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# Engendering the Market with Mahua

## A community based initiative in Mandla

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### **Abstract**

*The intervention is an attempt at integration and provisioning of services like Micro Finance, Business Development Services, Market Intelligence and Linkages and Capacity Building of the Non Timber Forest Produce (NTFP) collectors. It also reflects rigorous handholding and striking appropriate institutional arrangements in the form of community based trading platform for aggregation and warehousing of NTFP produce to enable transactions in bulk and thus leverage better market prices. Resource augmentation and capitalization followed by financial arrangements of grants cum loans for institutional and financial sustenance have served as the backbone of the intervention. The integrated and holistic approach has resulted in a community based organization that has systematically evolved as a single window delivery system that mitigates the risk involved in Mahua trade by diversification. The functioning of the Community Based Institution in tandem with the implementing agency is paving the way for sustainability of the intervention after the phasing out of the implementing agency.*

### **Context**

*Mahua (Madhuca indica) has a special status among NTFPs as it is linked to the tribal livelihood systems in different ways. Apart from meeting the food and other requirements, it is also an important source of seasonal income. Its flowers are used to brew liquor which is very popular in the tribal areas. Mahua provides livelihood security to poor households, which collect it both for self consumption and sale. The income from sale of Mahua flowers varies from INR. 1,000-1,200 per household per season,<sup>2</sup> with 15-20 days of hard work. Mahua is generally bartered for daily grocery items, the value of which is much higher than the actual value of Mahua traded. Mahua consumption at the household level also takes place round the year, though not much is stored for the home from the stock collected. The cycle generally consists of sale in the collection season and purchase after the monsoons by the collectors themselves.*

#### **Mahua in Mandla**

*Mandla contributes to Mahua trading at the national level and is a trade centre for Chhattisgarh as well. The most important feature of the trade in Mahua is that the communities sell it throughout the collection season but become buyers after the monsoons. The overall demand within Mandla is estimated to be around 3,500 quintals, of which only about 2,000 quintals is fulfilled from within Mandla (these figures, however, seem to be highly underquoted, as a lot of Mahua gets sold in the black market).*

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The estimated national production of *Mahua* is 0.85 million Metric Tonnes (MT), out of a production potential of 4.9 million MT.<sup>3</sup> During the production season, the collectors sell *Mahua* flowers on a daily basis after preliminary drying, to meet their daily needs. The average trade volume of *Mahua* in Madhya Pradesh (MP) is around 5,730 MT and worth about INR. 8.4 million.<sup>4</sup>

Despite being a freely tradable item in MP, 2 per cent Mandi Tax is imposed on *Mahua*, even though it is hardly sold in Mandis which are far from the villages, and so the collectors are forced to sell it to the local traders and grocery shops. Further, a 12 per cent sales tax is imposed on *Mahua* within MP, while outside MP it is 3 per cent. Trade restrictions in terms of the Excise Act, restriction of 5 litres of maximum storage of *Mahua* liquor per family have been removed by the state government. This step has been hailed by the local people as a supportive policy since trade in *Mahua* provides employment opportunity and also complies with local tradition.

With one of the most vibrant policies with respect to NTFP trade and permits existing in MP, NTFP collectors face some problems that are common across the country. These are:

**Post harvest treatment:** The post harvest treatment of *Mahua* involves cleaning, grading drying and storing. However, due to lack of technical knowledge of storing, the collectors resort to traditional methods and do not grade flowers based on quality parameters. The drying process also results in accumulation of moisture that results in deterioration in the quality of the collection and thus reduces the value of *Mahua*.

**Pricing and Trading:** One of the major challenges in *Mahua* trade is to control “*distress selling*”. The trader makes an advance payment to the collectors and subsequently takes their produce at a very low rate of INR. 400-500 per quintal. The lack of sufficient space and need for money forces people to sell a large part of what they seasonally gather, even though they know that within a few months they will have to go to the local traders, who usually double the price at the time of selling. These traders also act as money lenders in the bid to procure more *Mahua*.

The fluctuation in the procurement rates of *Mahua* is indirectly influenced by the traders. Prices are high when the flowering starts to prompt the collectors. However, by the time the flowers reach the market, the prices have dropped.

**Investment gaps:** These traders also provide a credit period of 90 days to outside parties, who in turn procure from them in bulk. Although efforts of GOs and NGOs have gone into promotion of SHGs for collection and sale of *Mahua*, yet the “*two way credit system*” requires huge investments and therefore discourages the long term involvement of the local SHGs.

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**Transparency:** The middlemen and traders use faulty weighing systems adding to the woe of the collectors who end up getting no price for approximately 2-4 kgs of *Mahua*<sup>5</sup> per quintal.

## Mandla District

The common issues in NTFP trade discussed above operate in Mandla District as well. Mandla is a district in east-central MP with a population of 8,94,236<sup>6</sup>. The habitation of the district predominantly comprises tribals - Baiga, Gond and Dhulia. The ST population makes up 57.2 per cent of the population of Mandla. The sex ratio of the rural habitation of the district is 1002. The average landholding of the intervention area is approximately 3.5 acres per household. On an average, 25-30 per cent of the land is reported to be good enough for rice cultivation and the rest is called barra<sup>7</sup> land that is sowed with dry weather resistant varieties of rice or other coarse cereal grains. Typically, 25 per cent of this land is planted with *kodo* and *arhar* mixed together, 25 per cent with *kutki* and the remaining 20 per cent with maize.

## Seasonal Cycle of Occupations

The livelihood profile in Mandla District follows a seasonal occupational cycle of NTFP collection (mainly *Mahua* and *Tendu patta*) in March and April, followed by (from mid-May) migrating out for agricultural labour by those who do not have much agricultural land of their own. With the coming of the monsoons a couple of months later, the district is abuzz with intense agricultural activity, including transplantation, weeding and mulching and harvest of the rice crop followed by harvest of maize, *kodo*, *kutki* and *arhar*. In November most of the people (at least 1-2 people per family) leave for labour to nearby places like Jabalpur or even far-off places like UP for brick kiln work, depending on the availability of work.

The area is also endowed with dense forests and NTFP is in its full bounty with *Mahua*, *Tendu patta* (*Diospyros melonoxylon*), *Safed Musli* (*Chlorophytum borivillanum*), *Kali Musli* (*Curculigo orchioides*), *Tikhur* (*Curcuma angustifolia*), *Harra* (*Termenalia chebula*) and *Chironji* (*Buchanialanzan*). Other varieties like *Bel Guda* (*Aglemarmelos*), *Palash* (*Buteamonosperma*), *Laakh* (*Lacciferlacca*), *Mohilain* (*Bauhiniavahili*), *Amla* (*Embllicaofficinalis*), *Bahira* (*Terminaliabellirica*), *Bhelma* (*Semecarpus anacardium*) and *Chirota* (*Cassia Toraand*) are also found in abundance.

Collecting, processing and selling NTFP forms an integral part of the diversified portfolio of the tribal households. Women in Mandla provide for the basic needs of their families by contributing farm labour and by engaging in income-generating activities at a subsistence level. Levels of productivity of these activities also vary,

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but the economic returns – in comparison to the effort and potential involved - remain low. Hence the label “subsistence-level”. Lack of proper facilities for processing, storage, finance and marketing are the major enterprise governance issues that determine the subsistence level of the collectors.

The dispersed habitation adds to the reasons for low volumes of collect. Lack of market intelligence also results in distress sale of the produce to middlemen. All these factors result in underestimation of the value of their labor and costing and market entry of their products.

## **Objective of the case**

- To explore the factors that operate beyond the concept of aggregation for community based initiatives
- To understand why institutional mechanisms fail in community managed enterprises despite the existence of favorable policy mechanism
- To explore the relevance of understanding the management dynamics (operational in the market) of enterprise management dealing in commodities like *Mahua* that are prone to high market fluctuations.

## **Methodology**

The universe of study was Narayanganj Block of Mandla District and the following techniques were employed for data collection:

- Review of secondary literature available with the agency.
- Un-structured interview schedule for 10 WEGs (Purposive Sample), Project Staff and BDSPPs
- Focused Group discussions with WEGs.

## **The Livelihood Promoting Organisation -Udyogini**

Udyogini, an NGO set up in 1992, has been working for the capacity building of poor women through micro-enterprise development and its management. Udyogini was set up to co-ordinate and facilitate management training for women’s groups at the grassroots under the World Bank Institute funded Women’s Enterprise Management Training Outreach Program (WEMTOP). This was a three-year participatory action learning project aimed at strengthening the capacity of intermediary NGOs to deliver management training to poor women micro entrepreneurs. The training program consisted of Grassroots Management Training (GMT) carried out for women producers and the Training of Enterprise Support Teams (TEST) for the trainers of GMT. In 2002, as a result of a strategic planning process, Udyogini made changes in implementing strategy, deciding to initiate programs to engage directly with women producers at the grassroots.

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At present it provides business development services to economically and socially disadvantaged women and helps them to initiate and effectively manage their own micro-enterprises and grassroots associations in Rajasthan, MP and UP. Udyogini works with nearly 500 women in Pugal block of Bikaner District in Rajasthan. In Saharanpur (UP) it is focused around two principal micro enterprises, Chunari (“Mata ki Chunaries” and “Dulhan Chunaries”) and production of agarbattis (incense sticks). Udyogini works with 150 women urban slum dwellers in Saharanpur District.<sup>8</sup>

In its intervention in Mandla, MP, Udyogini has tried to address the bottlenecks mentioned above by capacitating the women producers with basic business and management skills required for running such microenterprises, both in organizing production by retaining the quality of the collect and in marketing of the same. The financial intermediation along with business development services was the mainstay of the intervention. Appropriate points of transaction at the village level and storing and trading platforms were created and linkages were established with the trade channels. The business processes were backed with market intelligence provided by the Business Development Service Centre of Udyogini, which determined the prices to be offered to the producers while procuring their collect.

Udyogini has built the capacity of more than 1,500 tribal women in Narayanganj Block of Mandla District. It has helped to establish NTFP trading enterprises, community-based cluster-level commodity trading centres and oil and agricultural processing centres. The women are now looking after the overall aspects of the business such as production management, quality management and marketing. The market is no longer an area of intimidation for these women; they are able to survey, negotiate and conclude the sale of their products of low value chain.

## Understanding the context before intervention

Udyogini planned its intervention on the basis of value chain study of all NTFPs in the local and neighbouring markets. The study was taken up as a pre-requisite for the intervention in the year 2003.

The study was an attempt to understand the trade channels and outflow of NTFP and also laid the basis of the intervention. The value chain study also highlighted that in the entire district, Narayanganj block figured as one of the *Mahua*- abundant areas as

### **Mandla market for *Mahua***

Mandla forms a sizable market for *Mahua* in MP but is able to meet only 50 per cent of its demand from local production. The rest of the demand is met from places like Shahdol, which fulfills about 20 per cent of the demand, and another 30 per cent is met by Katni, Umariya and Chandri. Within Mandla, the Shahpura-Niwas region provides the

far as NTFP were concerned and Babaliya and Bakori villages were major trade centres for NTFP.

The major bottlenecks strongly reflected by the study mainly concerned

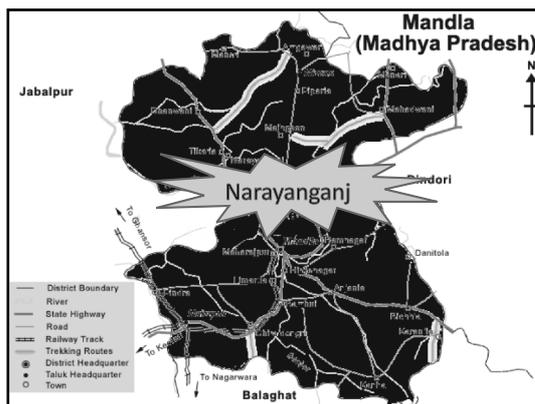
lack of value addition to the NTFP produce, negligible technical and financial support for the households to take up NTFP trade as an enterprise and disposal in on-spot markets to meet the liquidity constraints of the households, leading to distress sale of *Mahua*.

maximum quantity (almost 30 per cent of the total demand in Mandla).

The market for *Mahua* stretches up to states like UP, Bihar, Chhattisgarh and Rajasthan and the demand and price fluctuations are determined by the production and availability of *Mahua* in all of these states.

## Five Stage Intervention design: A model

The intervention was grounded in the year 2003 and 60 villages of Narayanganj Block was chosen for the intervention. The Block was chosen for its tribal concentration and the potential of NTFP production as per the findings of the value chain study.



The five stages described form the standard operational model for Udyogini and this model has been tried out in Pugal and Saharanpur as well:

1. Enterprise Motivation and Management Awareness for Grassroots Women
2. Selection and Training of Grassroots Enterprise Service Providers
3. Enterprise Promotion and Incentives for Producers and Market Players
4. Ownership and Scale-up
5. Expansion and Outreach.

### 1. Enterprise Motivation and Management Awareness for Grassroots Women

Women from 60 villages of Narayanganj Block were organized into groups called Women Enterprise Groups (WEGs). WEG, a group of 10-15 women, is similar to an SHG and forms the foundation of the Udyogini enterprise model. The women members are represented by Gond (73 per cent), Baigas (11 per cent),

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Yadavs/Ahirs (7 per cent), Banjara (7 per cent), Pankas, basket weaving community of Dhulias (1 per cent), and Lohaar and Vishwakarma (1 per cent).

The basic design and the objective of the intervention were to inculcate entrepreneurial skills in the WEGs and its members. Udyogini started the intervention with capacity building of the WEGs through facilitation of workshops on “Orientation to Microenterprise”. The objective was to motivate them and trigger new activities. These workshops and exposure visits provided the WEG members with information on available financial and non-financial resources and basics of enterprise management. In addition to regular savings, internal lending and book keeping, the WEGs were also trained in key concepts of enterprise. The training was also intended to expose them to ideas beyond just survival and subsistence for livelihood.

As a result, more than 1,500 women have been organized in 127 WEGs which are engaged in different microenterprise activities besides the thrift and credit activities at individual and group levels. The range of enterprises taken up by WEGs includes drying and storing *Mahua* for trading, vermi-composting, vegetable cultivation, animal husbandry and services (grocery shops, flour mill, oil extraction units and mini rice mills). Of these, *Mahua* drying, storing and trading are the predominant components, making up 80 per cent of the total.

The WEGs that are involved in *Mahua* trade take credit from Udyogini in the form of revolving funds, take loans from banks or utilize the group corpus to which they belong for borrowing. The model offers discretion to the WEGs to take up enterprises on a collective basis or by any individual member.

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## Caselet 1

### SHG into Entrepreneurship

#### Jeevanpath: SHG into Entrepreneurship<sup>9</sup>

**Jeevanpath MUS** (Mahila Udyog Aamoo), a WEG in Banar, a small village in Mandla District, belongs to the Gond tribe. Women of this group were involved in forest produce collection and agricultural labour, which formed the only source of livelihood for their families.

Katro Bai and Gangotri Bai, members of the WEG, were annoyed over the fact that villagers sold the *Mahua* they collected only to the local traders and their enterprise group could not function as a mobile shop for *Mahua* operations. They raised these questions at the group meetings but it was difficult to find answers. Then, in one of the meetings some of the women came up with a daring suggestion, namely, the group set up a shop at the village *Haat*. That suggestion triggered a new thought process between enterprise group women and field workers. After intensive discussions, it was decided that two women (Meena and Gangotri) would visit the village *haat* and observe what was required for running a *Mahua* purchasing shop. They would observe the physical characteristics of these shops as well as the process in which a trader dealt with the villagers. The visit ended successfully with a confident decision that on the next *haat* day (14<sup>th</sup> April, 2005) the group would establish its own shop. But it was also realized that since the *haat* in Babaliya was already occupied by traders, there would be opposition from the latter. So, from past experience and study of *Mahua* operations, it was decided that the shop would be established at Majhgaon village, which was the centre for reaching the Babaliya *haat*.

A weighing scale was hired at the rate of INR. 50/day for weighing the *Mahua*. A register to record the purchase details was also maintained. Two women were in charge of persuading the customers to opt for their shop, as it was similar to the one found in the *haats*. Katro Bai was put in charge of the accounting system. Meena and Anita Bai would bargain and convince the customers. Dhankumari rendered service by providing drinking water to the customers. After some hesitation, the women were accepted in their role as trader. *Mahua* was purchased at the range of INR. 7 – 8.50/kg. The net quantity of purchase from the shop was 1.75 qtl, at an average cost of INR. 8.23/kg. This initiative thus transformed Jeevanpath MUS of Majhgaon into a point of discussion among local traders.

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## 2. Selection and Training of Grassroots Enterprise Service Providers

The progressive and active members of the WEGs of the intervention area were identified during the capacity building phase. These progressive members were selected as the Business Development Service Providers (BDSPs). At present 110 BDSPs have been identified and trained with specially devised training programs to enhance their management capacity, quality, supervision, management and design according to market needs. These BDSPs in turn are the channels of service provisioning for the WEGs on paid basis, at the rate of INR. 25 per WEG meeting, with an average frequency of two meetings per group per month.

The role of the BDSPs is to facilitate the book keeping of the WEGs along with recording of the minutes of the WEG meetings. The BDSPs are not on the payroll of Udyogini but the responsibility of building the capacities of the BDSPs remains with the agency. Apart from the facilitation of the WEGs, the BDSPs are also responsible for community mobilization and formation of new WEGs in their respective operating areas. The model for the deployment of the BDSPs is that every operating village of the intervention area shall have two BDSPs, one for community mobilization, book keeping, etc., and the other act as the point of transaction for the producers, i.e. the WEGs and the others in the village.

## 3. Enterprise Promotion and Incentives for Producers and Market Players

With a mandate to organize tribal women producers in the form of an institution so that they take up the ownership and build their capacities and skills to undertake income generating activities, an association of women NTFP collectors called ***Udyam Jagaran Sansthan*** (UJAS), meaning “light”, was formed. UJAS was registered in 2005 under the M.P. Societies Act, 1973. It is a federation of Women Enterprise Groups (WEGs) by virtue of their involvement in enterprises at individual as well as on group basis. The formation process of UJAS was participatory in nature and all member SHGs/WEGs took part in the process. Decisions were made either by consensus or through elections by group members.

### Governance of UJAS

The governance structure of UJAS has two tiers. The General Body consists of 34 members and the Executive Body consists of 9 members including a President, a Secretary and a Treasurer. All the WEG members are equal shareholders of UJAS by virtue of paying a onetime membership fee of INR 24 per member on annual basis. The fee collection options are on monthly basis, which comes to INR 2 per member or INR 24 up front, to meet the operating costs of BDSPs.

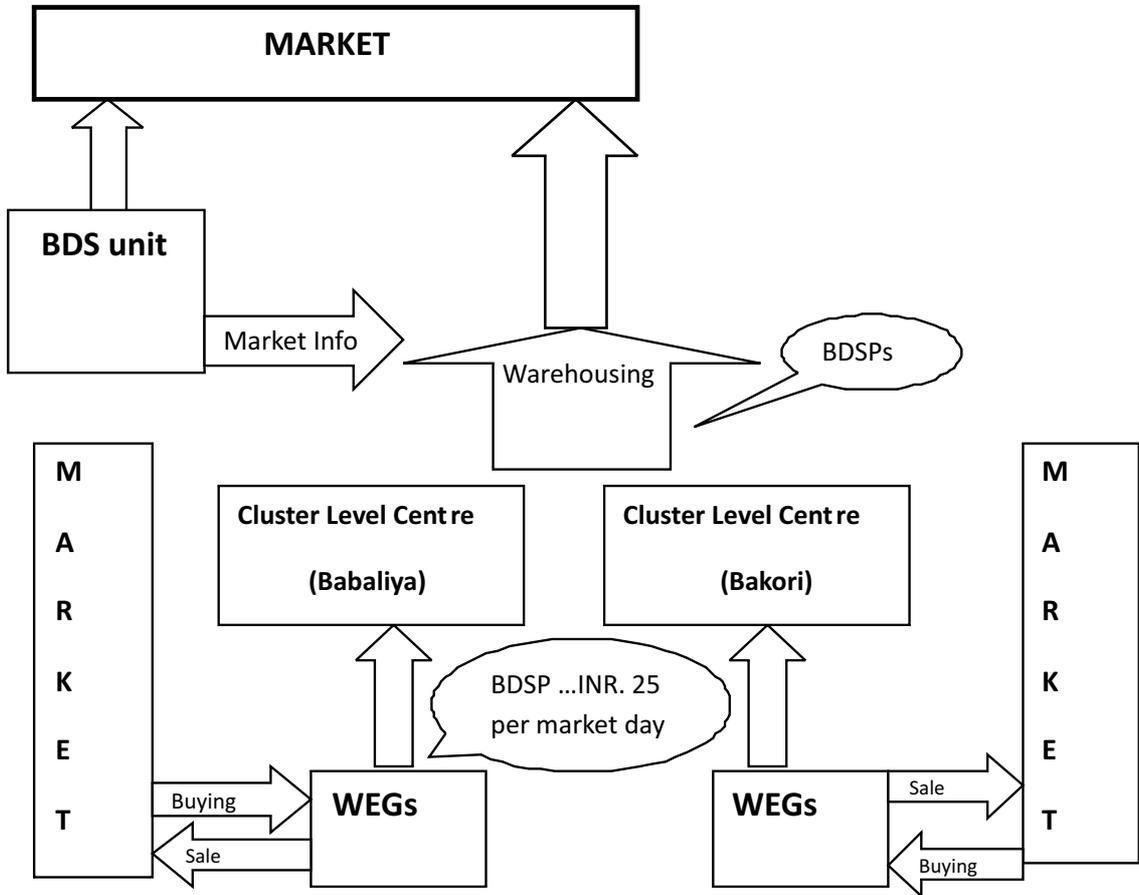
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The leaders of UJAS were previously acting as BDSPs and were providing paid services such as maintenance of accounts, forming new groups, training groups and also technical services such as running trade centres and processing centres. These women are selected through a definite selection process and then groomed to provide business development services in group and enterprise management. Since the producers have been organized as UJAS, these women are in the process of developing themselves as leaders at the village, cluster and organisational levels and hand over the technical functions to paid employees and manage their work. This is being carried out in a phased manner. As a first step, the President is developing her leadership skills to the extent that she can provide direction and build the capacity and groom other leaders from amongst the members.

### **Operations of UJAS**

The enterprise model of UJAS revolves around the cluster-level commodity trading centres (CLCs), also termed as Business Growth Centres. These centres are currently doing procurement and aggregation of commodities collected and produced by the members. CLCs are also doing value addition in terms of processing, drying, grading and selling the produce. These Cluster Level Centres (CLCs) are linked with 10 existing Village Level Centres (VLCs), while the institution of 20 more VLCs is in process. One VLC is being instituted for every two villages. In addition to the trading centres, UJAS also has processing centres, chiefly two oil-mills and one dal-cum-flour mill. These centres help in the primary processing of commodities like oilseeds, pulses, maize and wheat, thus ensuring better margins for the enterprise.

**Diagram 1**  
**Enterprise Model of UJAS**



The CLCs of Babaliya and Bakori are collection centres working under the purview of UJAS. The latter uses the channel of the CLCs for social and financial intermediation and the delivery is carried out by the BDSPs operating at the village level. All the BDSPs bring their collect from their respective operating village to the CLCs of Babaliya and Bakori. There are 72 women enterprise groups operating in 42 villages. Each CLC provides support for the various activities like collection, processing (mainly sun drying in case of *Mahua* trading) storage and marketing. The business processes of procurement, weighing and payment for the produce are the responsibility of the BDSP stationed at the CLC.

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The BDSPs are the agents of UJAS operating at the village level and are instrumental in actualizing the action plan of the intervention through social and economic intermediation. Some of the BDSPs move out to the market on their own to find out prices of NTFPs on the basis of which they decide when and where to sell. The selling points include the local Block market and UJAS. The WEGs and its members are free to procure NTFP from the market and sell it either to the BDSPs or trade in the block market. The decision of trading by WEGs with the players depends on the selling price offered by the market players.

#### **4. Ownership and Scale-up**

The procurement of the produce is carried out by the BDSPs at the village level, which work on commission basis at the rate of INR. 25 per market day of any produce procured/collected. The BDSPs are supposed to meet the critical business volumes by procuring the produce from villages, irrespective of the members of the WEGs. However, no threshold or minimum quantity is defined for the WEG or its members to sell to the CLC, rather the WEGs or its members are free to procure the produce from the market and sell their produce anywhere, including at CLCs.

At the village level, the produce is collected either by BDSPs or the members of WEGs directly from the villagers or members of the group and sold to the BDSPs at the price quoted by the BDS unit (Market Intelligence wing of Udyogini). This is usually the block level market price. Thus the villagers get such a price at their doorstep as would never be offered by the middlemen and petty traders.

In the year 2007, *Mahua* was purchased by CLCs from the members/villagers at the rate of INR 13.70/kg. The price was fixed by the BDS unit after observation of the market trends. The procurement was to the tune of 9.71 quintals worth Rs. 1,33,319/-<sup>10</sup>. 8.61 quintals were sold at lower prices (at the rate of INR 10.35 /kg) in the market by CLCs, fetching around INR. 89,094 /-. The market rates were low due to inflow of *Mahua* from outside market and UJAS incurred a loss of INR. 44,225 but the members got the market price at that time.

Following the business model, UJAS did a business in 26 commodities during 2007-08 which included cereals (paddy), Jatropha and NTFP. The total business volumes included procurement of about 76,461 kg, to the tune of INR 9,45,789, and sale, along with the previous year's stock (94,036.6 kg), to various market players to the tune of INR 11,28,285.<sup>11</sup>

NTFP sales accounted for 17.2 per cent of the total sale amount that year. The business turnover of UJAS yielded profits of over 1.5 lakh. Since the UJAS is a not-for-profit outfit, the profits were used for meeting the shortfall of the various processing units and for procurement of *Mahua* in the 2008 season. The trading of NTFP was primarily done at Jabalpur and Mandla level.

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The fall in the selling price of *Mahua* was a major setback to UJAS, although the members/collectors walked home with a selling price at par with the then prevailing market rates at the Block level. However consistent fall in *Mahua* prices for two years led UJAS to abstain from *Mahua* trading. The decision was adopted unanimously at a general body meeting of the UJAS board and Udyogini. Moreover, the revolving fund of INR. 2, 84,000/- provided to the WEGs through UJAS was also not recovered from the groups in the same financial year and the current recovery amount is INR 65000/-. The default of loans also contributed to the withdrawal from *Mahua* trade. The BDS unit, which is an entity separate from the UJAS, has been trading in *Mahua* to the tune INR. 4, 16,600/- by clearing off the previous year's stock as well as procuring from the open market.

The consistent prevalence of low market prices for *Mahua* led UJAS to decide to concentrate on other commodities for trading and Udyogini also responded to the need by developing horticulture initiatives. The vegetables thus grown by the WEG members now fetch a good price at the Block level markets. The vegetable trade is not routed through UJAS, rather the WEGs are free to trade with the market players. The idea of changing the legal form of UJAS is also under consideration and the project team has been visiting some of the producer companies like the one in Sironj.

The vegetable trade is not routed through UJAS as it was realized that the aggregation of vegetables would be a risk that would pass on to UJAS by virtue of short shelf life of the vegetables. However, the necessary technical support with agri-inputs and drip irrigation kits are being facilitated to the WEGs by Udyogini through UJAS.

## **Udyogini UJAS integration**

The revolving funds are provided to UJAS by Udyogini and the same onlends it to the WEGs at an interest rate of 24 per cent per annum. The amount is then devolved to the individual members for entrepreneurship at the rate of 24-32 per cent, depending on the group norms. Besides supporting the NTFP trade by developing entrepreneurial skills of the WEGs, Udyogini has also invested in infrastructure development mainly in the form of Processing Units for Oil processing, Flour Mill, Dal Mill and Mini Rice processing units. The investment in 2 oil mills was to the tune of INR. 5, 57,500, for the Dal mill it was INR 1,10,000, and the 2 flour mills INR. 20,000. The capital investment by Udyogini was done in order to provide enterprising opportunity to the WEGs for running the processing units. The legal custodian of the processing units is UJAS, which allows the WEGs to operate the units on lease basis.

## Human Resource and Technical support by Udyogini

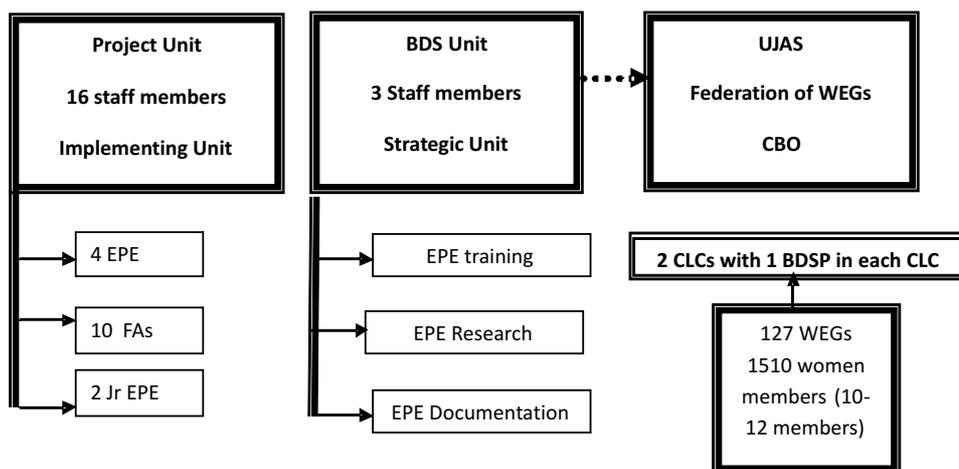
UJAS, the apex body formed as a federation of the WEGs in the intervention area, operates in collaboration with Udyogini in the same premises. At present, the set-up of Udyogini has a Project Implementation Unit with a staff strength of 16 members in the form of 10 Field Assistants (FAs), 4 Enterprise Promotion Executives (EPEs) and 2 Junior Enterprise Promotion Executives (Jr EPEs).

The Implementation Unit provides financial support (staff and their salary and other costs/ revolving fund for business to CLCs), planning and operational support, training and capacity building and technical and input support like seeds/fertilizer and value addition.

The intervention is also supported by a BDS Unit with staff strength of 3 EPEs, one each for training, research and documentation. The function of the BDS unit is to provide market intelligence – daily price, alternate markets and procurement rates - to CLC and formulate business plan. The business plan of UJAS is prepared annually and is grounded through the implementing unit of UJAS. Apart from the aforesaid, the BDS unit is considered to be the trading wing of Udyogini and has to operate for its self-sufficiency by trading in commodities in the open market. The shortfall of the volumes of BDS unit is met by procurement of products from UJAS.

Apart from providing human resource and expertise, it has also established an Agriculture Unit which is involved in the promotion of SRI (Paddy), Mustard, Masoor and Gram cultivation in the project area, and a Vegetable Promotion Unit with a demonstration plot of 900 sq m (30x30) for the promotion of production of chilli, brinjal, ladies' finger, etc.

**Diagram 2**  
**Integration of UJAS and Udyogini**

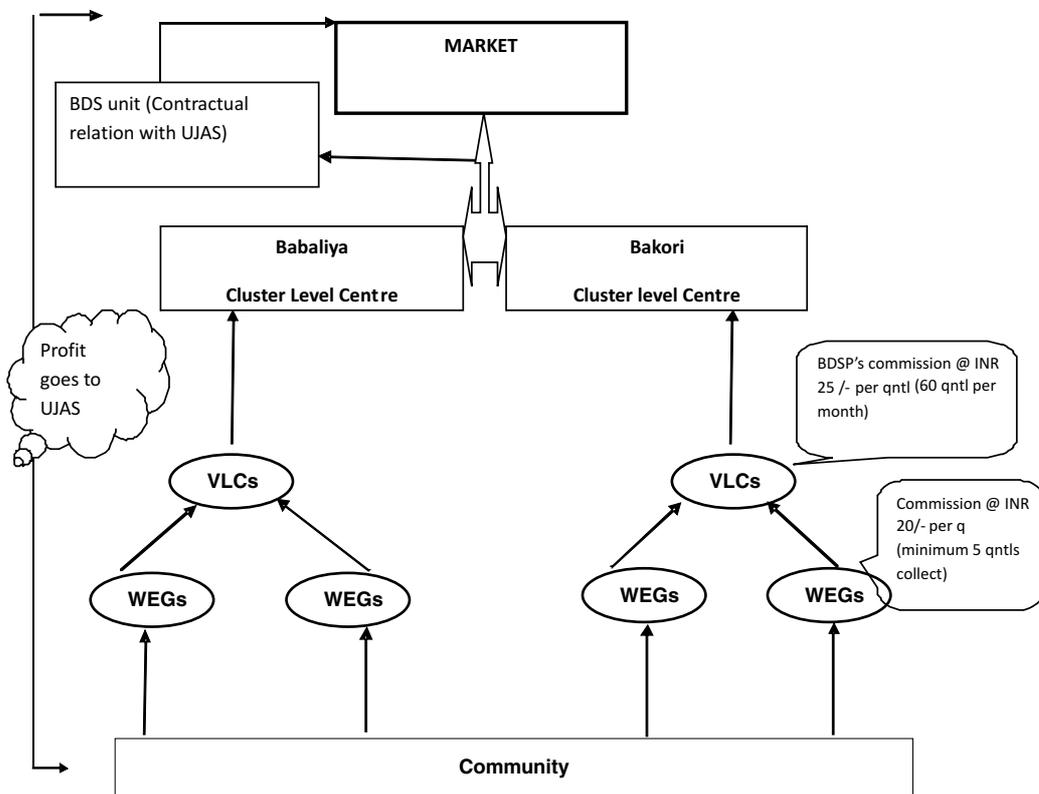


## 5. Expansion and Outreach: Strategic changes

The intervention is trying to increase its outreach by working at the doorstep of the NTFP collector and seller and by redesigning a well-defined commission structure for the BDSPs. The creation of 30 VLCs with a BDSP for every 2 villages, along with another BDSP for community mobilization, is an instant measure to increase the outreach and widen the clientele base. The existing procurement system is through the BDSPs at the village level, but now the new design has introduced an intermediary platform of VLCs that engage in procurement and warehousing for the CLC.

The WEG members in turn have to collect a minimum of 5 quintals of produce (whatever the commodity) per month in order to earn a commission at the rate of INR 20/quintal of the produce sold to VLC. The BDSPs operating at the village level would earn a commission at the rate of INR. 25 per quintal of any produce procured/collected and are also supposed to procure a minimum quantity of 60 quintals per month and aggregate the same at the VLCs.

**Diagram 3**  
**The changed business model of UJAS**



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## Challenges for the intervention

The intervention has the following set of challenges. These are:

1. The intervention was focused more on developing the entrepreneurial skills of the women and provided them autonomy to trade at will and no compulsion was imposed on transactions with UJAS. Rather UJAS facilitated the women entrepreneurs in taking up individual and group enterprises by providing them with technical knowhow, working capital and market intelligence. Now UJAS and its promoters are realizing that the viability of UJAS has to be the focus as huge investments have gone into its infrastructure and operational costs but it is also trying to strike a balance with the interests of the WEGs and its members.
2. Although the business planning by the BDS unit was meticulously done after gauging the supply side and the trends in demand of *Mahua*, lack of accuracy in prediction of prices, weakness in managing proper storage for huge quantities, lack of access to better markets due to high transportation costs and consistent prevalence of low prices in *Mahua* for 2 years have emerged as major constraints for transactions in NTFP for UJAS.
3. At present UJAS is in a dilemma regarding how to balance the interest of its members by resuming trading and marketing of *Mahua* and how to take care of the viability of UJAS as an enterprise in doing the same. The aforesaid are the challenges which can be gauged once the trading and marketing of *Mahua* resumes in future.

## Learnings from the Intervention

With the structural and functional systems in place, trading in NTFP was initiated through UJAS. The trading was simultaneously being carried out at UJAS and at individual WEG member level. The members had the autonomy to transact with the market without contributing anything to the critical business volumes of UJAS, although the revolving funds for the procurement of produce were channelized through UJAS by Udyogini.

The subsequent business events initially at the WEG level and then simultaneously at the WEG and UJAS levels threw up a set of learnings, which have been listed below:

1. Market intelligence could be least capitalized as the market prices never went up for the last two years and market intelligence was confined to tracking market prices. The traders in the local market procured more

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*Mahua* from the adjoining areas at lower prices as the production was high in the last two years. It was realized that the asymmetry in market information was not understood and traders were better informed than the BDS unit which passed on the market information to UJAS. However, it was also realized that the investments and costs of penetrating into markets outside Jabalpur and Mandla were very high.

2. UJAS also recognized its limitations in dealing with products of low value chain and low shelf life as it only has warehousing facilities at its disposal which cannot be of much help. While clearing the previous year's stock of *Mahua*, the price obtained was INR 5/- per kg as the quality, which had been good at the time of procurement in 2007, had become substandard due to poor storage. This has led UJAS to think up of quality measures in warehousing.
3. The introduction of the minimum threshold volumes for procurement of UJAS through its BDSPs at the village level and at the WEG level with appropriate incentivization is also being seen as a mechanism to infuse a sense of ownership and accountability among the members of UJAS. The previous transactions have reflected that the members were taking UJAS as a support mechanism for financial intermediation for meeting their working capital gaps and also offered better selling prices to its members thus succumbing to losses at the end of the day.
4. The losses incurred by UJAS in *Mahua* trading were balanced by procuring other NTFP products and trading the same in the Mandi. This also led to farm based product diversification in livelihood portfolio of the members of UJAS and subsequently product diversification in the transactions of UJAS. The diversification was backed by financial arrangement by roping in corporate players and infusing revolving funds into UJAS. The financial intermediation was done through a combination of loan, revolving funds and grants.
5. Provision of revolving funds to UJAS by Udyogini for *Mahua* trading in 2007 had serious operational repercussions. Udyogini and UJAS provide impetus in strengthening the operating systems like appraising, lending and recovery for the microfinance activities. Now initiatives are on to provide insurance cover to the WEG members.

## Conclusion

This intervention has tried to highlight the range of services that an agency could provide for promoting NTFP based livelihoods for community based enterprises. The provisioning of services has to comprise of an integrated package of micro

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credit, Business development services, infusion of grants on one side and on the other hand also the need to track the markets from time to time. The other important investment in terms of capital and time was the focus on institution building that works towards aggregation of produce in order to leverage the market. However, working with a single product which has a short production span of around three months has to be taken care by the enterprises through diversifying the products /commodities that are being collected, traded from the community based platforms.

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## Notes

1. Radha Thakur and M.Srinu Babu, both work as Faculty members with The Livelihood School.
2. Extracted out of the Value Chain Study Report, Udyogini, 2003
3. See 2 above
4. See 2 above
5. A Report on Non-Timber Forest Products & Forest Governance-FGLG
6. District Census Handbook, Mandla District, 2001
7. Agriculture land, which is not very rich in nutrients and thus not very fertile, is called barra in local language
8. Annual report, Udyogini 2007-08
9. See 8 above
10. Records and Audit reports of UJAS, 2008-2009
11. Personal communications from the field staff and members of the groups