

## MICRO ENTERPRISES THROUGH VALUE ADDITION OF LOCAL PRODUCE

pepper, paddy, mango, banana, [rubber](#) and arecanut. As elsewhere in Kerala farmers here too are not able derive sufficient income to support their families from crop production. Enhancing income of farmers through value addition, product diversification and entrepreneurship development has been one of the thrust areas of the KVK.

Many times value addition and product diversification is easier said than done because of numerous constraints, which hamper the prospect of value addition in micro scale rural enterprises. The biggest constraint is the mindset of farmer itself which constantly revolve around fears caused by lack of technological know-how, high cost of machinery, insufficient capital, absence of hassle-free credit, taxation rules & food safety concerns and also due to lack of confidence that “I Can”.

## **GOOD PRACTICES**

### **1. Grooming an SHG to a micro processing unit**

In 2007 KVK began its attempts by grooming seven women into an SHG, named, “*Pulari*” to produce innovative value added products utilizing the facilities of KVK including its Food Processing Unit and to serve as a constant source of motivation to other similar groups. The production process in this micro unit run by *Pulari* imparts real experience to aspirant trainees in setting up a value addition firm.

The biggest challenge before KVK in the beginning was to ensure an assured income to this SHG to sustain them in the production unit. This was made possible by offering one third of the income generated based on an MoU between KVK and the SHG. The expenditure for running the unit was met from the revolving fund of KVK and the income generated was ploughed back into the revolving fund.

### **2. Refining technologies**

The available value addition technologies, by and large, were amenable for either lab scale or for very large scale production. Therefore, wherever necessary, technologies were tailored to fit into the micro-scale environment and refined to result in quality production. For instance, in Kerala, virgin coconut oil is

prepared traditionally by hot processing, which has lot of flaws. KVK refined the process by making interventions at various stages, such as milk extraction, settling, heating and filtration to suit to micro enterprises.

### **3. Incubation Centre for transitioning product to brand**

KVK sensitized the farmer entrepreneurs to the importance of branding since it is not the product, but the brand that is being sold. For instance, KVK branded the product, white pepper as “Panniyoor White Gold” as the KVK is located at Panniyoor, and this place is known world-wide as the first hybrid variety of pepper was developed here. Besides, black pepper is popularly called as black gold and hence the name, white gold. The incubation center at KVK guides the entrepreneurs to create brands, register them, obtain licenses and make advertisements.

### **4. Linking entrepreneur to other sources of support**

The first ever cashew apple (otherwise wasted, now gets priced) processing unit in the state under the brand name, “TOMCO” emerged due to the efforts of the KVK. TOMCO received loan from Canara Bank, subsidy from State Department of Agriculture and financial support for advertisement and participation in national and international trade fairs from the District Industries Centre.

## **5. Hassle-Free Credit through SBI - KVK Loan Window.**

The Kendra also set up an SBI-KVK Loan Window, first of its kind in India in its premises. The purpose of this Loan Window (a joint initiative of KVK and the State Bank of India) is to make available hassle-free loan to the willing entrepreneurs in agriculture and allied sectors. This loan window right in the campus serves as a single outlet for availing all the three major components for setting up an enterprise, namely, training, credit and assistance like subsidy. The KVK offered one of its staff rooms and furniture for the SBI to open the loan window. The bank was attracted to establish linkages with the KVK as it could see several merits such as identification of genuine borrowers, easier assessment of techno-economic feasibility, technical support and follow up and thereby regular repayment and enhanced success rate of the enterprises. The first loan through the window was advanced to a women entrepreneur trained by the KVK for opening a banana fibre extraction and handicrafts unit. She also received financial assistance from the District Industries Centre (DIC)

## **6 KVK Mall to convey the message – “You Can”**

KVK Mall was set up in KVK with all the look of a modern shop to display and sell the branded value added food products from its Food Processing Unit in its final marketing form, in attractive containers,

packets and labelling. The purpose of the KVK Mall is to instil a confidence among the willing entrepreneurs and to send a psychological message to them that “You Can”.

## **7. Farmers' Mall for linking entrepreneurs to market**

The Farmers' Mall was established by the KVK to display and sell branded value added products of enterprises functioning under KVK's patronage after ensuring quality. Exhibitions organized by the KVK also gave them opportunity to introduce their products to a wider audience and obtain consumer feedback.

## **IMPACT**

Impact of these initiatives was assessed based on actual production and sales data, which were collected through interviews and verification of records. Women's empowerment was assessed based on interview of randomly selected respondents constituting twenty percent of the total entrepreneurs.

The first SHG, *Pulari* during the last three years, produced 1.7 tonnes of food products (Figure 1) worth Rs. 55 lakh and earned Rs. 19 lakh and this served as a role model for other aspiring entrepreneurs.

Over the last three years. the twelve enterprises under KVK patronage has processed 300 tonnes of cashew apple, 21 tonnes ( 35,000 nuts) of coconuts, 1.2 tonnes of banana, 1.5 tonnes of banana flower and 30 tonnes

of local mangoes to produce and market value added products (Table 1). Thus 275 tonnes of value added products worth Rs. 224 lakh have been produced and marketed by these enterprises.

**Table-1: Production and economics of microenterprises**

Produce	Quantity ( Tonnes)	Cost (Lakh)	Products	Quantity ( Tonnes)	Return ( lakh)	Cost ( lakh)	Profit ( lakh)	B:C
Cashew Apple	302.4	7.57	Syrup	212	160.06	127.34	32.72	1.26
			RTS	29.42	20.31	15.95	4.36	1.27
Coconut	21	1.75	VCO	2.28	7.96	4.95	3.01	1.61
			Chutney Powder	0.44	0.55	0.162	0.388	3.4
Banana	1.2	0.36	Halwa	0.86	3	1.87	1.13	1.64

<b>Banana Flower</b>	1.5	0.15	Pickle	2.5	5	3.97	1.03	1.26
<b>Local Mango</b>	29.7	8.91	<b>Squash</b>	<b>11.43</b>	<b>9.49</b>	<b>6.53</b>	<b>2.96</b>	<b>1.45</b>
			<b>Jam</b>	<b>3.8</b>	<b>4.75</b>	<b>3.42</b>	<b>1.33</b>	<b>1.39</b>
			<b>Pickle</b>	<b>13.13</b>	<b>13.13</b>	<b>8.8</b>	<b>4.33</b>	<b>1.49</b>
<b>Total</b>	<b>355.8</b>	<b>18.74</b>		<b>275.86</b>	<b>224.25</b>	<b>172.99</b>	<b>51.25</b>	<b>1.3</b>

They could earn a profit of Rs.51 lakh with a benefit cost ratio of 1.3. Lion share of value added products belongs to cashew apple and local mango based enterprises. The farmers received additional revenue of Rs. 18.7 lakh as the cost of raw material. Cashew farmers obtained Rs 7.7 lakh for cashew apple, which would have been otherwise fully wasted along with banana flower and local mango. These enterprises have marketed more than 2.8 tonnes of value added products worth Rs 36 lakh through Farmers' Mall in the last 10 months (December 2011-September 2012). After paying the wages of sales persons in the Farmers' Mall, the entrepreneurs could earn Rs. 3 lakh as the value of their products.

The efforts at promoting value addition invariably contributed to empower women involved with these twelve enterprises in economical, socio-cultural and psychological dimensions (Table 2).

**Table 2: Women's empowerment index**

<b>Indicators</b>	<b>Before</b>	<b>After</b>	<b>Change</b>
<b>Share in family income (%)</b>	<b>10</b>	<b>36</b>	<b>260</b>
<b>Share in family expenditure (%)</b>	<b>30</b>	<b>41</b>	<b>37</b>
<b>Social recognition (%)</b>	<b>2.5</b>	<b>12.5</b>	<b>400</b>
<b>Community Group memberships (%)</b>	<b>24.5</b>	<b>29.5</b>	<b>20</b>
<b>Ownership of assets (%)</b>	<b>17.4</b>	<b>26.2</b>	<b>51</b>
<b>Sense of Self worth (%)</b>	<b>28.2</b>	<b>68.2</b>	<b>141</b>
<b>Women Empowerment (%)</b>	<b>19</b>	<b>36</b>	<b>142</b>

<b>Personal expenditure (Rs)</b>	<b>5550</b>	<b>6250</b>	<b>12.6</b>
<b>Per Capita Income (Rs)</b>	<b>6500</b>	<b>33200</b>	<b>411</b>

## SUSTAINABILITY AND SCALING UP

Considering predominance of small and marginal holdings engaged in homestead cultivation of various crops in the state there is a huge potential for establishing several micro scale processing units. However, the raw material availability should be ensured before promoting such units. For instance, the KVK worked out the district-wise cashew apple processing units possible in the state based on the raw material availability.

In order to sustain micro-processing units, handholding is required during pre and post establishment period of enterprises. While pre-establishment handholding ceases with the establishment of the unit, post-establishment support related to quality maintenance, product diversification and marketing have to be continued on a long term basis. However, we have been able to reduce the dependence of the entrepreneurs on the KVK by promoting inter-entrepreneur interaction and cooperation.

These initiatives have attracted a number of entrepreneurs to form group based enterprises. The Farming and Rural Employment for Social Harmony (FRESH), a trust consisting of nearly 400 farmer members and *Kuttiyatoor* Mango Processing Unit (nearly 100 members) are examples for group based units run with KVK support.

Models consisting of decentralised semi processing at the farmers` level and centralised final processing, packing, labelling and marketing under common brand name can also be encouraged in the case of enterprises like cashew apple processing, mango processing, jack fruit processing etc.Having a common brand name can also help in marketing the products.

To actualise these, the KVK has proposed establishment of mini bio-parks with Common Processing and Packaging Facility at Village level (in collaboration with the local bodies) and Farmers' Trade Centres(Scaled up Model of Farmers' Mall) in major towns in the district. The establishment of Farmers' Trade Centre is under the active consideration of the government.

To facilitate the proliferation of micro enterprises in the district the KVK in association with local MLA recently conducted an investors' meet, in which as many as 127 willing entrepreneurs from different parts of the district could interact with officers of agencies such as NABARD, Lead Bank, DIC, Small Farmers'

Agri-business Consortium (SFAC), Food Processing Mission, State Department of Agriculture, Department of Animal Husbandry, Food Safety and Standards Authority of India and State Planning Board and get to know the support extended by these agencies for setting up value addition enterprises. It is expected that at least few of them will soon embark on setting up value addition enterprises.

### **What Governments could do?**

Governments can support development of micro-enterprises in agriculture by adopting the following measures:

- a. Formulate schemes for establishing mini processing units at village level and earmark a fixed proportion of the plan fund for strictly utilising it in the processing sector. Enhancing the financial subsidy support for processing, in general and provision of incentives to set up processing units by producers, producer organisations/co-operatives and producer companies could encourage farmers to set up processing units at the local level.
- b. Shift focus of agricultural extension services of the state department of agriculture, KVKs and other extension agencies from promotion of production oriented technologies towards value addition and product

diversification. But to do this, the capacity of extension personnel in the area of value addition and processing has to be significantly upgraded.

c. Develop database on raw material availability of various crops (at the *Panchayat* level) and develop a manual on processing and value addition technologies

## **LESSONS LEARNT**

1. Vocational training alone cannot make an entrepreneur. Transformation of a trainee into an entrepreneur calls for hand holding during pre and post enterprise establishment period.
2. KVK should foster effective functional linkages between and among people's representatives, financial institutions, line departments, District Industries Centres and other similar organizations so as to achieve convergence at the entrepreneur level.
3. Benefit of value addition to farmers can be ensured only through promoting farmer entrepreneurs and farmer managed micro processing and value addition units.
4. Adversities should not be deterrents: Though this KVK like many other KVKS elsewhere also faced several constraints such as remoteness, vacancies, frequent transfers, delay in receipt of

funds, availability of land etc, it could still innovate beyond its regular mandate as it focussed its attention on ideas that can change rural livelihoods.

5. Team work can overcome any problem: At KVK, Kannur every team member is meaningfully busy synchronising their efforts, towards achieving its goal with synergistic effect.

*Dr. K.Abdul Kareem heads the KVK Kannur ([www.kvkkannur.com](http://www.kvkkannur.com)) as its Programme Co-ordinator. Mr Rafeekher M is the subject matter specialist (Horticulture) at KVK Kannur. They could be contacted at [kvkkannur@kau.in](mailto:kvkkannur@kau.in) or [kvkpanniyur@rediffmail.com](mailto:kvkpanniyur@rediffmail.com) .*

### **What Governments could do?**

Governments can support development of micro-enterprises in agriculture by adopting the following measures:

a. Formulate schemes for establishing mini processing units at village level and earmark a fixed proportion of the plan fund for strictly utilising it in the processing sector. Enhancing the financial subsidy support for processing, in general and provision of incentives to set up processing units by producers, producer organisations/co-operatives and producer companies could encourage farmers to set up processing units at the local level.

- b. Shift focus of agricultural extension services of the state department of agriculture, KVKS and other extension agencies from promotion of production oriented technologies towards value addition and product diversification. But to do this, the capacity of extension personnel in the area of value addition and processing has to be significantly upgraded.
- c. Develop database on raw material availability of various crops (at the *Panchayat* level) and develop a manual on processing and value addition technologies