business enterprise, the producer company should also be given some tax exemptions. In case a member does business through his own producer company, the income is first taxed at the company level and next at the individual level. This needs to be looked at.

The biggest challenge is at the policy level, the procedures are quite cumbersome at least in the case of agricultural producer companies. For example, a company dealing in fertilisers requires a principal certificate; and in many states, these certificates are only given to cooperatives. To run a business enterprise, a supportive environment has to be created that actually promotes such efforts. A case in point is the language outlining a producer company's byelaws. These are in English, a language beyond the understanding of a small marginal farmer or producer.

The process of registration also needs to be simplified. Producer companies should be treated at par with cooperatives. There should be some incentives for promoting a producer company, especially for NGOs. Many incentives are given to cooperatives but not extended to producer companies.

Advocacy and Awareness

There are also issues related to building awareness and sensitivity at the level of the bureaucracy. They actually need to be told that the producer companies are in the interests of the primary producers. Currently, there are no efforts by the government to promote producer companies. The only person who seems to know about producer companies is the Company Secretary and the Registrar of Companies. As in any business entity, you need to build entrepreneurial skills of stakeholders in producer companies. Unlike in the cooperative model, where the systems of accounts and reporting procedures are streamlined, such issues still need a lot of clarification in the case of producer companies. So there is continuous need for hand-holding support at the district level.

A massive dissemination campaign is therefore required on the salient features of producer companies and how it scores over the cooperatives. This should be cutting across all target groups—across bureaucracy, across NGOs and across primary producers.

There should be a nodal department to look at issues concerning producer companies. The cutting edge should be at the district level. Most primary producers are at the block level or even below that. So we need hand-holding at that level.

The concerned line departments such as rural development, agriculture and animal husbandry should help in capacity building of various stakeholders involved in promoting and facilitating the functioning of a producer company. Last, but not least, documentation and dissemination of best practices on the various processes of promoting of producer companies, need to be taken up.

Those who have worked with both cooperatives and producer companies feel that the latter has great potential in terms of organising the primary producers. A producer company is based on the centrality of community-based organisations, that they have the power to run their institutions. Appropriate action at the ground level will facilitate and enable producer companies to really flourish and play the role of linking small producer to markets effectively.

Abridged from the report of the Workshop on "Producer Companies—Linking Small Producers to Markets" held on 20 December 2007, in Delhi.

NREGA Pilot Project in Jharkhand, Chhattisgarh and Orissa - II

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Creating awareness among people about their rights and entitlements, linking INRM-based activities to NREGA, and enthusing people with the belief that their power lies in organising themselves into collectives is the continuing endeavour of Pradan

Building Capability of Gram Sabhas in Planning INRM-based Activities under NREGA

Their exposure visits to INRM activities boosted the confidence of the villagers to plan similar schemes under NREGA. Village-level meetings were organised so that all the villagers had a common understanding of INRM-based assets creation that would result in sustainable livelihoods generation. Posters, presentations, movies, etc., were used in such meetings to address the purpose. Visits were made to the field to understand the problems in each patch of land and to explore alternatives to surmount these. The planning process, comprising the preparation of resource, ownership and intervention maps and the plan document, was explained to the villagers. The LRPs and some villagers were trained to carry out the exercise in the hamlets by using the revenue maps.

Preparation of INRM Plans for Each Gram Sabha

Prior to Pradan's involvement, road construction and pond digging were the main activities under NREGA. Our efforts, under the project, have resulted in the significant addition of INRM activities to the Gram Sabha plans by the villagers. These include digging ponds in individual plots, horticulture, constructing tanks, irrigation channels, wells (or old repairing wells), levelling land, tasar plantation, renovating ponds, in situ soil moisture conservation on sloping lands, etc. The participation of the villagers in the Gram Sabha has increased significantly from 10-15 per cent to 80 per cent. With the help from the LRPs, participatory planning exercises were carried out in about 140 villages of the selected panchayats. These exercises began with icebreakers, followed by wealth ranking, resource mapping, land use mapping, problem analysis, option generation and plan finalisation. One such exercise took 1-1.5 days per hamlet. The plans of these villages are ready and are submitted with the GP as well as the block for approval and execution. As shown in the following table, asset creation plans are ready for about 8,000 families.

Table 1 : Number of Events and Participants in Each District

Events	No. of events (E) and participants (P)										Total		Plan	
	Kandhamal		Mayurbhanj		Raigarh		Khunti		Dumka					
	E	P	E	P	E	P	E	P	E	P	E	P	E	P
Participatory planning	25	900	47	3300	10	500	37	1400	74	1860	193	7960	150	7500

Organising Workers' Collective for the Implementation and Monitoring of the Planned Works

Villagers have been trained and organised to execute the schemes. However, none of the plans have been sanctioned yet and implementation has not started. The reasons cited by the administration are:

- They had already planned for the year and inclusion of new plans would be possible for 2008-09.
- The dates for Gram Sabha meetings for planning are yet to be decided (Khunti).
- They lacked funds (Dumka and Mayurbhanj).
- They lacked clarity on procedure of execution of such schemes (Raigarh and Balliguda).

Ensuring Transparent Processes for Quality Execution of Activities

Even though the INRM-based planned activities have not been started, the villagers are taking keen interest in ensuring transparent processes in the implementation of the activities by GPs under NREGA. They are now aware of all the systems that the implementers must adhere to. Earlier, people did not receive the recorded wages; sometimes, more days of employment were shown on their job-cards. The villagers now demand proper entries in their job cards, and do not give them to the contractors or the VLWs, as was the practice before. They demand the right wages and get it. Nowhere is the payment made within a week. Normally, it takes 15-30 days. We are pursuing for payments within 15 days. Provisions for worksite facilities such as crèches, first aid, drinking water and sheds for workers are seldom set up or provided. People now demand these, and drinking water is available everywhere. One such instance was when the people of Ektali village in Mayurbhanj district became aware of their entitlements, they stopped working because they were not provided a shed and drinking water facilities at the worksite. Only when the Junior Engineer ensured the above did they return to work.

A district-level workshop in Raigarh district, Chhattisgarh, was conducted in December 2007. A broad consensus was reached about taking up INRM-based works under NREGA and to direct the submission of farmers' demands for such work to the BDO. After obtaining work plan of 300 villagers, we approached the CEO, Tamnar. He did not accept the applications saying that he had no instructions and advised that we submit the plans to the CEO, DRDA. We then met the CEO, who appreciated the plans and found them feasible for execution under NREGA. However, he called us to a district review meeting for discussing the plans. In the meeting, the CEO raised the issue, but the Collector did not give much importance and asked that it be taken up later. We then met the state-level NREGA Commissioner and discussed the plans with him; he instructed us to meet the Collector again. One week later, we contacted the Collector, who asked us to submit the plans to the DRDA. The CEO asked us to go to the BDO, who this time asked the NREGA engineer to scrutinise the estimates. He then wanted to take the consent of the SDO, Rural Engineering Services (RES), who was on indefinite strike. The plans, thus, could not be implemented and the community and PRADAN staff felt frustrated.

Helping Villagers Use the Assets Created Effectively

This did not arise as the planned assets are yet to be created.

Documentation of Experiences and Sharing the Learning through Regular Reports

Each of our teams have documented their experiences regularly and shared these documents with the UNDP and the MoRD. Videos have been prepared on various modules

In Kachua village of Kordaha Panchayat in Dumka district, a pond was being constructed under NREGA. The villagers were working there as labourers and the contractor had kept all their job cards. After watching a street play, the villagers understood that their job cards should be in their own possession and must not be given to anyone. Together, they approached the contractor and demanded their cards back. The contractor refused to do so and instead threatened them. Four days later, 15 villagers went to the BDO of Saraiyahat blockand complained about the contractor. The BDO carried out a search of the contractor's house the same day and recovered 120 job cards. The villagers found that the contractor had recorded six days of employment in the job cards whereas they only had worked for three days that week. This episode taught the other middlemen in the area a lesson and they have become cautious.

for raising the awareness of the villagers on NREGA as well as INRM. Other stakeholders may use them for mass awareness generation.

Outcomes of the Project

There are significant outcomes at the household, community and panchayat levels regarding the awareness about NREGA. Some more time is needed, however, to ensure NREGA workers' full employment and livelihoods assets creation. Some of the outcomes, which show that the movement has begun, are outlined below.

- Many personnel at the district, block and GP levels have appreciated the INRM approach for livelihoods assets creation under NREGA for the poor.
- Awareness of Gram Sabha members about their privileges under NREGA and INRM-based livelihoods generation activities has increased significantly, as is evident from the kind of action they are taking to claim what they deserve.
- Attendance in Gram Sabha meetings to ensure participatory planning and transparent practices has increased considerably.
- People at the hamlet level are now more organised, resulting in the administration having to take note of their opinions and demands.
- All the villages have at least two LRPs to help them understand rules and regulations and claim their rights accordingly. The LRPs help them with their paper work too.
- Ward members are now aware of their roles and responsibilities and take interest in Gram Sabha planning. The villagers are willing to include them in decision-making processes as well.
- Besides tanks and roads, people are also planning plantations, land levelling, soil-moisture conservation works, diversion channels, small farm ponds and so on to ensure better return from their lands.
- Job applications were not being accepted because of a reluctance to pay unemployment allowance. People now pressurise the panchayats to accept their job applications and to pay them unemployment allowance in case of failure to provide jobs within a specified time. People also demand correct wages, proper maintenance of records and worksite facilities.
- People keep their own job cards and demand that the entries in these cards are made correctly.
- The overall employment under NREGA has increased but it is yet to reach the level of 100 days employment for all households. However, if the Gram Sabha plans, developed during this project, are executed, the job demand of all households will be fulfilled.

Lessons for the NREGA processes

- It is difficult to ensure everybody's participation when carrying out the Gram Sabha planning at the larger village level. Participatory planning exercises are best carried out at the hamlet level. Under NREGA too, this may be considered and the hamlet level plans may be consolidated at the panchayat level by the Sarpanch, with due participation of VLWs, ward members and representatives from each hamlet.
- For every work sanctioned under the scheme, there is supposed be a local Vigilance and Monitoring Committee, to monitor the progress and quality of work in progress and ensure attendance in Gram Sabha meetings. However, in reality, villagers do not get to know about the Gram Sabha meetings and hence such meetings are conducted with very low participation. Vigilance Committees are selected by the panchayat officials rather than the Gram Sabha and have become ineffective. Vigilance committee members must be chosen by the Gram Sabha and must report to it.
- Payment through bank accounts seems to be the only way out for ensuring full payment. However, this is done only in some places in Orissa. Again, all the villagers do not have access to banks and they find it cumbersome to deal with post offices. So the banks may be taken on board to address the matter by having periodic extension counters in the interior areas.
- To ensure people their rights under NREGA, panchayat offices need to remain open; all the forms should be available in these offices. At present, these offices open intermittently and villagers are made to run around even to claim what is due to them.
- Social audit needs to be strengthened on a priority basis to bring transparency in the practices. This is not yet done in the area of this pilot project. Grievances of the community are inadequately heard and attended to.
- Sarpanch and ward members complain about their low wages in relation to their workload. They cite this as a major concern for not being able to help people.
- Looking at the experience of training LRPs, we strongly feel that building such a cadre of people to help people on a routine basis in every panchayat is mandatory. Orissa has recently come up with a concept of *Gaonsathis* to play this role. This capacity is yet to be built.
- The major learning from the pilot project is that investments need to be made in an effective manner to raise a community's awareness about the Act and its entitlements. The people are able to demand their rights and entitlements.
- At every level, we experienced that the officials needed more clarity on the kind of activities that could be executed, on whose land these may be executed, the limit of investment per person and so on. For the smooth execution of works for the community, this needs the urgent attention of the state. Learning about INRM activities has raised people's expectations about creating productive assets; however, they are uncertain about the execution of these plans.
- Sufficient fund availability at the panchayat level to provide 100 days employment to all interested job-card holders is a common problem. Receiving job demands and issuing receipts to workers were also problems. Lack of funds, administrative delay in releasing execution order and fear of payment of unemployment allowance were mostly cited as the reasons for this.

Home-Based Broiler Farming-A Pro-Poor Approach to the Modern Poultry Sector - II

Anish Kumar, Dr. Harekrishna Deka and Pawan Ojha

Overcoming initial hurdles, the rural poor women find a viable option in rearing poultry commercially by organising themselves into cooperatives and supporting each other in a volatile market

Investments at Individual Producer Level

Investments at the individual level are mobilised through a mix of bank loan and subsidies from existing poverty alleviation schemes such as the Government of India's flagship programme on self-employment – *Swarna Jayanti Gram Swarojgar Yojana* (SGSY), tribal welfare schemes and externally aided projects such as District Poverty Initiatives Project (DPIP). The working capital component for new producer is raised as an individual bank loan or met from pooled capital at the cooperative level; the cooperative also raises working capital from banks.

Usually, it takes Rs 61, 800 to launch a new family in the activity, of which Rs 11,650 or approximately 20 per cent is required by way of core support to organise the new producers and install systems. The other investments are raised through government schemes and bank loans.

Home-based Broiler Value Chain

The home-based broiler value chain is, at its core, a scaled-down version of the modern industrial broiler value chain.

Table 1 : The details of the investment required to launch a new producer.

		Grants	Loan from Banks	Farmer's contribution	Promotion cost of the collective	Total
		(Amounts in Rs.)				
A	**Producer Investment**					
	Production infrastructure	12,000	18,000	6,000		36,000
B	**Setting-up Producer Collective** (1 Collective = 350 producers)					
1	Start-up capital assets				1,150	1,150
2	Revenue Support during Scaling-up				3,150	3,150
3	Working Capital organized from Banks		14,150		2,850	17,000
C	**Capacity Building**					
	Training, Exposure Visits				1,500	1,500
D	**Development and Business Support**					
	Originating producers, Organising cooperatives, Business education, Institution development				3,000	3,000
	Total	**12,000**	**32,150**	**6,000**	**11,650**	**61,800**

Box 1 : Techno-Economics of Individual Broiler Unit (unitsize 400 birds per cycle)

Capital investment/ Rs	36,000	Batches in a year	6	Feed conversation ratio	1.65
Working capital/ Rs	17,000	Days per batch	35	Mortality	5%
Margin per batch/ Rs	3,100	Hours per batch	3	Average flock weight	1.5 kg
Annual margin/ Rs	18,600	Days engaged per year	210	Efficiency index	246

FCR (Feed Conversion Ratio): An index of efficiency expressed in terms of kilograms of feed per kilogram weight in meat type birds.
Mortality- Death rate, usually expressed in percentage.
Efficiency Index = $\frac{\text{Average body wt. (kg) x Livability (\%)}}{\text{FCR X no. of days}}$ x 100

Table 2 : The two value chains and margins across the major actors.

Industrial Broiler Value Chain						
Actors	Share in consumer price	Realised price at this level (Rs)	Price increase at this level (Rs)	Cost at this level (Rs)	Margin at this level (Rs)	Share of overall margin
Farmer	76%	38	38	35.5	2.5	33%
Wholesaler	4%	40	2	1.5	0.5	7%
Distributor	6%	43	3	1.5	1.5	20%
Retailer	14%	50	7	4	3	40%
			50	42.5	7.5	

Small-Holder Home-based Broiler Farming						
Actors	Share in consumer price	Realised price at this level (Rs)	Price increase at this level (Rs)	Cost at this level (Rs)	Margin at this level (Rs)	Share of overall margin
Farmer	76%	38	38	34	4	44%
Cooperative	4%	40	2	1	1	11%
Wholesaler	6%	43	3	2	1	11%
Distributor	0%	43	0	0	0	0%
Retailer	14%	50	7	4	3	33%
			50	41	9	

The farmer-centric character of the value chain is key to the success; at the lower unit size, the return per unit has to be higher than the industrial broiler chain. The small-holder value chain, introduced in Kesla, is more efficient than a private large farmer in the area and, thus, is able to stay competitive. The key points in the new value-chain include the following.

i. It builds on the low-cost slack labour available in rural households as compared to the higher costing labour in urban and peri-urban areas; the margin with the farmer is almost 60 per cent higher.

ii. The cooperative does aggregation across smaller decentralised units, creating marketable lots. There is a cost of collectivisation and providing veterinary and management support to farmers. The increased cost is offset by market outreach directly to retailers doing away with distributors. Most of the cooperative's market is in the hinterland, smaller rural markets; thus, it is possible for wholesalers to service retailers directly.

One dimension of the poultry revolution has been the industrialisation of poultry production, with the production changing from being the traditional local multi-purpose activity to an increasingly market-oriented and vertically-integrated business. At the other extreme is scavenging and backyard poultry.

Falling between these two ends of the spectrum is the opportunity to promote individually owned 300-500 bird units, collectivised into producer-run cooperatives or companies. These focus on small farmers, who organise themselves and attain industry-competitive efficiencies. This model has been shown to be successful in a few states.

The value chain map of the three chains brings out how the home-based broiler value chain becomes efficient by bringing functions in-house (or captive). Thus, the margins are increased in the farmer collective, which is then able to meet increased costs of collectivisation.

Smallholder Broiler Farming Model

Although broiler rearing uses fairly complex technology, it is essentially a rural enterprise. It was beyond the reach of the poor due to the complexities of production, available technology and marketing avenues. This process of concentration of production in the hands of big producers has also been aided by the failure of small growers, their inability to negotiate with an industry increasingly becoming market-oriented and vertically-integrated.

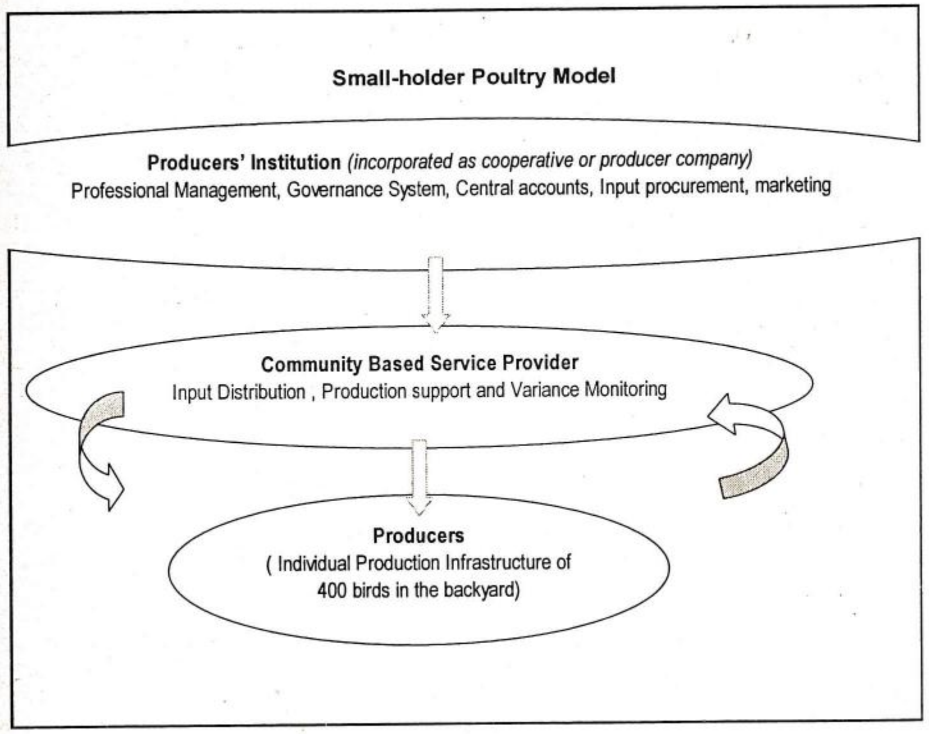
The model attempts to improvise and make the activity amenable for participation by the poor. The activity has been organised in a robust manner to withstand challenges from big farms, and leverage the opportunities offered by the industry. This essentially requires reducing the disadvantages and accentuating the advantages of small and decentralised units on three fronts: production organisation, interaction with input-output markets and financial systems.

The services the cooperative provides to its members include the procurement of inputs

Box 2 : A comparative view of all the three poultry value chains

	Free-range Backyard Poultry	Modern Industrial Broiler Farming	Home-based Broiler Farming
Pre-production	1. The chick is obtained from in-situ hatch of eggs in the household. 2. Birds scavenge	1. The chicks are supplied from hatcheries. 2. The feed is bought from compound livestock feed mfg or prepared in-house.	1. The chicks are supplied from a hatchery or of own production. 2. The feed is produced in the cooperative's own unit.
Production	3. No significant labour deployment is required in the family. 4. No access to veterinary/technical services.	3. Outside labour is employed. 4. Veterinary/technical services from market.	3. Deployment of family labour 4. In-house, round-the-clock veterinary/technical services.
Marketing	Directly picked from farm by procurers or sold in local *haats.*	Involves elaborate chain of wholesalers and distributors for supply to retailers.	Direct to retailers, wholesalers and cooperative-owned retail outlets.

Figure 1 : Elements of Small-holder Broiler Farming Model



in bulk, providing veterinary and related services in a timely manner and marketing the produce to wholesalers. It insulates the producer from the market risks by purchasing her birds at a fixed price. The surplus made is retained by the cooperative to deal with future fluctuations in price. This has given the cooperatives a measure of resilience, which other small producers do not possess, in an otherwise risky enterprise. For instance, during the recent bird-flu scare, the prices were depressed to such an extent that most small producers were wiped out. Small producers were selling birds at a distress price of Re 1 per kg. The effect lasted from December 2005 till June 2006. The cooperatives survived because of their risk-hedging mechanism. They also sold the birds in the rural market, where people were less affected by the bird-flu scare, at a price of Rs 15 per kg.

The cooperatives are now in the process of integrating backwards. For instance, instead of buying feed and chicks from the market, the cooperative can set up its own hatchery and feed units. Many of the cooperatives now have their own feed units.

Elements of the Small-holder Poultry Model

Making poor women pick up skills required for broiler farming

The rigorous residential training of new producers gives opportunity to women and the cooperatives to experience one full cycle of the activity before making a decision whether the activity is appropriate for her. For the month-long training, she brings her own food material and is not paid any stipend. Thus, in this way, the woman contributes upfront to her own learning.

There are various referral services, required by the women, to carry out the business of rearing broilers successfully. For these services, the poultry cooperative employs village-level para vets, or supervisors, who have been trained specifically in the required skills. These supervisors provide round-the-clock production support at their doorstep along with quality, on-call referral veterinary services by a doctor.

Making producers perform better

The cooperative has a system of payment of growing charges to producers with a built-in incentive system for efficient production. There is an efficiency index, which measures the efforts of the grower, based on which the growing charges are calculated. Simultaneously, it de-links the prices of inputs and outputs at grower units from market fluctuations. Also, the supervisor charges are linked to producer output and are realised only on the attainment of production parameters. This ensures the supervisors' stake in the whole production system.

Enhancing small unit advantage

The project entails that each producer rears birds in individual sheds. This emphasis on decentralised sheds acts as a barrier to the horizontal spread of diseases. The small unit handled and owned by the producer herself will always be a better option because of the built-in stake of the producer. Thus self-employed labour in small units is more efficient than the hired labour in bigger farms; the husbandry practices are thus always better.

Phoolwati Bai a proud poultry farmer of the Kesla Poultry Cooperative

Phoolwati Bai lives in the village Mandipura in Kesla block. Her family comprises her husband and six sons. She is a landless farmer. Prior to starting poultry, her only regular source of income was from loading sand in the local sand mines, through which she earned barely Rs 10-15 a day. She often migrated to neighbouring districts areas for wage work in the harvesting season. Her husband worked as wage labour in Itarsi, 25 km away from Mandipura, earning Rs 1,000-1,500 every month. She started poultry rearing in 1997. In her first batch, she earned Rs 1,500. She repaired her house taking a loan of Rs 19,000 from her SHG and successfully repaid it from the profit of poultry. The family got a loan of Rs 30,000 under Prime Minister Rozgar Yojna (PMRY) to expand the poultry shed in 2005. She has been regularly paying the installments and is confident of repaying the loan in a few years. She and her husband have stopped seeking wage labour and migrating altogether. She is concerned about her children's education and careers. One of her sons passed the higher secondary with a first division and is now employed. She has also invested in two LIC policies and deposits a premium of Rs 883 twice a year. In 2007-08, Phoolwati earned Rs 38,000 from poultry rearing.

Cost efficiency

One of the major benefits of organising the poor producers into producers' collectives is that the 'collective' becomes a significant market player by cornering substantial market share and getting into a position to determine prices. Backward integration in feed and chicks and forward integration in warehousing and retailing also play a vital role in increasing cost efficiency.

Financial system

The well-equipped rearing sheds, which are the capital assets required for broiler farming, are created through individual member financing, leveraged through various poverty alleviation schemes of the government, as mentioned before. The remaining requirement of the working capital is managed collectively and raised by the collective from banks/other financial institutions. The adoption of a staggered production scheduling further reduces the working capital requirement.

Mitigating risks due to price volatility

To address the volatile nature of the market, the system is created to de-link production efficiency from enterprise efficiency and collectivisation of operations involving market interface

Impact on Women and Family

Women play a critical role in a family's agriculture and livestock activities. This key role, particularly in poultry rearing, has been traditionally acknowledged.

The cash income available to a woman on a regular and continuous basis helps her meet expenses and also facilitates capital formation in the family. The woman is better able to negotiate a good deal for herself within her family and the larger society. An income equivalent to 200 wage days stops outward migration and helps a family to invest in existing resources, most notably cultivated land, thereby, further augmenting food sufficiency in poor households.

It has been reported that the income from broiler farming was invested on creating personal assets such as silver jewellery, taking land on lease for agriculture, buying bicycles, the education of children and accessing medical services. Migration has almost stopped in the villages under the poultry cooperatives.

About two-thirds of the members claim to have increased knowledge about the external world and are more confident travelling alone. About a third claim to have earned greater respect in their families.

Institutional Arrangements

Women's SHGs served to create the institutional base for working with the tribal communities. Women SHG members, who took up poultry as a micro-enterprise, got together to form a poultry cooperative.

There are six cooperatives in Madhya Pradesh. These cooperatives have been federated at the state-level into a Producers' Company. There are eight cooperatives in Jharkhand that have been federated into a Poultry Producer Cooperative's Federation. Orissa and Chhattisgarh have one cooperative each. In addition, a National Collaborative of Poultry Producers is in the formative stage. This will be registered as a Producers' Company. It will play the role of a service provider to the poultry cooperatives. It will have professionals who will provide management expertise, including asset management. The National Collaborative will also provide expertise for setting up hatcheries.

Some newly promoted cooperatives have executives nominated from Pradan; their salaries are also paid by Pradan. However, as the cooperatives improve their economic viability in three years, these will begin to bear their own operating costs, including those of the executive and veterinary doctor. Besides Pradan, the Kesla Poultry Cooperative also plays an active part in training farmers in other regions and helping them to set up cooperatives of their own.

Replication of the activity

The most important outcome today is that a model is available that can generate sustainable livelihoods. The model has been replicated by local NGOs and several locations within Pradan. The Government of Madhya Pradesh has decided to replicate the Kesla model in other districts.

The small-holder poultry model has demonstrated that it is possible for the small farmers to participate in this growing industry. They have been able to match the efficiency of big farmers and organised integrators. Today, these producers constitute the largest commercial production house in Madhya Pradesh and Jharkhand. There exists good scope to take this model to states such as Chhattisgarh, Orissa, Uttar Pradesh, Bihar, West Bengal and Rajasthan that have existing market deficits. In the next five years, it is possible to reach 20,000 poultry farmers generating an income of Rs 37.2 million.

Adapted from the Best Practice Note on Home-Based Broiler Farming, originally written for South Asia Pro-Poor Livestock Policy Programme (SAPPLPP).

Through the Fields of Rural Livelihoods

Sankar Datta

Reflections on the realities of promoting livelihoods for the rural poor and the ways ahead

I glanced at the traffic at the red light from the cool comfort of my air-conditioned car on a scorching hot summer day in Delhi. My mind was on a rural livelihoods lecture I had to deliver. A desperate knock on the car window brought me back. I saw some hands trying to get my attention and seeking alms. The closed windows of air-conditioned cars shut out one avenue that the beggars had for money.

I noticed some hawkers being shooed away by the police. It reminded me of an interview with a hawker that I had seen on Star TV. The boy had lamented, "There is no water in my village. Our fields have run dry. I did not have anything to eat but did not want to beg either. I came here to earn a living. Now you stop me even from doing this because it is inconvenient for the *babus*. Tell me, what do you want me to do?" I was stumped.

Limited Livelihood Choices

I became aware of the seriousness of the problems of livelihood opportunities in the early 1980s. At that time, I was working for Pradan on a Farm Forestry Project. I still remember the time when I talked to a group of tribal women carrying head loads of twigs to sell in a nearby (20 km away!) town. Hundreds of them did this every day.

When I asked them why they were damaging forest resources, one of the women turned around and quipped, "We don't walk 20 km every day for fun. It is the stomach not our heads that makes our legs go, makes us chop the trees." The environment-conscious forester in me began realising that limited livelihood choices often pushed people to do what otherwise they would not.

With time, conscious efforts to promote livelihoods for the socially and economically disadvantaged sections of people have evolved. Some of the early Indian thinkers, who initiated interventions to promote and support livelihoods, such as Spencer Hatch in Martandam Project of YMCA (1918), Rabindranath Tagore in Sriniketan Experiment (1921) and Father Brayane in the Village Development Scheme, Gurgaon (1923) assumed that the rural people did not take up more remunerative economic activities because they were not aware of such opportunities and did not have the necessary skills. They proposed extensive exposure and training programmes to promote alternative livelihoods in rural areas. Even the Community Development Programme, proposed in the first Five Year Plan, was on a similar premise.

However, working on this assumption had its limitations. By the early 1950s, people had started recognising that lack of knowledge was not the only obstacle, for the rural people, to diversifying their activities. The villagers did not have access to the market or the necessary infrastructure.

Recognising this limitation, people started providing an integrated set of services, including exposure, training, marketing, input supply, infrastructure among others, required by the rural producers to support their livelihoods. The Khadi and Village Industries Commission (KVIC) and National Dairy Development Board (NDDB) were built around these assumptions.

In Pradan, we initiated various livelihood interventions around the mid-1980s. Between 1985 and 1995, we initiated various projects, including poultry-rearing and mushroom cultivation in Madhya Pradesh, tasar silk production and weaving in Bihar, and leather flaying and tanning in Uttar Pradesh.

All these interventions were built on the assumption of the need for integrated support. Observing the large network of rural financial institutions, we assumed that financial services will be accessible from these institutions and we (Pradan) proposed to provide all other necessary support services.

Outreach Not Enough

In Kesla, we started our work next to a branch of the State Bank of India. In Suktawa, where we opened our office, there was a branch of a regional rural bank (RRB) nearby. However, in our repeated efforts with them and their senior officers in Hoshangabad and Bhopal, we received many promises and cups of tea, but no credit. We realised that creating an outreach does not naturally lead to higher access. Although we had a large network of formal financial institutions in India, people could hardly access them for their credit needs.

While working with leather workers in Barabanki, where we introduced a variety of technologies, set up intermediate processing facilities (wet blue tanning), district hide markets, getting *artiyas* to come to these and a flayers' co-operative, we realised that to ensure benefits of these efforts to flow to the leather flayers, it was also important to educate the officers of the cooperative department, KVIB (Khadi and Village Industries Board) officials and zilla (district) panchayats.

Although many of these officers presided over decisions that affected the livelihoods of the leather flayers, they were often uninformed. We realised that it is important to work at various points in the value addition chain, to effectively support livelihoods.

New Thoughts

By the late 1980s, economies had become much more competitive, dynamic and complex. This made the provision of integrated services exceedingly difficult. New ideas about supporting livelihoods started emerging. By early 1990s, Dichter and Mahajan (1991) articulated an alternative contingency approach to support livelihood opportunities in rural areas.

They recognised that there were multiple sets of services that were required to support and promote livelihood opportunities. However, all of these were not critical at the same point in time. This approach, therefore, proposed that it is important to identify the critical bottlenecks and work on specific interventions that help release those bottlenecks.

BASIX was started with this evolving understanding of livelihoods promotion. It was a new generation rural livelihoods promotion institution, which made financial services available to the people, who did not have access to them. BASIX intended to intervene in multiple points in the value addition chain, identifying specific bottlenecks in the sub-sectors it worked with.

While working in rural areas, I found that there were many economic agents (such as the fertiliser dealers, seed production organisers), working in the rural areas. Many of them had competencies that they were willing to extend to others in the interest of their own business.

A bore-well drill firm in Adoni town in Kurnool district of Andhra Pradesh asked for a loan for a rig that they wanted to buy. While appraising the loan, we recognised that with years of experience of laying irrigation

pipelines, they had built competencies in irrigation system designs.

The owner welcomed the idea of giving training to some of our sunflower farmers in irrigation methodologies because he looked at it as an opportunity for expanding his market. He was even willing to bear the cost of the training as part of his market development cost. This made us realise that if technical assistance and support services were extended in collaboration with such economic players, who provided such services in their own interest, it would become much more sustainable.

Building on Competencies

Building on this argument, we found that different players had different sets of competencies. BASIX had to identify different key actors with complementary skills and competencies and build collaborative polygons for supporting a large number of livelihoods in a sustainable manner. Taking this newfound methodology, we built collaborative work with many agencies. These included:

- Large corporate houses such as ITC-Agrotech, Nagarjuna Fertilisers and Chemicals Ltd and Hindustan Levers Ltd.
- Cooperatives such as Andhra Pradesh Dairy Development Cooperative Federation Ltd and Raichur Oilseeds Growers' Union Ltd.
- Business enterprises such as Amareshwara Agritech Pvt. Ltd., Singari Seeds Pvt. Ltd and Sarpan Agro Pvt. Ltd.
- Development organisations such as OUTREACH, Prerana, Weaker Community Upliftment Service Society, Vasavya Society for Rural Development (VASORD), Gram Abudhaya Mandali (GRAM) and Bharatiya Agro-industries Foundation (BAIF).
- Government and quasi-government agencies such as Department of Animal Husbandry, UNDP-South Asia Poverty Alleviation Programme (SAPAP), Drought Prone Area Programme and Andhra Pradesh Well Project, among many others.

In a similar effort BASIX introduced micro drip technology in Mahabubnagar district, Andhra Pradesh. We collaborated with International Development Enterprises (IDE) to provide the technology. We linked with women groups promoted under UNDP-SAPAP that also facilitated the demonstration trials. Input supply and output purchase was facilitated in collaboration with Sowbhagya Seeds Pvt. Ltd. whereas Bhartiya Samruddhi Finance Ltd. provided credit.

The production of chillies went up by 60 per cent. The quality of the chillies produced was better and Novartis announced a price incentive of Rs 100 per bag for chillies produced, using the drip technology. The results of the application of a drip kit in cottonseed production and papaya plantations were also encouraging. Even the Sangameshwara Grameen Bank, an RRB, extended credit for the installation of such drip kits. More than 1,000 such kits were installed in 2 years.

Surprising Findings

To document the 'success' of such a collaborative effort, a field research in collaboration with International Water Management Institute (IWMI) was taken up. The findings of the study shocked me (BASIX-IWMI 2001). It revealed that the large majority of people, who had adopted the drip kit, were by no means small or marginal farmers.

Most large farmers, especially absentee landlords, saw the utility of this kit, which was technically good but cost much less than a regular drip kit (kudos to IDE). They, therefore, used this technology in their fields, primarily to shift out of traditional labour intensive crops to plantation crops. They used their own influence with the formal banking system to activate them, and did not need to use alternative micro-finance services. Because they had shifted to crops not recommended by us, they neither used our backward and forward linkage nor our training support.

The poor, who had been accessed through the self-help groups (SHGs), could not use the technology for vegetables or small plots of cottonseed. The land area they had was not adequate for them to generate revenue to meet all their needs with the use of this technology. We knew this. In our view, this intervention supplemented their income. But their main source of earning, wage labour, often required them to migrate, leaving the drip irrigation pipes unattended, leading to unforeseen damages. Thus, in the long run, they, who had received the training and input-linkage support, lost money and did not even recover the cost incurred for the inputs.

Benefiting the 'Haves'

This left me quite perplexed. Here was an attempt to improve the livelihoods of the poor by organisations that had a pro-poor orientation such as BASIX, IDE and UNDP-SAPAP, with a technology that had been developed to help the poor. But it was the 'haves' who had got the best out of it. Clearly, unless the livelihood intervention is dovetailed into the living system of the poor, taking many more factors other than the viability and profitability of the activity into the design, the poor would not be able to take the benefit from the intervention.

Our other collaborative efforts also started showing cracks on different grounds. We had collaborated with NFCL (Nagarjuna Fertilisers and Chemicals Ltd) to finance cotton farmers. Their input purchase was being financed through a network of input distributors. NFCL was buying the cotton produced by them and had promised to deduct the loan amount from their sales proceeds. The collaboration started taking a downturn with cotton prices sliding and NFCL commercial taking a decision to stop purchase.

Our collaboration with Sarpan Agro Pvt Ltd. of Dharwad also gave way, with paprika prices crashing in the European Market. Our collaboration with HLL and ITC-Agrotech had also started breaking down.

Not through Thick and Thin

An oil trader made a telling comment about these collaborations. He said, "Collaboration is a good idea when business is good. But how are you going to keep them together when the business is down? In a company, the equity ensures that you are there together through the thick and thin. But your collaboration, with only words at stake, will not last long." Our collaboration with NGOs such as Prerana and Active also began showing the strain. Our problem with collaboration came to a head when our team from Jharkhand wrote, "The only possible collaborators here are the Pradan team."

We saw that the areas where support services are required the most had the least number of potential collaborators. We talked to a wide range of NGOs, including the Ramakrishna Mission and Nava Bharat Jagriti Kendra, and corporate houses including the Hindustan Levers, with little progress. Many of these companies present in the area were tapping the market but were very reluctant to make further investments in the area.

Because we were working along the vegetable sub-sector, we talked to many firms who were looking for vegetables as a part of their inputs. Most of them in Ranchi, Kolkata, Delhi and Surat were aware that Jharkhand was a major production base. They had made a conscious choice of maintaining the current level of procurement network in the area. Most of them blamed the 'unreliability' of the infrastructure, which often implied such costs that made it uncompetitive. Our micro-intervention to see if we could get slightly better prices for the vegetable farmers by accessing alternative markets also drew discouraging results.

Our work along the groundnut sub-sector in Ananthapur district of Andhra Pradesh indicated similar trends. The most significant people in the groundnut trade were aware of the production base in Ananthapur. They were also aware of the poor production conditions prevalent there. The price that the groundnut farmers were getting in Ananthapur, in many of their opinions, was the best that they could get for the quality of their produce.

Why was the quality of the groundnut poor? A very renowned scientist at International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) said that unless water could be assured in the root zone during pod formation, the quality can hardly be improved in the given soil conditions of Ananthapur. He added that over the past two decades, some of the best minds in agricultural science had invested their time in improving the productivity of Ananthapur groundnut, recognising the significance of groundnut even in the national economy. But little has come out of the millions of rupees that have been invested for research on groundnut from Ananthapur by the state and central governments. Natural conditions often drew such boundaries of livelihood choices and the extent to which livelihoods can be supported. Such limitations were difficult to overcome.

Developing Markets

Markets have become open places. The entry of many new players, partly due to liberalisation and partly due to societal learning, has made markets more competitive over the years. From both the experiences cited above, we recognised that with improvements in information technology and development of transportation networks, markets have become very competitive and efficient.

Using some of the statistical methods developed to test the competitiveness of markets for vegetables and groundnut, the two commodities we were working with, we observed the growing competition in both these commodities. Our own micro-intervention with marketing of vegetables from the Ranchi area also taught us the same. We realised that cutting down one or two levels of intermediation would improve the efficiency only marginally. Most intermediaries were playing some very important function in the value addition chain, and were doing it reasonably well, given the status of the productive infrastructure in the context. In poorer areas, the margin of the trade appears higher, as the infrastructure in such areas were also inadequately developed, leading to higher costs.

Stagnant Prices

We also observed two other phenomena in the markets of rural produces, especially farm products. Prices of most of these commodities have remained stagnant in recent years. The price of soybean for example, had reached Rs 1,100 per quintal in 1991–92, when I was doing research. A decade later, the prices are in the same range. Paddy prices in the past five years have hovered around Rs 600 per quintal.

Whereas the prices have remained stagnant, costs for farmers have not especially with the liberalisation of the fertiliser prices. Increasing costs and stagnant prices have reduced margins for farmers, which they have often passed on to the farm labour. For example, in Mahabubnagar wage rates have hovered around Rs 20 per day, which is about half the minimum wages specified, for the past five years of our operations. Taking into account costs of family labour, homemade manure and such other inputs, there are very few commodities today in which the farmer makes any money.

Are the agro-industries making lots of money by squeezing farm labour and the farmer? I am afraid not. Most small firms involved in oil extractions have started shutting down. Although rice mills have not done that badly, flourmills have been incurring losses. With the margins decreasing in most agro-commodities, the disposable margins that these industries had for investing in their market development (which often was the driver for their collaborative efforts) was also coming down.

Although some of the very large corporations, with deep pockets to absorb the losses, may continue their efforts (and do well in the long run), their focus will shift to large farms in more productive areas, which gives them a better economy of scale. Many industrial houses, which were either supplying inputs or buying their inputs from rural areas, have started recognising the need for backward and forward linkages to support their business effectively. They thought that it made a win-win combination with the farmers getting a comprehensive package of services and the company buying a set of loyal customers and suppliers.

Nagarjuna Fertilizer and Chemicals Ltd., a large agro-input company of Andhra Pradesh, initiated its Agri-Business Division and proposed to buy the produce from the farmers, who also constituted the customer group for their products. Similar linkages were also built by Mahindra-Shubhlabh, Rallis (India), Kissan Kendras of Tata Chemicals, e-Chowpal of the ITC and Hariyali project of DCM-Shriram. Rallis-HLL-ICICI attempted a collaborative effort, which was the basis of the design of many of these interventions. Even the spread of tomato in the Haryana-Western UP belt, through the efforts of Pepsi, was based on a similar design assumption.

A Discouraging Experience

The experience of building such integrated linkages has not been positive. Informal talks with the managers of these projects tend to show that none of these projects have been making money, except ITC e-Chowpal, where it is saving on procurement costs for their raw-material, soybean.

Some of the other private efforts of commercial farmer advisory services such as Samakya Agri-services and I-Kissan have also not made good progress. Although they have not yet given up, they see lesser chances as time passes by. Margins in agri-business have come down so much that it is becoming very difficult to recover the investments required. No effective revenue models are in sight.

Limitations of Sub-sector Intervention

For intervening at various points in the value addition chain, we had found that intervention along a sub-sector was one of the most well developed methodologies. But by this time, with a few years of our efforts along the same line, the limitations of the sub-sector methodology were becoming clear. First, intervening along a sub-sector does not only help the poor but also all others involved in the sub-sector. Very often, it is the not so poor who retain the larger part of the increasing pie.

Second, the very poor mostly survive on truly multiple sources of income. They are involved in a basket of activities (our observations over many years, which have also been confirmed by many researchers such as Ellis 2002). Increase in the income from any one of the activities (from the intervention in the selected sub-sector) does not become salient in their total financial bundle. To top it, intervening along the sub-sector often required very large-scale interventions, which were not within the ambit of a livelihood support and promotion agency.

A Matter of Attitude

Another area of concern was the lack of entrepreneurship, especially among the poor. The problem was much more serious in poorer regions. While working with the entrepreneurs, I also realised that the issue of entrepreneurship was not only a matter of taking risk. It often was an issue of attitude to taking initiatives.

The first set of issues of risk bearing could be addressed by creating risk funds but how do you handle the issue of unwillingness to take initiatives, which was possibly built over generations and was influenced by property rights, production relation and natural endowment among others?

In BASIX, we addressed this problem with an assumption that every poor person does not want to set up his or her enterprise. The poor wanted stable wage employment. If the not-so-poor people set up their enterprises, they will generate wage employment for the local poor. Although this did happen to some extent, often BASIX customers with the loans from BASIX invested in technologies that, if not replacing labour, did not create any additional wage employment.

Technology Displaces Labour

Why did man develop the wheel? So that it made carrying weight over longer distances easier. Making work easier has been the propelling force for development of all technologies. The other side of the same coin is that technology displaces labour. Shifting to LPG based cooking had definitely made the woman's toil in the kitchen lesser. But it has also replaced millions of people who were involved in making and servicing *chulahs*, breaking coal and cutting wood into smaller pieces, and has released a large amount of this unpaid labour. In this new competitive market, every enterprise needs to use better technologies to remain competitive. The demands for such products that use better technologies and are, therefore, less expensive are also going to increase.

To add to the confusion, there have been very diverse sets of evidence about what made people diversify and take up new economic activities. While some scholars such as Stark (1991) found that the choice of new economic activities for livelihood was a deliberate household strategy, some others (Davies, 1996) found it an involuntary response to crisis.

While doing a study in collaboration with Overseas Development Institute (ODI), we found that although some people had taken up attractive economic activities during periods of prosperity as a deliberate strategy of tapping a locally emerging opportunity, many others have sought new activities as a response to a crisis. Very few, if at all, reported having taken up an activity with specific training inputs from an external source, government or non-government.

Ground Zero

We does this leave us? What are the choices to address the livelihoods issues of the poor with increasing competition, with the not-so-positive experience of forward and backward linkages, stagnating agricultural prices, reducing margins for farmers, leading to lowering of effective wage rates, with market demands favouring labour replacing technologies and wage earning being a significant source of the income for most poor people, who also lack the attitude of taking initiatives and risks and recognising the limitations of sub-sector methodology to benefit the poorer segments of the economy? What happens to those who have nothing but their labour to sell? Organise them into trade unions?

One possibility is to promote more labour intensive technologies, not as a regular market intervention, but by building a value for labour-intensive products and services. Although there are some elements of value in the products, its prices are determined by the values that we attach to some of those elements.

These values are often matters of perception. For example, in the recent years a value for environment friendly products has been created. As a result, there are people in the market today, who are willing to pay a higher price for such products. Is purchase of a *khadi* dress or a designer dress a matter of choice of the price-quality-quantity? Or is it influenced by the perceived value of the fashion?

Creating Value

Thus, a value for labour intensive products will have to be created in the long-term interest of society. But values do not come alone. These may require building a different value system that values human dignity and labour and is willing to pay a price for it. Professionals involved in or concerned about livelihood promotion and support will have to take initiatives in this value building process. This proposed value system (valuing the dignity of labour pays it a wage) is not determined by demand-supply conditions only or by enforcement of a law. This needs to be done systematically, using a full campaign design. It can be done.

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PRADAN (Professional Assistance for Development Action) is a voluntary organisation registered under the Societies' Registration Act in Delhi. We work in selected villages in 7 states through small teams based in the field. The focus of our work is to promote and strengthen livelihoods for the rural poor. It involves organising them, enhancing their capabilities, introducing ways to improve their incomes and linking them to banks, markets and other economic services. PRADAN comprises professionally trained people motivated to use their knowledge and skills to remove poverty by working directly with the poor. Engrossed in action, we often feel the need to reach oput to each other in PRADAN as well as those in the wider development fraternity. NewsReach is one of the ways we seek to address this need. It is our forum for sharing thoughts and a platform to build solidarity and unity of purpose.

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