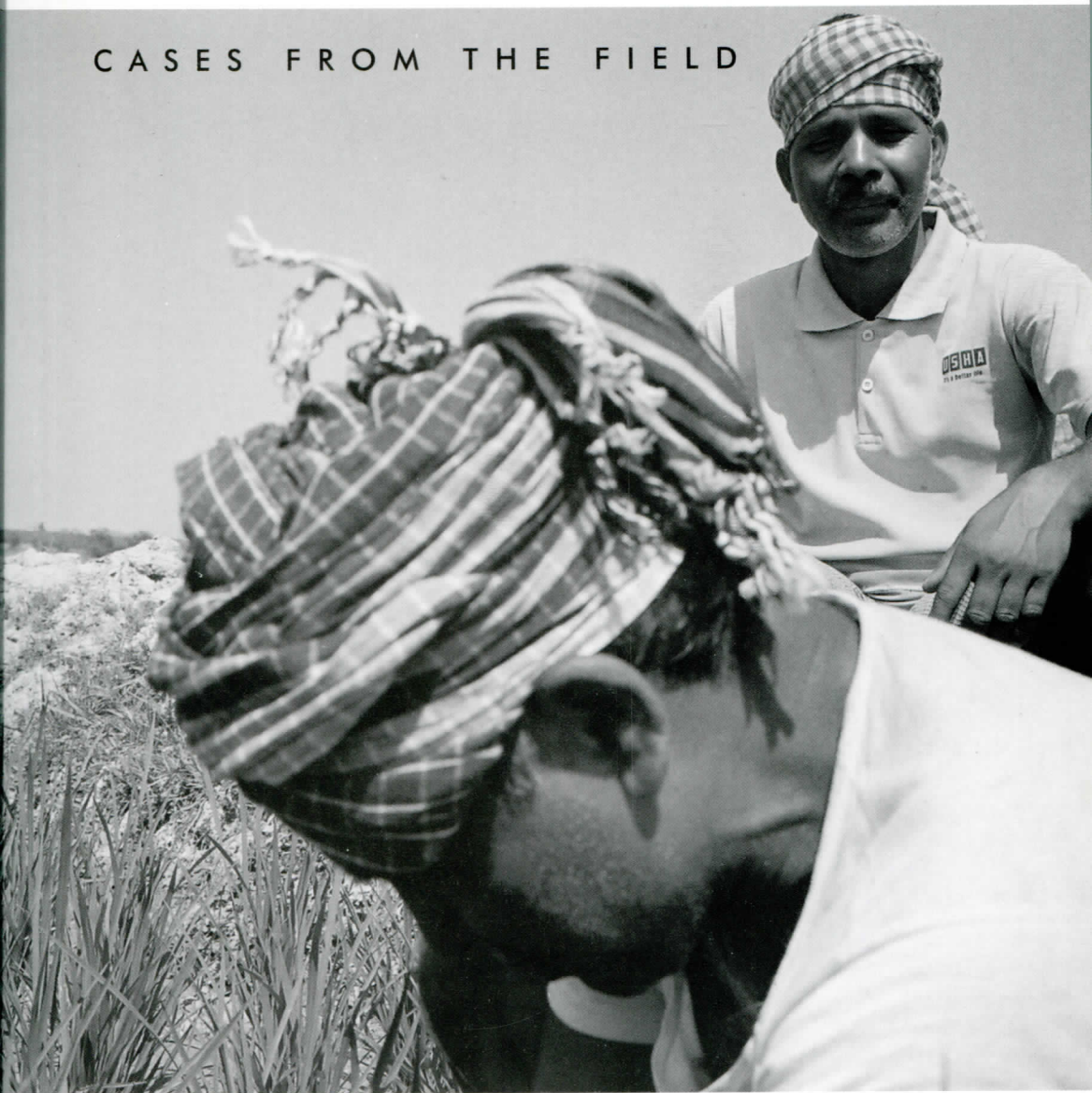


# THE POOR AND THE PRIVATE SECTOR

Public Private Community Partnerships

CASES FROM THE FIELD



Sitaram Rao Livelihoods India  
Case Study Competition



**MDI**  
GURGAON

# Conservation, Enterprise & Livelihoods - A Dilemma or a Meeting Point

*Mathew John*

## Background to the Area

Nilgiris, a juncture where the Eastern and Western Ghats converge is an ecosystem which brings together biodiversity in all its richness—indigenous communities, flora and fauna and unique livelihood options which have all co-existed for the past centuries. However, destruction of forest areas due to various reasons and a cash economy has left these communities on the sidelines. Keystone has been working in the Nilgiri Biosphere Reserve (NBR) and felt the need to address issues of market access and opportunities which would build on their skills and knowledge.

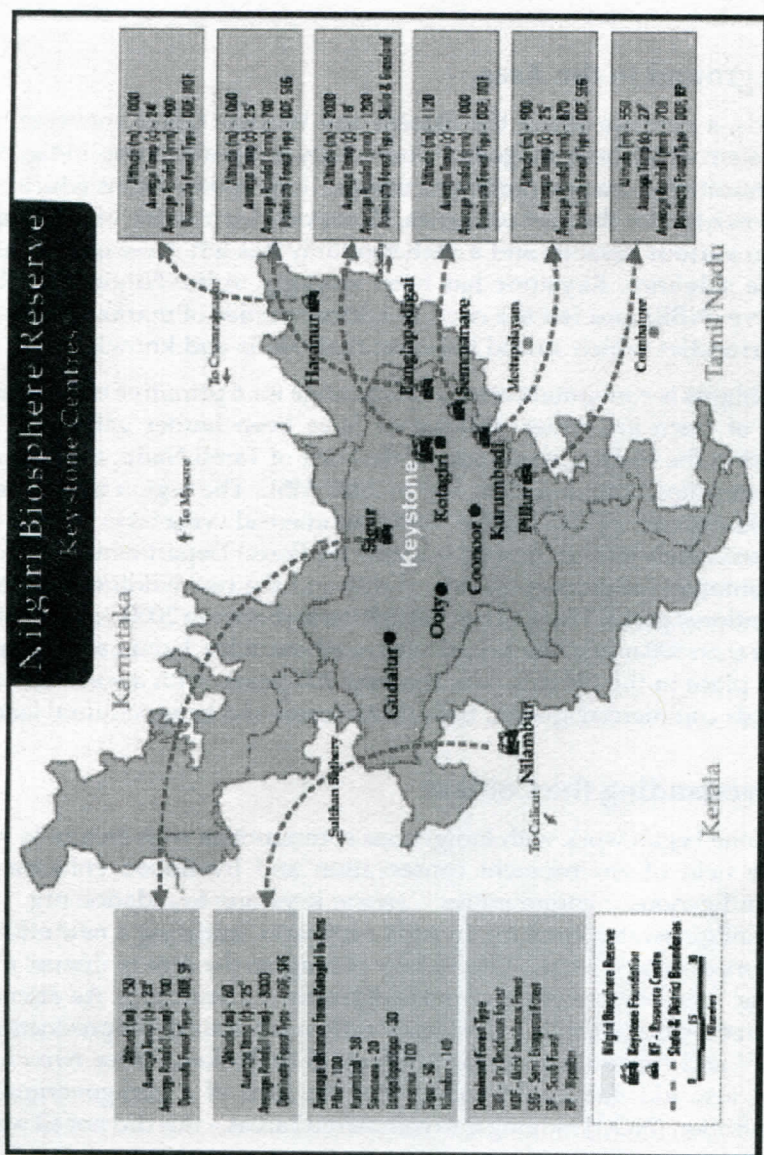
The Nilgiris is a mountain area, a home range for 6 primitive tribal groups. Most of them are either pastoral or have been hunter gatherers. This district in the north western part of the State of Tamil Nadu, is a hilly area with elevations ranging from 400 to 2600 MSL. The region is dominated by plantations of tea/coffee and commercial vegetable cultivation. Approximately 55% of the land is under the Forest Department – including all plantations of eucalyptus, tea, wattle and the two wildlife sanctuaries and national parks. The average rainfall varies between 2000mm in the west to less than 500 mm in the eastern and northern sides. Land use change has taken place in the Nilgiris over the past 200 years, with a constant move towards commercial species, both in the forest and in agricultural lands.

## Understanding the Context

Keystone began work with indigenous communities with an aim to work in the field of environment conservation and livelihood enhancement of indigenous communities ([www.keystone-foundation.org](http://www.keystone-foundation.org) and [www.nilgiriswaterportal.in](http://www.nilgiriswaterportal.in)). In such a scenario, initiating a new effort on enterprise seemed a risk. It was a new concept to the area to discuss about organic issues and products from indigenous communities. As discussed later in the case study also, most people did not equate tribal products with quality and consistency. It was a barrier to be broken. These two crucial issues also did not seem to add up to the idea of a non-governmental organisation (NGO) moving into commercial areas – this did not sit well in



the environment and many people felt that this was an area that was best left to entrepreneurs and NGOs should address 'socially relevant issues' only. Also, at the time of initiating the effort, the market seemed to be very local and hence very limited. What transpired was that the same local market was more appreciative of the local products and hence tremendous encouragement.





## Understanding the Challenges

Some of the primary concerns to provide support to the community on the marketing front have been because:

- low prices are offered to the indigenous people from traders/middlemen
- there are unfair practices in terms of weights and measures
- they do not have a good bargaining power and have to sell their produce in a matter of days/weeks
- they were dealing with forest produce, which had a direct relevance to conservation of natural resources
- incentive needed to be given to 'organically' produced homestead products.

The entry point for work was bees and honey – the Kurumba and Irula communities are traditional hunter gatherers and slash and burn agriculturists. Honey hunting is an important part of their tradition and nearly 2–3 months in a year are spent in this activity.

### CASE STUDY

#### *Honey Hunting by Kurumbas*

The Kurumbas, one of the many indigenous communities, possess tremendous skills to collect honey from the Giant Indian Rock Bees, *Apis dorsata*. This practice of honeyhunting has continued over centuries but with a symbiosis which has allowed the honeyhunters and the bees to co-exist. This honey was used as an item of barter with other communities for grains, milk, implements and other needs. However, with the advent of cash economy, the rules of the game changed and suddenly, skillful tradition was dictated by traders and moneylenders.

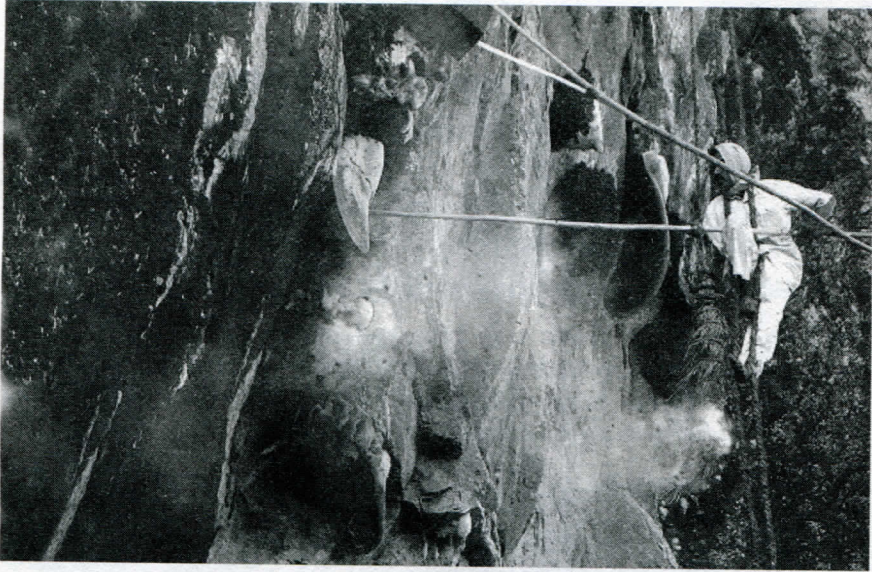
Over the past few years, Keystone felt the need for these production groups to become independent and make their own decisions. With working capital built up over time, they now are able to procure, value add and sell completely finished products. Since 2007, sharing of the profits among the producers/harvesters has given one more reason to increase their stake in the value addition/production centres. Since 2007, new products have been added to the range of value addition options – bees wax lip balms and bees wax soaps.

One important fact to keep in mind is that the collectors bring in the honey which has been collected from forest areas or around their homesteads. In this case study we will primarily look at two products – honey and bees wax though there are other products like coffee, pepper, silk cotton, spices, etc., from their homestead gardens.

Most of the honey is 'forest' honey which is collected from the honey combs of the '*Apis dorsata*', or commonly known as the Giant Rock Bee. Bees wax is a by-product which is available after extraction of honey. Normally, the



tribals used to throw away the combs. After the organisation's intervention, bees wax became a valuable commodity that fetched more than the price of honey.



At the time of establishing the enterprise, one of the primary concerns of the organisation was to increase the prices/returns that come in to the honeyhunters. These groups had become dependent on middlemen and traders to move their produce. The shift for the indigenous community was from the barter system that existed earlier to the cash economy.

The second challenge was to improve the quality. Since it was an item of barter and local consumption, the quality parameters got determined at a very local and basic level. If the product had to be packaged and marketed to a wider audience, many parameters would have to be redefined. This had backward linkages to 'sustainable methods of harvesting' and nature conservation.

Some of the principal challenges that were faced when the organisation began marketing at the local level were:

- **no concept of forest honey:** honey which was sold in the market had no identity that related it to the source. The USP would just be that the honey was clean and 'pure'. For the customers, honey carried a tremendous negative baggage of high adulteration and hence was always used to beat down the price.



● **processing of honey:** normally, the honey is always processed when it undergoes a process of 'flash heating'. The purpose is to kill the bacteria which in turn will prevent the formation of yeast and hence fermentation will not take place. It also ensures that the moisture content in the honey is brought down to comply with certain standards. The problem that occurs is that a minor constituent of honey, commonly referred to as HMF (hydromethylfurfural) levels are raised in the honey and hence there is a change in the composition of honey - it then does not have the qualities or properties that is inherent in it. Due to this Keystone does not believe in the concept of heating or processing the honey.

● **self-perception of tribals about their activity was low:** since honey was always perceived to be produced only from bee boxes, it assumed a very urban and sophisticated image. It was not an issue that nearly 70% of the honey produced in this country is from the wild. For the tribal honey hunter, it became imperative that he fit into this sort of scenario to upgrade the character of his honey and then be able to sell it.

● **market system very obscure and fuzzy:** As with most forest products, the whole market is very closed and highly depressed. Local traders and middlemen take maximum advantage of the fact that access to 'remote areas' and 'tribal people' work to their advantage. The prices are then kept low and measures are faulty. The traders also provide advances and loans to tribals which are then adjusted at the trader's convenience. Most large companies that sell honey, procure through agents in which the bottom layer is formed by the agents at the local level. Quality then cannot be assured in such a system.

● **medicinal value:** in the Indian context, honey has always derived its value from its medicinal properties. Thus, the marketing of honey never had positive tones.

## **Hiccups!! & Mastering Conditions**

The marketing initiative, though a part of a NGO setup, was started with the help of a development bank - the Small Industries Development Bank of India (SIDBI), Chennai. Many of the initial challenges that were mentioned earlier were confronted when trying to convince the bank to fund such a venture. It took nearly two years before they were convinced about the financial viability of such a programme. The funds constituted 2 parts, one of which was a grant and the other part, a loan at slightly below market rates.

This funding was finally secured on the basis of the personal guarantee of 3 directors of the organisation. It was a unique situation where though the



funding is being given to a registered charitable trust, it could not secure its assets for a single project. Hence the personal liability of the directors was provided.

The organisation also registered itself with the local sales tax body - the Deputy Commissioner of Commercial Taxes. This entailed two aspects: one, a registration to purchase and sell within the State and second, to carry on transactions within the entire country. The tax implications at both levels are completely different. There is a plethora of other legal formalities that have to be complied with such as: labour laws, weights & measurements, employment conditions, etc.

The initial operation was totally dependent on the amount of collection of honey that could be made. This was in turn dependent on network and word of mouth.

The marketing activity was begun as a separate programme with a separate bank account so that it could operate as an independent cost centre. The size of the operation was very small in the first year i.e. 1996, also due to the inexperience in all aspects - procurement, production and processing, quality control, value addition possibilities, packaging materials and marketing. The operations expanded hesitantly because not all parameters were within control - consumer response was unknown, acceptance and viability being other factors.

The initial location was in a small town locally and it still remains so. This was done so that initial logistical bottlenecks were at a minimum. Direct supplies were made to dealers/retailers so that consumer awareness could be built up gradually. This helped also in getting immediate customer feedback which in turn helped in developing the products further. No agents for marketing were employed as one of the prime objectives in starting this initiative was to reduce the trade chain so that both producers and consumers could gain on prices.

### Customer's Perceptions

- **tribal product is equal to low price:** For most customers, the initial reaction has been to reduce the price without any appreciation of the product. Quality is not a determining factor. Also, in the present context of machine-made, mass products, consistency becomes a baseline by which most products are measured. This does not allow products to be appreciated in their entirety and different benchmarks come into play where these tribal products lose out.

- **not a table item:** It never had a table value except in the hilly areas where honey was consumed with the local diet. Honey was never a mass



consumption item. It had developed a very small niche where it was a medicinal item and hence normally found in drug and pharmaceutical stores. It was only in the hilly and rural areas that honey was acknowledged and eaten for its intrinsic values and properties.

## Marketing Efforts

There were a few things that were kept in mind while formulating the marketing plan:

**Local area:** It was clear from the small initial production and capacity base that the local market was where the footprint had to be the strongest. Logistics involved could be handled easily. In later years, the idea was to expand to other metro cities. Niche shops selling either organic or development products were approached to market the products and though the initial response was encouraging, other factors made it difficult to foresee this route as a viable long-term option.

**Differential pricing in different places:** this was a conscious decision as a policy of one price across all areas would not be fair to customers, especially to the local market where we were trying to build the customer base.

**Aimed at being environmentally friendly, organic and fair trade products:** As discussed earlier, since there was no distinct organic market, the strategy had to be modified to attract the customers.

As part of the marketing process, Keystone promotes a chain of Green Shops. Kotagiri and Coonor shops opened in the late 90s but a major step was taken when a shop was opened in Ooty in 2007. However, a separate section which added value was a Bee Museum, which allows customers to understand the products and the background. The 4th shop, has opened in September 2009, in Mysore, which is in another State. Space has been provided by the Green Hotel, which is an alternative hotel.

A crucial process which has changed over the past few years has the emphasis on network marketing. Keystone now generates more customer footfalls as it provides an immense range of products: handicrafts, garments, incense, wooden toys,

What is crucial in the whole process of linking producers/harvesters with the market is to be able to develop a set of principles and ethics which are applied. Keystone takes effort in ensuring that the products fall within those - organic, fair trade, support small producers, increases biodiversity, provides local employment and encourages local markets. With these guiding principles, it has found that there is tremendous potential yet to be tapped.



### *Arakode Women and Land Development Group, Banglapadigai*

This project is in a region, where lands are fallow, steep and a very low soil cover. The Arakode region of Kotagiri taluka is known for its steep slopes, drainage, glens, headlands and precipices – it is a rain shadow area and the Irula community is predominant in the region. There are over 350 families in the valley who hold approximately 550 acres of traditional land. The Irukulas cultivate minor millet, vegetable and fruit trees in their community land holdings. The millets are always grown in a mixed cropping system – a combination of different cereals, pulses, tubers, vegetable crops and numerous uncultivated foods crops, as food and nutritional security. Millet cultivation is taken up as a community activity – labour for clearing land, crop guarding against wild animals and post harvest processing is shared. This provides a strong bond, socially and culturally. Rainfall and crop raiding by wild animals are huge determinants in their food security.

Coffee is grown largely with a number of fruit trees, shade trees, pepper vines, silk cotton trees and wild trees – a rich diverse system. In addition, collection of non-timber forest produce (NTFPs) is an important traditional activity to meet their livelihood requirements – gooseberry, soap-nut, gallnut, barks, roots and phoenix leaves, seasonally, which would be sold to small traders.

The farmers were encouraged to grow crops organically with training on compost, vermi-compost and preparation of bio-pest and disease control inputs. Soil and moisture conservation techniques were incorporated to ensure soil health. Micro irrigation through HDP hose pipes and sprinklers were introduced for efficient water utilisation and sharing amongst users. The farmers were encouraged to supply coffee, silk cotton, pepper, fruits to the value addition centre at fair prices. The harvests from the farms like vegetable, greens, tubers and fruits were procured under an Organic Bazaar-marketing venture for farm/fresh produces. The value addition groups have shared a ratio of profit with all farmers and collectors who have supplied raw materials for value addition. Through value addition, the value of the product increased 5–7 times within the village premises, itself.

The human resource skills and attitudes enhances not only the production processes but overall family and village development. Technological intervention have increased efficiency in ginning cotton, solar driers & dehumidifiers for fruit processing, husking machine for millet processing, mixers and grinders for pickle and spice packaging. This women's group has now started a small grocery in the premises to cater to the village's needs with some principles, like not selling tobacco.

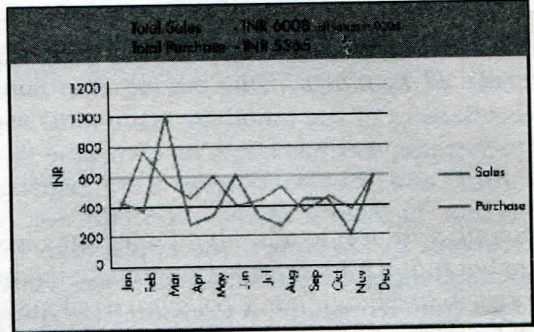
The farmers of the village have registered themselves under PGS certification (Participatory Guarantee System) ensuring sustainable farming conditions. The value addition centre acts as a central pivot around which social, cultural and economical linkages are bound. This production and direct participation is a critical backward link to the Organic/Green Enterprise which Keystone hopes will bring the customer and the market, closer.

However, this extremely strong effort at the village has not come without its share of difficulties. Such a holistic approach is constantly challenged by a few farmers' practices. Hard market realities force them to grow short-term mono crops like cultivation of beans to deal with cash requirements.



## The Past Year - 2008

Some salient features, the year had its share of challenges for the Organic Market Development (OMD) team—a year of consolidation and stabilisation. The financials do not look really great, nevertheless it shows the change in trend of growth. Looking at the previous year where the turnover rise did not result in a net profit, the steps to improve the profitability were taken this year. The aim to achieve 35% growth which was consistent over the past three years was under pressure because of the prevailing economic



recession. Key decisions on supplies and price stabilisation with the production centres were taken in the year and sources of anomalies identified and remedial measures were taken. There are more that need to be addressed, for example FPO license.

Organic Market Development (OMD) took shape after Mike Jenkins' (Ernst & Young's Assignee in 2007) Business Plan was adopted and the strategic bifurcation of Production Center Development (PCD) and OMD lent focus. Initially, there were some teething problems which were sorted out by regular meetings between the teams. Value addition centres come under the purview of PCD and all supplies are dealt by PCD team. OMD started placing orders as a monthly forecast. Volumes improved from the centres and supplies become steady from Thumbitha Kadu and Kurumbadi, 2 production centres.

Both PCD and OMD agreed to stabilise supply prices for one year for all products which helped in assessing demand and consumer preference. This year, the focus on increasing sales through retail through our Green Shops came into effect. Green Shops contribute 60% of the turnover and wholesale supplies contribute 40%. Overall, turnover has gone up by 5% from April to December, year over year.

Operations were streamlined in terms of finance and personnel. Sundry debtors were brought to one bill outstanding; and 30-day credit period terms and efforts made to bring the one bill outstanding and 30-day credit period for suppliers came out fairly successfully except for Kumbaya and Kullu Karishma, 2 crucial suppliers who extend us a longer credit



period. Capping operating costs which stands at 30% currently and achieving a net surplus of 10% is the target set for the financial year ending March 2010. Better space utilisation and adding new counters at Green Shops have been discussed and are being operationalised currently. The team members are assigned with specific responsibilities and outputs to measure their performance.

**Trade Mark Registration:** During 2003, the need to register the brand name of Keystone, 'Last Forest' had become urgent because of the duplication of the brand by some local traders. The process, initiated during the year has taken its own time to come to fruition. Both 'Last Forest' and 'Keystone' logos were registered as Trade Marks under Section 30 (staple foods) especially for honey and certificates were received. In December, the application for getting Toda embroidery under Geographic Indication (GI) was undertaken with the help of Win Lexis from Bangalore. A Consultative Group Meeting (CGM) to present the uniqueness and distinctiveness of Toda Embroidery was organised at Bee Museum, Ooty to the panel of Appraisers.

**Coffee Launch:** Over the years, coffee has assumed importance as a product from the indigenous communities' homestead. The advantage of having the entire process under control for ensuring and improving quality of the coffee led to the set up of a full-fledged Coffee Unit (a long felt need and a dream fulfilled). The name Coffea' (100% Arabica!) and the packaging appealed to the customers and the formal launch of the coffee at Green Shop, Ooty turned out to be an instant hit.

**Production Centre:** Discussions with the members reveal that

- There is need for continued training and monitoring of quality at the centres.
- People in the villages are happy that the training given is applied and leads to work.
- It has taken more than five years for people to understand the linkages between conservation, livelihoods and enterprise.
- A sense of ownership has been evolving over the years and people feel the centre belongs to them.
- Transparency in the way we work has also helped in this regard.



- When people undertake the activities in the village, other people and government visitors compliment them and this encourages them.
- Harvesters are seeing the need to maintain quality during the harvest period. They appreciate getting the wages on time and being sure of the weights.
- The need to harvest only as much as the demand and to discourage people from taking credit in advance for the harvest have to be worked upon.