



# Smallholder-led Value Chain Model of SAFBIN



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## Contributed

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A man with a mustache, wearing a white turban and a red t-shirt, stands in a lush green tomato field. He is smiling at the camera. The field is filled with tomato plants, some with small green tomatoes visible. Wooden stakes are used for supporting the plants. The background is slightly blurred, showing more of the field and some trees in the distance.

# Smallholder-led Value Chain model of SAFBIN







# Preface



**Fr. (Dr.) Paul Moonjely**  
Executive Director  
Caritas India

The development of sustainable food value chains can offer important pathways out of poverty for the millions of poor households in developing countries. Food value chains are complex systems. The real causes for their observed underperformance may not always be obvious. Typically, multiple challenges have to be tackled simultaneously in order to truly break poverty cycles. This in turn implies the need for collaboration among the various stakeholders in a value chain, including farmers, agribusinesses, governments, and civil society. Further compounding the challenge, improvements to the value chain must be economically, socially, and environmentally sustainable: the so-called triple bottom line of profit, people, and planet.

Over the years, the value chain (VC) has established itself as one of the main paradigms in development thinking and practice. This is why Smallholder Adaptive Faring and Biodiversity Network (SAFBIN) program of Caritas India has brought many such smallholder-led models aiming to enable the development of inclusive and efficient agricultural and food systems. I appreciate the efforts made by the team in consolidating the farmers learning in a booklet form. The Engaging Smallholder in Value Chain for sustainable market linkage is the first in the set. These knowledge product aim to provide practical knowledge and learnings on sustainable value chain development and market linkage by facilitating the spread of innovative solutions emerging from the field to a target audience of policymakers, project designers and field practitioners.

I wish all the best to the team for their significant work done in the field of climate adaptive farming and food sovereignty thereby market linkage for sustainable income opportunity.



# Foreword



**Fr. (Dr.) Jolly Puthenpura**  
Assistant Executive Director  
Caritas India

The Indian food basket has been increasingly diversifying towards high value and nutrition rich foods. Changing consumption preferences as a result of increasing incomes, rising population, and urbanization together with higher demand have ushered in a demand-driven structural change in Indian agriculture. The fast-developing high value agricultural markets provide immense opportunity to India's smallholders who constitute 86.1% of total farm holdings.

Agricultural value chains in India are subject to high fragmentation and intermediation, resulting in substantial losses in quantity and quality of produce, limited processing capacities, and high price volatility. Agricultural policies in India have been primarily cereal centric, focused on augmenting production, without giving due attention to development of efficient value chains. With a diversifying production basket, policies should be aimed at holistic development of value chains.

It is expected that this new book on Engaging Smallholders In Value Chain for Sustainable Market Linkage in Madhya Pradesh will facilitate the spread among practitioners of new ideas and knowledge related to the development of sustainable value chains. I believe that this will lead to greater and more lasting impacts in terms of growth in profitability of agribusiness and strengthening of the food supply and improvement in the natural environment.



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# EXECUTIVE SUMMARY

The study was conducted with a purpose to document the successful learning's from SAFBIN project promoted Farmers Producers Company. The project is operational in Sagar, Mandla and Vidisha district of Madhya Pradesh. As the SHFCs were promoted in two districts namely Sagar and Mandla, hence the study has focused in these two districts namely sagar and Mandla only. The four layer of information sources were accessed in the study process i.e., smallholders, smallholder farmers collectives (SHFC) and District farmers forums (DFF), stakeholders, and SAFBIN field team members.

The findings are very much encouraging. In Sagar district the SHFC are aware about the role and responsibility at their collectives as well as community level which they have utilized it for collectivizing, aggregating of farm and forest products for marketing collectively even during the Covid-19 Pandemic situation. They significantly accessed to 35 types of different socio-economic entitlements by mobilizing Rs. 2,09,21,945.00 through 2,393 persons over the years. The wheat was one of the main crops which was collectivized and sold to the local market with slight premium. Vegetables and pulses (pigeon pea and black gram) were part of small -scale value chain established by them. In case of Mandla district the millet – (Kodo and kutki) were sold collectively by the DFF members.

## THE IMPORTANT OBSERVATIONS IN BOTH THE DISTRICTS ARE:

- Concept of collectiveness for marketing
- Planning for using SHFC as own institution is inculcated
- Market linked crop-based value chain is clear at each level
- Focus on non-chemical and nutrition sensitive agriculture
- District level forum has good representation and is actively functioning



# INTRODUCTION



Smallholder Adaptive Farming and Biodiversity Network (SAFBIN) is engaged in an action research programme led by Caritas Organisations of 4 countries including India supported by Caritas Switzerland (CaCH) and Caritas Austria (CAUT). The programme focuses on smallholders considering them as a huge possibility in changing the future of agriculture in terms of their adaptive practice of using simplest means of inputs out of their own farm wastes and resources. While exhibiting higher productivity and cropping intensity they have comparatively much lesser consumption of resources and attaining higher income and resilience to climate change. They ably adapt to become practitioner researchers in their own field and are devising simple yet effective unique local practices to accommodate to the climate change factors.

SAFBIN aims to improve the food and nutritional security of small farmers is inspired by the achievements and mutual learning process of the Caritas Partners in a successful previous phase on Agriculture Research for Development (ARD). This programme is primarily contributing to achieve Sustainable Development Goal 2 of the United

Nations: “End hunger, achieve food security and improved nutrition and promote sustainable agriculture in South Asia”. The Program is implementing in collaboration with Caritas India, Caritas Austria, and Caritas Swiss to strengthen and bring about local food and nutritional security among small and marginal farmers in 25 most marginalised communities in Sagar, Mandla and Vidisha of Madhya Pradesh India.

**The programme is implemented to achieve two major outcomes**

**I. Improved food and nutritional security and resilience of Small holder farmer families and  
II. Increased income of the smallholder farmer families.**

Agriculture in India's plays a crucial role in the country's overall economic and social well-being. There is still a large dependency on this sector for income, employment, and national food security, with around 59% of the country's total workforce employed in agriculture. Agriculture value chain in India, though centered around farmers are influenced by multiple



actors at every stage from the production of a commodity on a farm to its final purchase by a consumer. These different actors range from market actors such as wholesalers and agribusinesses to policy- and research-based stakeholders. The latter includes different agriculture institutes established under Indian Council of Agricultural Research (ICAR), extension services like Krishi Vigyan Kendra (KVK), and consumers. In simpler terms, farmers are embedded in larger systems of activities and relationships. And all actors in any agriculture value chain, along with farmers, need to work together for its smooth operation. This is because all of them have different expertise, viewpoints, and specialized roles that can complement each other, and address the constraints and opportunities that agriculture value chain face.

Caritas India is an active member of various platforms of civil society organisation that regularly exchanges views and seek joint dialogue with the government on specific social and political issues. As part of the smallholder adaptive and biodiversity network (SAFBIN) programme, Caritas India facilitates the civil society organisations, networks, dialogues, and learning for better coordination in the field of climate change adaptive agriculture and food sovereignty actions. To address the challenges comprehensively, the SAFBIN programme of Caritas India is designed to promote sustainable food production through integrated farming system (IFS) to ensure farm production, income, nutrition, resilience, and farmer's control by strengthening capacity of the targeted small farm families for adaptation to climate changes.

This study has made an effort to document the innovative model of Smallholder-led small-scale value chain model implemented in SAFBIN program areas for learning and dissemination.





# BACKGROUND OF THE STUDY

South Asia presents an enigma, where macro-economic growth and increase in household income and dramatic progress in some development indicators have not been able to arrest and reverse persistent hunger and malnutrition. Manifestations and implications of the problems around food and nutritional security (FNS) are disproportionately linked to poor in general and SHF in particular, who are connected in either way, as producer and consumer, often losing at both ends. A pre-programme analysis on value chain and marketing is complex and interconnected with stagnant farm income, low farmers' access, and control over farm-resources, reduced small-farm resilience and increasing vulnerabilities to climate change, inadequate attention of support from policy, research and stakeholders and lack of linkage between the urban consumers and small producers, affecting their health and wealth. Increased production and income of SHF is vital for small farmer families' food security and poverty alleviation, but also in a much broader sense, it is important for regional development. Access to better information, knowledge and resource inputs will help smallholder farmers to sustainably improve their production ecosystem and maximize production. Also, small farm friendly farming systems models will be developed and used. Established value chains, consistent supply/logistics/retail infrastructure and innovative marketing systems will further contribute to the outcome. Increase in farm income is critical for enhanced food access and other development outcomes, as the regional rural economy is getting increasingly monetized. However, farm income is not increasing as desired because of lack of remunerative prices realization from the existing marketing structure, stagnant productivity, lack of reform in agriculture land policy and increasing farm stresses due to augmented frequency of disasters. The focus of agriculture value chain development has been around fruits and vegetables which are mostly crops of big farmers. While small producers (e.g., manufacturers, food processors, small and medium enterprises) have been successfully integrated into global value chains, small farmers in South Asia struggle, with gaps around information, infrastructure, surplus aggregation, and realization of remunerative returns. Climate Adaptive Agriculture and Food Sovereignty is one of the major



themes selected by Caritas India to contribute towards Sustainable Development Goal 2 to 'End Hunger, achieve food security and improved nutrition and promote sustainable agriculture. The pan India coverage of Caritas India gives her the advantageous opportunity to work with the small and marginal farmers to not only increase their food production but also helping them in market linkage for a sustainable income.



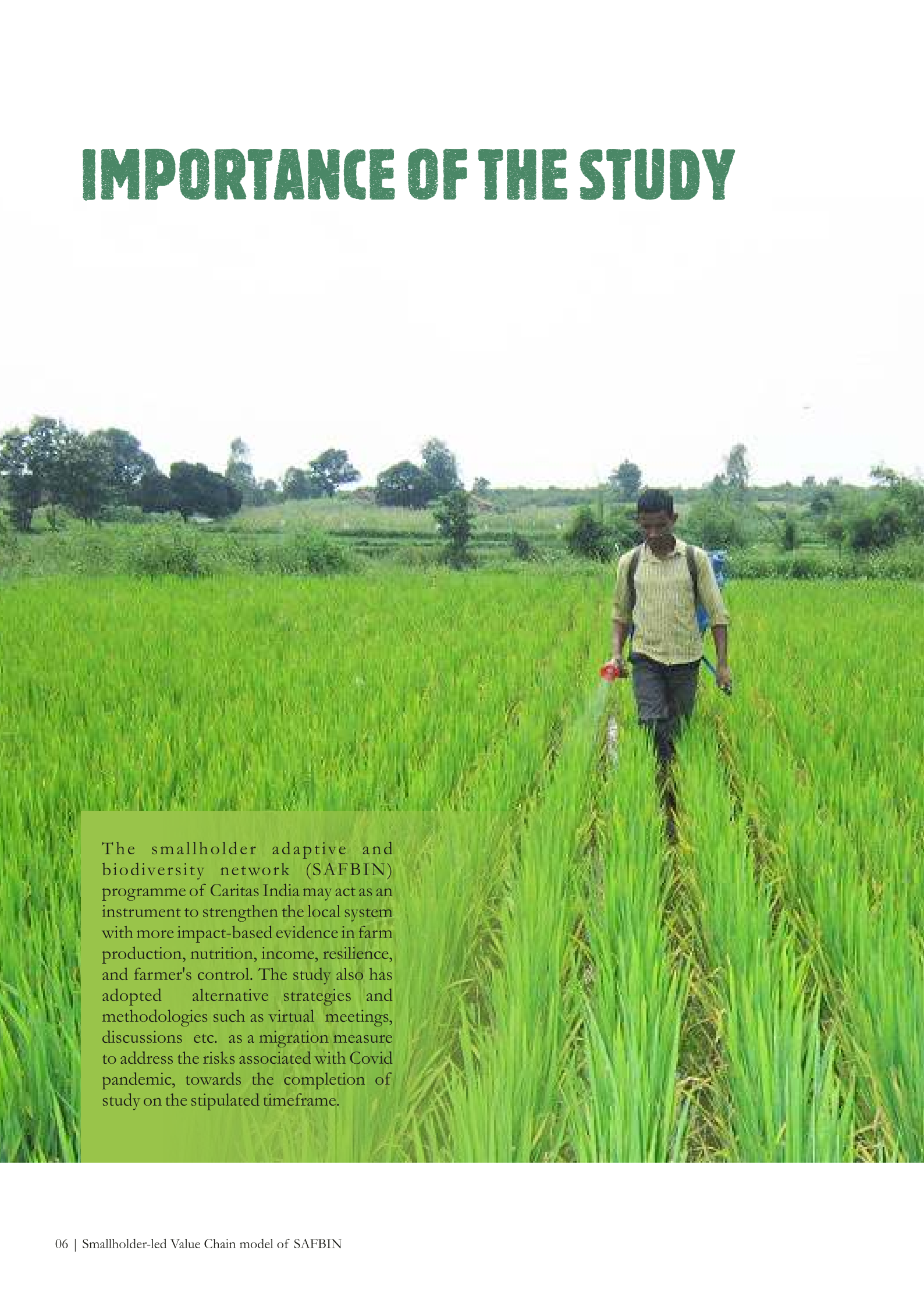
# ABOUT SAFBIN INDIA PROGRAM



Smallholder Adaptive Farming and Biodiversity Network (SAFBIN) is a smallholder-led initiative aimed to contribute towards SGD-2 to achieve sustainable food production through integrated farming system (IFS) to ensure farm production, income, nutrition, resilience, and farmer's control by strengthening capacity of the targeted small farm families for adaptation to climate changes. Caritas India launched SABFIN- A Programme for food and nutritional security of 1366 smallholder farming households of Mandla, Sagar & Vidisha of Madhya

Pradesh, India. It stresses on on-farm action research designed and led by smallholder farmers themselves; helping them adapt eco-friendly farming methods to cope up with increasingly erratic climatic conditions, with a cluster programme approach, for protecting the livelihoods and food supply of smallholder farmers from the vagaries of climate change and thus ensuring their Food and Nutritional Security. Along with it, the programme also focuses on strengthening of smallholder farmers collectives and control over land, seeds, and farm inputs.

# IMPORTANCE OF THE STUDY

A photograph of a man walking through a lush green rice field. He is wearing a light-colored, short-sleeved button-down shirt and dark shorts. He has a blue backpack sprayer on his back and is holding a red spray wand in his right hand, which is emitting a fine mist. The field is filled with tall, green rice plants. In the background, there are more green fields, some trees, and a small white structure, possibly a temple or a house, under a bright, slightly overcast sky.

The smallholder adaptive and biodiversity network (SAFBIN) programme of Caritas India may act as an instrument to strengthen the local system with more impact-based evidence in farm production, nutrition, income, resilience, and farmer's control. The study also has adopted alternative strategies and methodologies such as virtual meetings, discussions etc. as a migration measure to address the risks associated with Covid pandemic, towards the completion of study on the stipulated timeframe.



# MULTI-STAKEHOLDER ENGAGEMENT



Stakeholder engagement is an iterative process of actively soliciting the knowledge, experience, judgment, and values to represent a broad range of interests in a particular issue, for a transparent and effective decision to make it more relevant. Considering the above, SAFBIN encouraged all relevant stakeholders and civil societies working in the region to discuss and share their ideas to develop an inclusive model. While documenting the smallholder led value chain model, the local stakeholders were invited to share their views and observations to make it more sustainable.



# OBJECTIVE OF THE STUDY

The objective of the study is to document the process and impact of smallholder led value chain model developed by SAFBIN program while drawing the attention of urban middle-class consumers towards the importance of small-farm-agri-food (SFAF).





# METHODOLOGY OF THE STUDY

The methodology of the study is mainly focus group discussion (FGC) as well as Key Informant Interview (KII) with the randomly selected beneficiaries and document the process and impact of smallholder led value chain model developed by SAFBIN program.

## **Universe of the study:**

The proposed projects were targeted in two districts namely Sagar and Mandla in Madhya Pradesh. The coverage in both the districts was in 10 villages each. For the study both the districts and all villages under this are considered as universe of the project.

## **Value Chain model developed:**

In both the districts there are five villages in which the value chain models were developed due to SAFBIN project efforts. The no. of villages where it is operating are two (2) in Sagar district and three (3) in Mandla district.

In terms of focused intervention, 300 farmers were covered in both the districts. The process adopted during the study was:

1. Secondary literature review: Reports and other studies available
2. Focused group discussion (FGD) – SHFC and District Forum
3. Formal meeting with group members by professionals
4. Key informant interview: Farmers/ Staffs/ Cluster level Facilitators (CLF)
5. Key facilitators / implementers:
  - Individuals: Farmers / Staffs/ Cluster level facilitators
  - Institutions: Small holder farmer' collectives (15 farmers) - 3 in each village
  - District level forum (15-30 members)

Due to COVID-19, the process has got delayed but in each of locations, villages a team of professionals were deployed under the supervision of lead consultant. The team has followed the guidelines provided and so the data collection was done and shared to the lead consultant. In few of the locations conference video call method was also conducted.



# SMALL HOLDER LED VALUE CHAIN



Macroeconomic and trade policy tools were common instruments used to defend local economies and livelihoods from the fallout of the post-structural adjustment era. Conceptual and empirical evidence increasingly suggest, however, that interventions aimed at facilitating smallholder organization and market participation require support that is targeted at facilitating and reducing the costs of interactor agribusiness along value chains (FAO 2010a). The onset of the 2008 food crisis has placed smallholder-based import substitution strategies for food commodities and staples at the center of many agricultural development programmes, making public sector guidance on this topic even more essential.

Even before the 2008 crisis a wide range of programmes were launched with the aim of strengthening smallholder-market linkages, many of which adopted a value-chain approach. The basis of this approach is anchored on an analysis of the

interdependence between actors to better understand the formal and informal dynamics of potential chain partnerships and related needs. The success and failures of many of these initiatives have been well documented, but the fact still remains that for most cases, the producer-first buyer point of sale continues to be the most inefficient linkage, impacting on the overall chances of a successful smallholder-based chain.

The approach provides a framework for analyzing the inter-organizational linkages between producers and buyers to understand the potential for coordination and partnership and to identify where value can be added, costs reduced, and efficiency improved. The rationale for this action-research programme of work was based on two key arguments. First, that within a relatively liberal market economy, when a market opportunity exists, the private sector entrepreneurs will work around disabling environment factors to



move their local businesses forward, albeit at a slow rate and with higher transactions costs. As such, if both players – suppliers and buyers – believe that the net economic value of the business partnership is worth more than the resources, time and effort invested in dealing with standard transactions costs, complex business registration procedures, local levies, or paying regular bribes, then growth will take place. Second, that small-scale institutional innovations focused on reducing inefficiencies in supplier to buyer commercial transactions, are more effective than macro trade and price policy initiatives, which are often far removed from the realities and needs of district level businesses (Barrett, Bachke, Bellemare, Michelson, Narayanan, Walker, 2012). This argument is reinforced by international corporate strategic management thinking that growth and wealth creation do not necessarily transpire at the level of a sector or industry but in the ability of firms to create valuable goods and services using efficient methods (Porter, Ketels, Delgado 2006). Kenya is a lead example of the potential role that, small-holder linkages to small and medium sized agro-enterprises (SMAEs), have in poverty reduction and rural development. Three-quarters of Kenya's population depend on SMAEs and small-scale farming for a living with the sector providing most employment in the country and almost half of the GDP. Between 2003 and 2009 agriculture growth has more than trebled from 2.0 to 6.7 percent annually, and the portion of the rural population living below the poverty line has declined by 5 percent over the same period (GTZ in Schneider, Buehn, Montenegro 2010). The Kenyan experience coupled with the region's access to huge reserves of arable land and rural labour has contributed to a growing realization in many African countries that, support for local level agribusiness, needs to be a major focus of public policy concern, if agriculture is to be Chapter 1 Introduction

2 Smallholder business models for agribusiness-led development – Good practice and policy guidance transformed into a competitive sector for development and poverty reduction (UNIDO. 2011).

Drawing on this genesis, FAO piloted a number of microeconomic and firm-level analyses (smallholder supplier to buyer) to identify country specific, industry-specific, time-specific, and mostly institution-specific solutions across local contexts and commodity markets dependent on smallholder supplies. In this regard, in collaboration with local service providers, activities were carried out across 14 countries, linking



approximately 42 farmer groups to 30 small, medium, and large agro enterprises for a selection of cash and food crops<sup>3</sup> between September 2008 and December 2011. While policy guidance for broad value chain development encompasses an array of strategic entry points ranging from enhancing agricultural productivity to upgrading national infrastructure and investing in research and development, these activities, as a result of focusing on one core linkage within the value chain (producer-first buyer), have enabled the development of four strategic policy areas. An appraisal of these areas has subsequently led to the identification of a number of success factors and policy guidance for fostering smallholder-buyer business models and their role in value chains for agribusiness led development.

# SMALLHOLDER AND HOUSEHOLD ECONOMY

The costs of market participation determined by social and behavioral characteristics are referred to as household-specific transaction costs. The behavioral characteristics that influence the cost of engaging with markets are the household's level of aversion to risk and uncertainty, entrepreneurial ability, and technical ability (Barrett et al. 2012). In a more complex way, the social characteristics that influence market access and participation are social networks, caste (Sen 2000; Throat 2009), age, gender (Agarwal 1995, 2010; RFST 2005) and education (Narayanan 2014). Here, we will look specifically at the issue of gender and its influence on transaction costs in smallholder agricultural production. Women are among the largest groups of landless labours, and the largest group dispossessed or with restricted access to land (Agarwal 1994; Deere and Leon 2001). They also represent two-thirds of livestock keepers (Thornton et al. 2002) and 30% of labour in fisheries (FAO 2011). Despite having an important role in production, studies have also shown women to face high costs in accessing capital, engaging in entrepreneurial activities (Fletschner and Carter 2008) and adopting technological 196 M. Abraham and P. Pingali inputs and mechanization (FAO 2006). Therefore, in many developing countries, women-led households have lower yields and incomes, due to poor access to markets and productive resources (Croppenstedt et al. 2013), affecting their contributions to agricultural productivity (FAO 2011). Women also provide non-marketable goods and services at the household level, such as gathering water and fuel, child health and nutrition and also subsistence crop production which is essential for household welfare (Floro 1995).



In this context, time-saving measures are relevant to women's workloads, income, and household-level welfare. In low-productivity agricultural systems, women's participation in the agricultural labour force is higher than the global average (Croppenstedt et al. 2013). Therefore, it is crucial to close the gender gap and address gender-specific transaction costs and constraints to agricultural production, to increase agricultural productivity and women's empowerment. Improving access to factors of production, such as cultivable land and institutional credit, is central to providing women with control over productive resources in agriculture. Better access to public goods such as taps water, and other private goods such as clean fuel for household use, helps to improve women's health, reduce drudgery, and free up labour for more productive activities.

Agricultural policies related to natural resource management, access to inputs and technology, and production affect male-headed households and female-headed household differently, and therefore, there is a need for a more gendered policy focus in agriculture (FAO 2011). It is essential to promote women's self-help groups (SHGs) for education, information dissemination, access to microcredit, provision of essential public goods and support for production-based activities. Investment is needed in





infrastructure and capital for access to tap water and clean fuels for cooking, to free up time for more productive activities. Time-saving measures can also deliver multi-generational nutritional benefits to households with women using their freed time for other productive activities. This will also help to improve productivity and surplus creation in women-led household in low-productivity agricultural systems. The two major interventions needed in modernizing agricultural systems, to address gender-specific challenges, are improved access to product markets and labour savings for rural women.

With regard to access to product markets, studies have shown that women involved in both traditional and modern crop production and marketing face considerable disadvantages and risks (Cabezas et al. 2007). A more gender-sensitive value chain is required to address access problems in markets (Rubin and Manfre 2014; Nakazibwe and Pelupessy 2014; Quisumbing et al. 2015). As women are often involved in agricultural labour and non-marketed household labour, measures to improve the labour efficiency and productivity of women will enable cost savings and free up time. Labour-saving technology needs to be implemented through mechanization in agriculture, to reduce drudgery. Policy initiatives to promote women's organizations, and build capacity to make them self-sustaining, are important to tackle gender-specific challenges in production and marketing. Gender-sensitive value chains that facilitate women's participation in high-value markets are essential. Supporting women's groups to form contracts and building in support systems to enforce contracts and prevent hold-ups, is important to enable market linkages between farm and market, and to improve incomes through Transforming Smallholder Agriculture to Achieve the SDGs 197 better price realization. Collaboration with state and civil society organizations is vital to promote and empower women's producer organizations and SHGs. Mechanization, like marketing, is scale-sensitive and collective action to enable joint access to labour-reducing machinery is again vital. Targeting of mechanization in women dominated activities in agriculture, such as transplantation and harvesting, needs to take precedence in modernizing agricultural systems. It is important to address the household-specific transaction costs that influence women-led smallholder households, in improving productivity and agricultural growth to meet the poverty goals (SDG 1 and SDG 8). Improving time use and efficiency will play an important role in meeting the nutritional goals (SDG 2 and SDG 3) in different production systems. Economic empowerment of women is also central to meeting the social goals (SDG 5 and SDG 10)

# BEHAVIOUR CHANGE



Thus, growth and development of the agricultural sector are central to achieving the poverty goals (SDG 1 and SDG 8). These goals are also interlinked with the other group of goals identified in Fig. 1, as improved income is crucial to improving access to nutritious food, to end hunger and to reduce inequality both within and between countries. Reducing social inequality through empowerment of women and marginalised groups expands access to resources and services, which in turn can improve farm-level productivity. The urgency of climate action and conservation is also significant and inextricably linked to agricultural production. Along with increasing and sustaining growth, ensuring responsible production and consumption is important for reducing externalities such as emissions, soil degradation, water contamination and climate change, which ultimately put agricultural production at risk.

Achieving the social goal of reduced social inequality—especially gender inequality—depends on improved access to economic resources including land, natural resources, financial services, and technology, for women and marginalised groups. Emancipation of these groups will be important to improve agricultural productivity, reduce regional inequalities and achieve

sustained income growth. Women comprise 43% of the total agricultural labour force across the globe (FAO 2014), although there are variations in this composition across the developing world. In SSA and in Southeast and East Asia, the percentage of women in agriculture is 50%, while in South Asia it is 35% and in Latin America, a little over 20% (FAO 2011). Women also make up over 66% of the 600 million small livestock managers (Distefano 2013). It has been well established that there are high gender gaps, to the disadvantage of women, in access to and control of resources, especially land (Goldstein and Udry 2005; Quisumbing and Pandolfelli 2010), labour (Fontana 2009; Tzannatos 1999), credit (Sheahan and Barrett 2014), infrastructure, information and technology (Carr and Hartl 2010; Jost et al. 2016; Perez et al. 2015).

This is largely due to institutional and norm-based constraints women face in society (Croppenstedt et al. 2013). The (FAO 2011) reports that the underperformance of the agricultural sector is in part due to this differential access to resources for women, who represent a crucial aspect of production. Croppenstedt et al. (2013) conclude that fewer women (compared to men) are involved in the more profitable aspect of agriculture, i.e. commercial production



# VALUE CHAIN APPROACH AND FRAMEWORK

Value chains and value chain development are widely discussed as instruments for achieving development goals, particularly for vulnerable and poor smallholder producers. This approach can easily lead to a linear view on how linking smallholder producers to value chains generate intended developmental outcomes. Environmental sustainability social justice and global value chains have been connected via a variety of standards that are mainly negotiated, developed, and implemented by partnerships of inter-national lead firms and salient NGOs. It then seems to be a matter of just ensuring, e.g. compliance with sustainability standards, quality requirements, or contractual arrangements, and presumably, consequential effect is that smallholder producers will benefit, or will at least upgrade their performance. Obviously, this is a debatable perspective. Although practitioners and policymakers increasingly acknowledge that standards alone cannot achieve development goals, the instrument still features prominently in development practice and studies centering on smallholder farmers. Farmers' Producer companies can help smallholder farmers participate in emerging high-value markets,

such as the export market and the unfolding modern retail sector in India. As elsewhere in the developing world, in India, small farmers' livelihoods are being threatened due to the liberalization and privatization of Indian agriculture and the increasing interest of private capital in the agribusiness sector. The withdrawal of the state from productive and economic functions, and changes in the organization of marketing channels, present new challenges for small-scale farmers. In this environment of greater instability and competition, organization and collective action can help to enhance farmers' competitiveness and increase their advantage in emerging market opportunities.

Value Chain Development (VCD) can support pro-poor development and job creation through strengthening enterprises, business relationships, improving market structures and the business environment. It can assist in developing local micro and small enterprises and help in overcoming constraints such as poor market access and little bargaining power. Often these constraints arise out of specific local conditions.



The smallholder led value chain approach of SAFBIN program is to support smallholder farmers to get collectivize under the umbrella of district farmer's forum (DFF) and later through Farmer's producer organisation/company (FPO/FPC) is an effort to link then directly with the market with an identity to raise their voice and put their expectation as owner of the produce. The recent announcement and plan of Government of India to promote around 10000 FPCs is an opportunity for the farmers to be the part of such a larger mission and get the benefits which are announced by the government.

A local economic dialogue forum set up to solve their major agriculture as well as marketing problem, enabling a smallholder led value chain development. Combining VCD approach with a Local Economic Development (LED) mechanism made a sustainable solution to their challenges. Smallholder led value chain development has significantly enhanced the functioning of the market system by analyzing it and devising interventions to overcome bottlenecks and constraints in selling their farm and forest produces. The LED strategies identify the economic potential of a specific territory and empower smallholders of the locality to take informed and collective action for a

sustainable income by selling their produces.

Local Economic Development is “a participatory development process that encourages partnership arrangements between the main private and public stakeholders of a defined territory, enabling the joint design and implementation of a common development strategy, by making use of the local resources and competitive advantage with the final objective of collectivizing, aggregating, and marketing collectively to ensure a premium price for all smallholders sold their potential produces.

One of the key features of the SAFBIN form of smallholder led value chain approach is its understanding of boundary-crossing nature of economic processes. Value chains are rarely limited to one particular area, but they often cross the local boundary. The overall approaches were to make smallholders accessible to the larger market with a higher level of negotiation with the buyers. On the other hand, it also gave enough importance to local conditions such as cultural norms and behaviour, local situations and helped smallholders to market collectively to various local and district level mandis and wholesale markets.

## MARKET PLAYERS

Government

### SUPPORTING FUNCTIONS

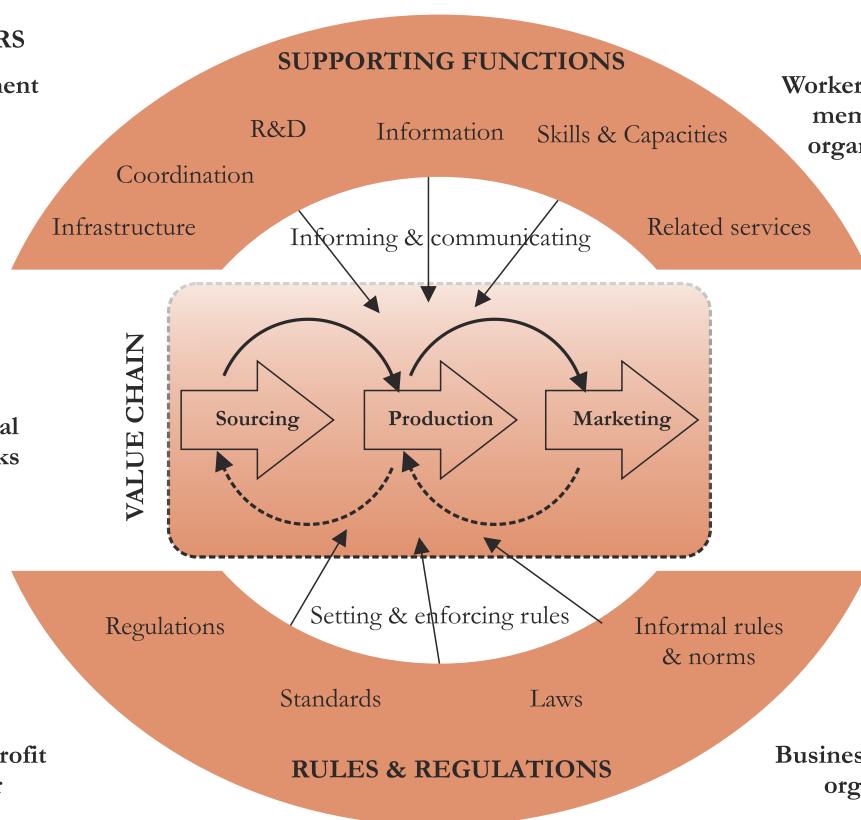
Worker/employee membership organisations

Informal networks

Private Sector

Not-for-profit sector

Business membership organisations

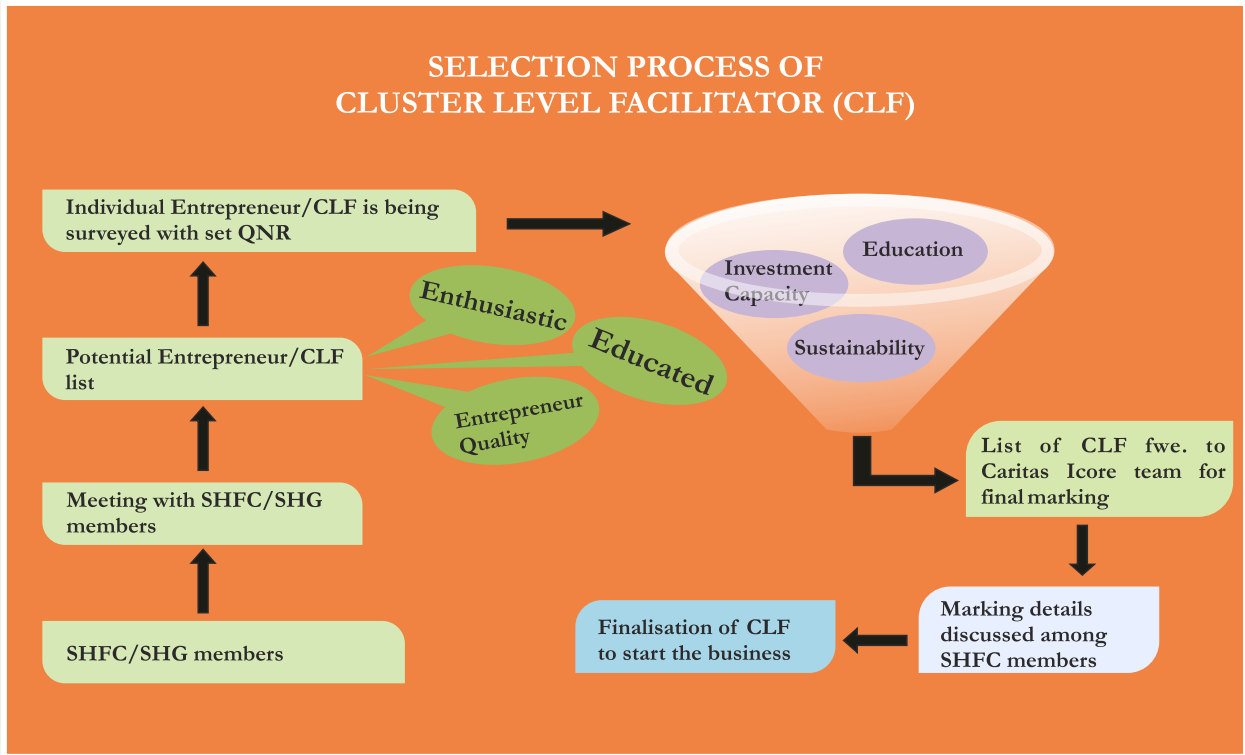




While focusing more on the smallholder led approaches, the cluster level facilitator (CLF) concept was further incorporated to ensure adequate support to the smallholder community for their larger benefit in selling small farm agri food in a regular basis by minimizing the loss of grains at household level.

The cluster level facilitators basically are the person having basic knowledge of marketing, selling and

negotiation capacity for the products to be sold. Smallholder farmers collectives along with district farmers forum under the guidance of SAFBIN team developed a comprehensive selection process to identify a potential candidate within the locality as CLF who will be responsible for marketing of surplus small farm agri food collectively to the nearby market with a uniform price for all in an incentive basis.

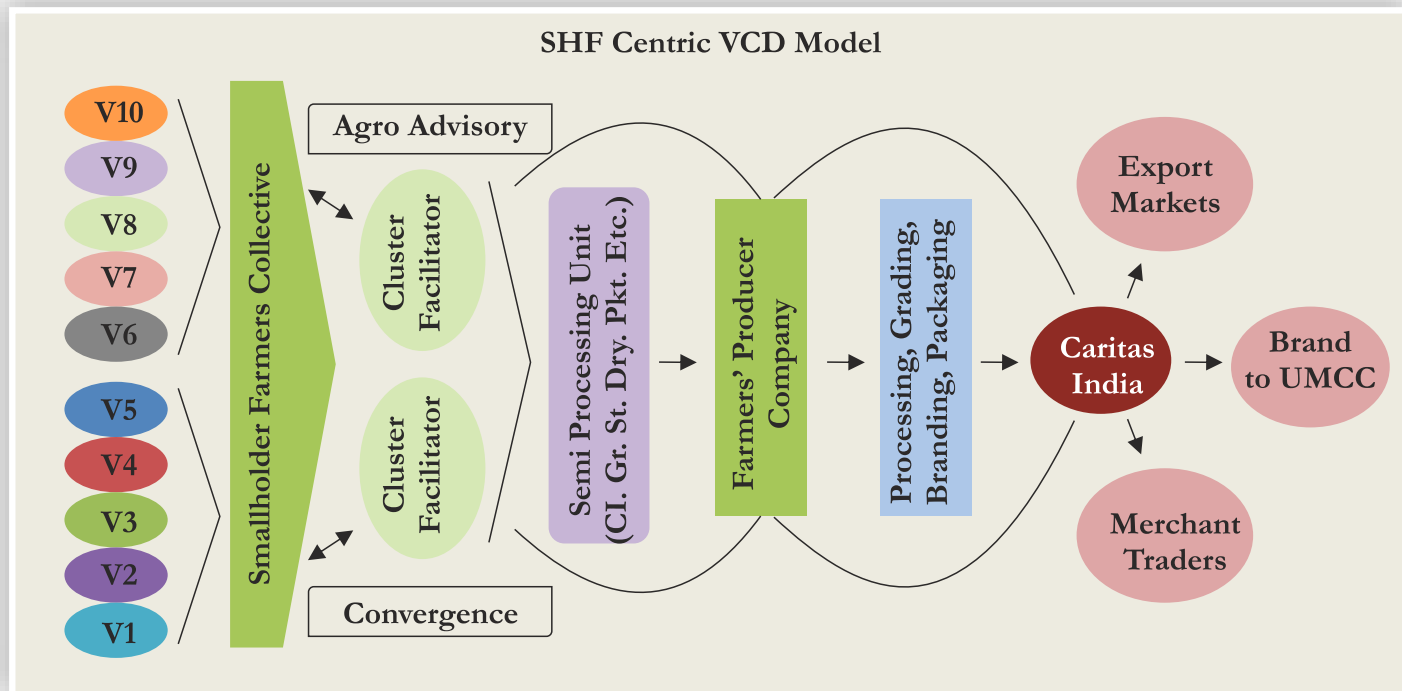


The smallholder-led value chain developed by the SAFBIN is widely excepted and adopted by the smallholders across the program area. The unique features of the VCD model are the inclusive marketing model emphasized the developmental and poverty-alleviating potential of small-scale farmers' inclusion especially the women farmers in particular. The SAFBIN form of CD model has three key areas;

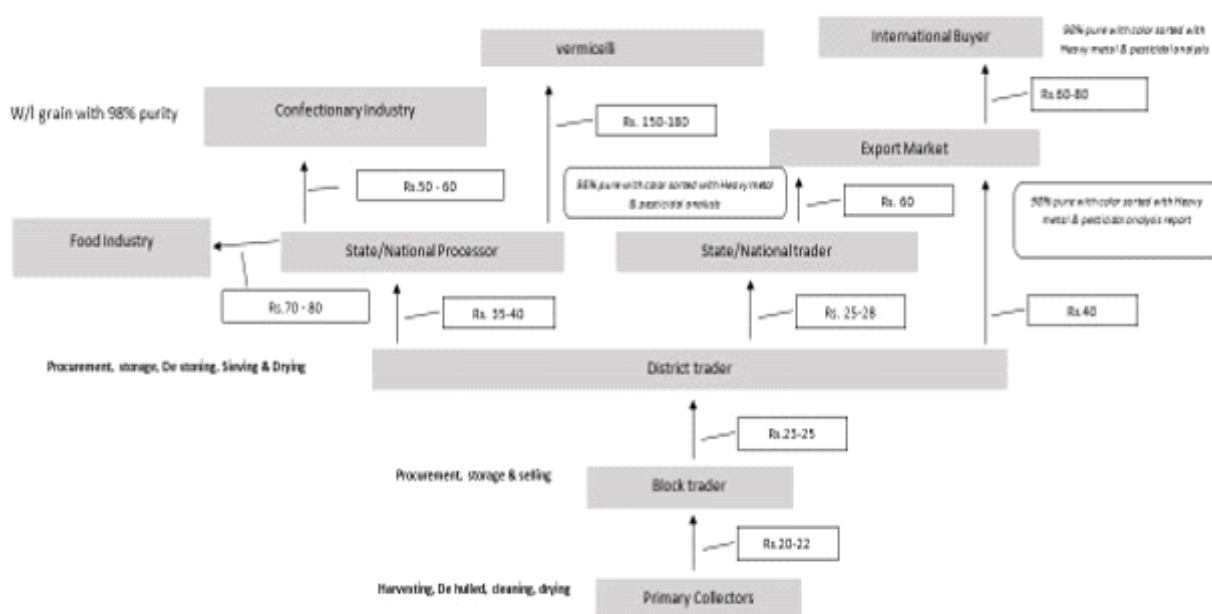
1. Implanted of inclusive business on local 'issue-driven' that complement the direct economic relationship between a buyer and primary producer (the Smallholder) – mainly in order to mobilize resources and commitment to achieving social and sustainability.
2. Align with local conditions and smallholder farmers' diverse livelihood needs and strategies. Particularly relevant here is the need to accommodate (women farmers) who, unlike growth-oriented, may not aspire to sell their produces due to domestic workload or other household responsibilities may made them more vulnerable
3. Innovative approaches which are affordable, simple, resource-efficient with minimal impact on the local environment, help them in reducing food miles and other extra expenses.

Based on the above, it is observed that SAFBIN has work tremendously around these smallholders from doubling farm production to a meaningful market linkage. The CLF were identified in a cluster basis to collect the surplus farm produces in a weekly basis from a common point as agreed by the smallholders. The collected farm and forest products are being sold

in the government mandis and markets in a competitive price which was credited to the individual smallholders' accounts and the incentives are paid by the smallholder to the CFL based on the agreement @ rate of 10/- per quintal grains

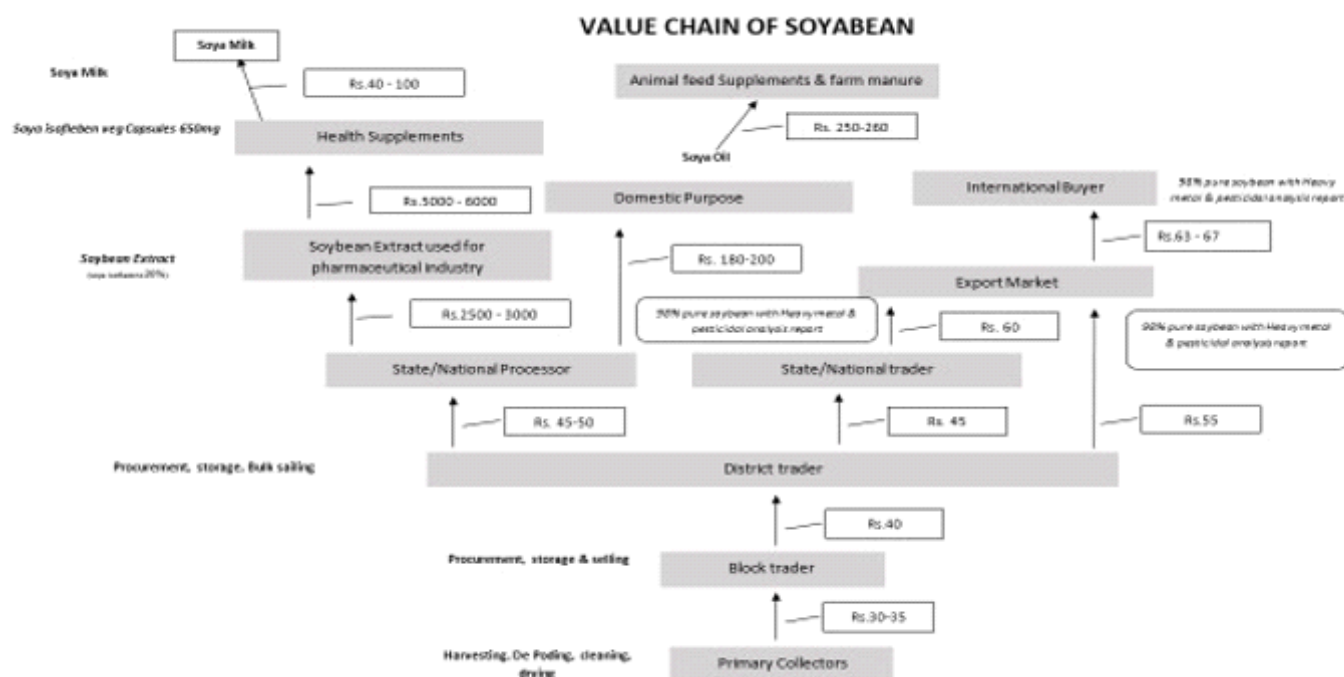


### Small-scale Value Chain Developed: Millet (Kutki)





## Small-scale Value Chain Developed: Soybean



Based on the above VCD, a sensitizing framework proposed that helps enrich policy debates and add nuance and depth to our thinking about inclusiveness of smallholder participation in value chains.

Dimension	Inclusive business	Inclusive value chains	Inclusive development
Concern for wellbeing	Serving the bottom of the pyramid by delivering societal or developmental benefits	Higher incomes through market integration and upgrading	Multidimensional wellbeing for poor and marginalized small farm families
Inclusive learning and innovation	Frugal innovations (affordable, simple, and resource-efficient products and services with high use value)	Knowledge co-creation based on recognition of local knowledge, best practices, innovations 'from below' and continual learning through participatory monitoring and evaluation	
Alignment with smallholders' realities	Acknowledge survival entrepreneurs and multiple markets	Sensitive to diversity among farmers in terms of opportunities, constraints, and vulnerabilities; alignment with smallholders' aspirations; accommodating heterogeneity in terms of gender, age, landownership, ethnic/cultural background and household composition	
Empowerment	Improving the human dignity of the people of the community	Strengthening farmers' autonomy, capacity and agency vis-à-vis companies, NGOs through social upgrading	Attention to local political economy and constraining structures; enhance the capacity of the poor and marginalized to exert choice and voice
Environmental sustainability	Promotes resource efficiency through frugal innovations	Upgrading through voluntary certification	Commitment to environmental inclusiveness by avoiding adverse environmental effects
Enabling environment	Government and networks create an enabling environment for inclusive value chain development and market linkage	Political, local civil society and producer organizations are essential for creating inclusive value chain	Governments actively protect people's rights and pursue redistributive policies







#### Success Factors:

- The integration of smallholders in value chains works well where the “engagement of CLF” provides a substantial benefit that is significantly higher. In other words, the effort of engagement has to pay off and there needs to be a clear perception about this fact among the smallholders.
- The engagement of smallholders usually requires substantial investments in capacity strengthening. Smallholders often live in a reality where risk aversion and scarcity of resources prevail. Changing the way of production requires time, continuous coaching, eventually some subsidies and interaction among smallholders as well as with peers to build trust in and knowledge about the new production procedures.
- Initiatives that only have smallholders complying with buyer standards are unlikely to produce benefits for smallholders. They should be matched with efforts that help smallholders improve their businesses through cost reductions and better organisation of work.
- Engaging smallholders in value chains does make sense where the market for the final product is large enough to include a reasonable number of smallholders.

- In cases where lead-buyers and suppliers collaborate with governments and development agencies, the partnership needs to be thoroughly negotiated, and the investment of the private sector should be clearly earmarked.

#### Lesson Learnt:

- More unity in the smallholders at their household as well as community level
- Increased evidence of joint decision making (collective decisions and approach)
- Improved use of resources (soil, water, livestock, trees, fodder, and other services)
- Collective action made smallholders to be more responsive
- Majority of the smallholders have opened savings bank accounts to save money individually
- Increased small farm production and income
- Smallholder earned sufficient income even during covid-19 restrictions and subsequent lockdown
- Collectivization and CLF approach made them access to government mandis and market to negotiate and sell their own farm produces.

#### Conclusion:

Engaging smallholders in value chains can generate benefits for smallholders as well as for buyers, suppliers, and other actors in the value chain,

#### Recommendations:

Based on the study, it is evident that,

- The SAFBIN form of smallholder led value chain has significantly attract the smallholders for selling of their products collectively.
- The engagement of CLF in an incentive based is one of the innovative steps introduced by the SAFBIN team which has widely excepted by the smallholder community
- This innovative and smallholder led model can be recommended for other areas for collectivization of the farm as well as forest produces.
- Considering the localization of the VCD model, it can also be helpful for FPOs for small-scale business development and market linkage

# SAFBIN form of Value Chain Interventions brought Hope to Smallholder communities

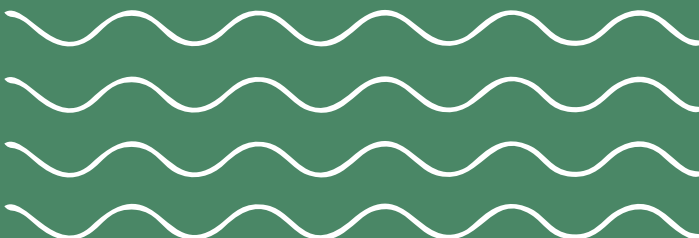
The effect of the lockdown has hit the agricultural sector in a big way. Lack of sufficient transport facilities, market shutdowns, labor shortages, restrictions, and the stringent imposition of lockdown by local authorities have put enormous strain on the country's food supply.

The concept of small-farm-agri-food was widely accepted by the smallholders and a Farmer Producer Organisation (FPO) comprising more than 450 smallholders in Mandla, Madhya Pradesh. Smallholder with the help of this Farmer Producer Organisation (FPO) aggregated 41.4 quintals of their own farm produces inclusive of Cereals, Millets, Pulses, and Oilseeds. These bulk produces were sold directly at the district-level market by the smallholder and gained an average income of 13%.

Similarly, 43 smallholders in the Vidisha district under the SAFBIN program have successfully established market linkages by selling their 794 quintals of surplus produce in government-registered society. Smallholders awarded with 15% higher rate as compared to the rate provided by the middlemen.



“This season has opened our eyes and we have greater hopes of selling other produces too in the future in a more organized way through farmer producer organization. Thanks to SAFBIN and the entire team for helping us in a great way,” says Jagdish, a smallholder farmer.





# Contributing to Sustainable Development Goals





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