



1.8 Himalayan small-holders create value and maintain agrobiodiversity

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Introduction

Smallholder farmers who practise traditional, diversified, largely subsistence agriculture produce a surplus of certain crops at peak times. They are rarely able to profit from the sales of these surpluses, due to the lack of a market or the lack of demand for small and irregular quantities. In the north of India, however, success has been achieved through the formation of a producer group that aggregates surplus produce, adds value to the product and increases its shelf life. Their efforts have also helped to maintain agricultural biodiversity and support soil fertility and health. Their work has also contributed to the food and nutrition security of smallholder farming communities and the consumers of the surplus. Other benefits include conservation of crop genes, provision of diverse and nutritious food, local employment and sustainable livelihoods from agriculture.

The development of the organization

The Inhere Aajivika Utthan Samiti (IAUS) producer group started as an informal association in 2002 and was formally registered in 2005. IAUS is better known by its product brand, Himalayan Fresh. It is a not-for-profit social business organization and is owned and run by a farming community in Almora District, in the central part of the Himalayan state of Uttarakhand in northern India. The objective in setting up the business was to create value from the very small surpluses of poor smallholder producers who are engaged in subsistence farming on small plots of terraced fields on the steep Himalayan slopes. It was intended to help make the community members realize that everything they grew or maintained in this biodiversity-rich area had economic value and a ready market.

The venture went against the established belief that every area is endowed with environmental conditions that are favourable for only one or two commodities and that farmers



VERY SMALL SURPLUSES FROM SMALLHOLDERS HAVE BEEN USED TO CREATE A VIABLE BUSINESS THAT SUPPORTS BIODIVERSITY CONSERVATION AND FOOD SECURITY.

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must focus on them to achieve specialization and scale. This view is in line with the prevalent belief in the efficiencies resulting from economies of scale and specialization. The mountain topography of the Himalayas is characterized by scattered and isolated communities, small and fragmented landholdings, rain-fed agriculture, a majority of women farmers, small surpluses of a variety of produce, and poor access to infrastructure, including transport, communication and energy. The lack of warehouses, banking and credit are also major hurdles.

The business grew from small beginnings. In 1997 a women's empowerment programme was implemented by the Institute of Himalayan Environmental Research and Education (INHERE), a local NGO, with support from the German NGO Misereor. Farmers often fed their small amounts of surplus produce to livestock due to a lack of viable selling opportunities. The women wished they could sell the surplus they produced at a decent price. On the other hand, many people felt that the surpluses were too small and infrequent to allow them to be aggregated and sold.

At that time exploratory purchases were made to see whether the aggregated quantity could be sufficient to take to the market. The results were encouraging. In 2002 an opportunity came to incorporate the idea as a minor component of a larger environmental project. INHERE, supported by the India-Canada Environment Facility, was implementing a micro-watershed development and environmental restoration project in the area. The producer group began as a community-based livelihood component within that project. Of all the project activities, community livelihood support came last, only as the water conservation and afforestation efforts were nearing completion in 2004 and a small surplus of funds became available.

Initial challenges

The early days saw a tussle between idealists and realist-pessimists. The idealists believed that the local "organic by default" agriculture and the high agro-biodiversity of the smallholder mountain farmers had untapped monetary value. They also thought it had the potential to create many small-scale but high-quality value chains. Added value would come from sorting, grading, roasting and powdering products or making complex products such as multi-ingredient pickles, preserves and fruit concentrates. The realist-pessimists were convinced that investment in such a venture would be a waste of money due to the many challenges.

The farmers lived in small hamlets and grew a range of produce. Local farmers practised rain-fed farming and used no agrochemicals. The surplus was often so small that it would be fed to cattle; it was uneconomic to take it to a distant, uncertain and often exploitative market. Collecting these small surpluses was seen as a logistical nightmare; settlements were isolated from each other and from the market and farmers had small and fragmented fields and low income. The mountainous topography was another challenge.



Their practices would take three years of conversion to become certified organic. Furthermore, to add the full value and find a niche in the market, processing would also have to be certified organic. This would entail lengthy and tedious paperwork. The process would be a challenge for the facilitators and the local people, and nearly impossible for the

farmers, many of whom were women with little education and experience.



Organic certification and processing

After much deliberation, the idealist-optimist view prevailed. This was due to the efforts of a strong and committed champion, Bharat Singh Bisht, founder of INHERE. It was decided that the villages selected for certification would follow an approach that restricted the flow of contaminants. The group took advantage of a newly introduced provision for group certification in India, which

brought costs down to affordable levels. INHERE decided to have samples tested at an accredited facility in the Netherlands. Positive results from the testing would enable the group to skip the three-year conversion period (this approach is no longer possible). The certifying agency Skal International was setting up business in India and saw the Himalayan Fresh venture as a good business opportunity. It provided some discounts and facilitation services.

The first certification was generated by Skal International as a third-party agency in 2005; the group certification included 1,249 farmers and 278 hectares (ha) of land. In 2007, the number of farmers increased to 2,267 and the area increased to 659 ha in 80 villages. At one point, group certification included 3,528 farmers and 706 ha covering 120 villages. Today, there are 1,935 farmers, with a total land area of 715 ha in 69 villages. A total of 107 crops, grains, spices, pulses, beans, oil seeds, vegetables, fruits, herbs and medicinal plants have organic certification, along with 53 single- and multiple-process products.

A system was worked out to aggregate small surpluses from the organic villages through personal contacts and women's self-help groups. INHERE had already formed 568 of these groups in 377 villages; their main objective was to provide social, economic and decision-making power to women. They also provided thrift and credit groups with bank accounts and access to group credit or individual credit guaranteed by the group. (This programme was supported by the German NGO Misereor in the 1990s.) Organic agriculture and procurement of surpluses was linked to these groups, since most women worked on their own farms. In these mountainous areas almost all agricultural activities are carried out by women.

IAUS set up three units to process various lines of produce. One unit processed cereals, pulses and spices. A second unit processed fruits and vegetables as well as honey. The third took care of herbs and medicinal plants. Each unit followed organic processing norms and quality standards, and adhered to health and safety laws and other requirements.

People from the villages underwent rigorous training in international best practices regarding quality control in organic agriculture and processing. They were also trained in the rules of inspection required for internal control systems, an integral part of the group certification process. This meant that the INHERE team had to study and understand every step of the legal requirements, as well as best practices, from production to procurement to pricing. This information had to be translated into Hindi, the local language, and then transmitted in easily understandable ways – often in the Kumaoni and Garhwali dialects – to all the people involved, with continual follow-up to ensure that they fully understood it and followed best practices. INHERE also established a project to build the competence and skills of village women and women farmers as organic inspectors; this was supported by the South Asia Women's Fund in Sri Lanka from 2005 to 2007.

This activity was funded in 2005 as part of the main environmental project for only one year. The team of smallholder Himalayan mountain farmers was proud of achieving organic certification and creating a range of multi-ingredient certified products, which was a first in the country. A lot of effort was spent on designing attractive packaging. The size of jars and packets was a major issue, as organic produce has a shorter shelf life than non-organic goods and requires more careful handling.

To the brink and back

The project received a six-month extension in 2006, with the possibility of further support for the evaluation work carried out by the donor in the livelihood component of the project. The additional extension depended on a positive evaluation by an external agribusiness expert from a leading business management institute. Although the report acknowledged the project's achievements, it evaluated the venture as being unsustainable and certain to collapse as soon as the project funds ended. This made the donors wary of continuing to support the project.

Any business, especially a social entrepreneurship venture, requires nurturing and is likely to face crises. For example, the unfavourable evaluation by an agribusiness expert affected the availability of funds. Another setback came when the first food technologist who received rigorous training in organic processing was hired shortly afterwards by a company that could afford to pay a much higher salary. The end of the project grant period, the ending of funding and the departure of the food technologist coincided. Fortunately, other local people without professional qualifications had also undergone training; this saved the business.

Another major setback came when goods were sent to market. These were the early days of attention to organic and certified products. Big stores and well-meaning individuals vied for Himalayan Fresh organic produce. Locally and nationally, through word of mouth, the business drew attention for its range and its multi-ingredient processed food. Products were sent over long distances to sellers in good faith, with only partial payment



required. The first few experiences built confidence in this approach, but major problems arose. Messages came from far-off places to pick up unsold items with expiry dates nearing, and debit notes came in fast. Product placement on back shelves and apathetic salesmen also had an impact on sales. The business was at the brink again. It took time to rebuild, with a decision to refocus on local marketing. This brought in less revenue, but gave the group more control over how the products were displayed and greater ability to take back unsold items.

Yet another major challenge came when the national organic certification accreditation body decided to put the process on line in the interests of transparency. The area covered by the business did not have broadband, the electricity supply was irregular and the people handling the certification process had never worked on computers. These obstacles too were slowly overcome as the team came to understand what was required, and trained themselves to do it. This was not easy; the software required information to be filled out in English, which the operational team was not fluent in.

The mistake of expanding faster than could be managed was another mistake. The group needed to downscale their efforts in order to assure quality and reduce waste.

Progress

The business received its own identity in 2005 when it was registered as a community-based not-for-profit organization under the *Indian Societies Registration Act* of 1860. It was also registered with the Khadi and Village Industries Board of the State.

Today, IAUS is an autonomous business promotion organization with the brand name Himalayan Fresh. It has a general body, a governing body elected by the general body, and a small appointed management group, comprising unit heads and heads of finance and administration. All the people involved are local villagers and come from farming families. They have been trained for their positions and have learned a great deal on the job. The system procures and markets 29 crops and processes 36 single- and multi-ingredient products. A team of 20 paid staff — 9 permanent and 11 on a needs-based contract basis — handles the day-to-day operations, carrying out multiple tasks as required.



IAUS products have been sent on request to major cities in India. The products are available through the well-known market chain Fabindia throughout the country. The products have also been sent to markets in France and the United States, although the staff realize that selling to more distant markets brings a higher risk. Although it also creates the possibility of higher revenue, it is more prudent for a farmer-based venture to work at being risk resilient.

The produce received from farmers is processed organically following international standards. IAUS has recently started a business to supply fresh organic vegetables, and

is working on essential oils extraction and development of processes that add value to produce; this will allow them to earn more money.

Lessons and challenges

The business potential of farmer producers and local farming communities in rural areas continues to be fragile. This is due to limited financial resources, infrastructure facilities and warehousing systems, poor transportation infrastructure and lack of access to markets. Internet service is also unreliable. Major setbacks could prove extremely challenging. The lack of ability to take risks has impacts on both growth and profits. Businesses run by farmer organizations in a developing country tend to grow at a slow pace and require support over a long period.

Development and business are closely interrelated. Farmers need to be helped to use their land sustainably and to increase productivity. Increasing productivity requires knowledge of, and access to, better seeds and agricultural practices. This is often not available from research and extension agencies because of the organic requirement.

Organic certification continues to be difficult and expensive. In fact, over time it has become even more so. The group that initially formed for certification comprised nearly 3,000 organic farmers. Group certification under the internal control system is now capped at 500 farmers. This has increased costs. There are new rules regarding expiry dates and storage that make certification extremely difficult in areas with poor infrastructure and for cash-starved businesses. One wonders why there are so many roadblocks for people who want to grow and supply safe and nutritious food and so few for those who sell less healthy foods.

Research into and development and extension of value chains requires financing as well as technical support. These are difficult to obtain for small farmer/rural community-owned and managed businesses. In addition, at every stage of the business personnel need to be trained to handle new circumstances and new stages of growth. It is essential for internal and external champions, as well as supportive institutions, to provide a minimum of six years of support — with flexibility for contingencies and opportunities — in order to achieve stability and growth.

