

## **Barg(r)aining through Banking ... A case of Community Managed Warehouses - supporting rural livelihoods in Germalam**

Mr.Lakumappa- 54 years old farmer cum member of Sri Vigneswara Self Help Group belonging to Bedarpalayam village of Thingalur-A Panchayat in Thalavady block of Erode district, Tamilnadu speaks about his utilization of community managed warehouses in the village - "I started growing maize since 1999 in about 4 acres, but every year I faced too many problems in transporting to market area in puliyampatti (85 kms) which was one of the nearest market town. Even when I get transported I couldn't find a fair price for my produces as seasonal factors influence the crop demand & price.

I can remember that about 200 bags (2 lorry loads) of my maize produces I transported to Puliampatti on 5<sup>th</sup> January 2000, I sold about 80 bags on the same day @ Rs 340.00 per bag as I have to meet the transportation expenditure and consumption needs. The remaining 120 bags I kept stored in a private warehouse.

After 3 months I planned to sell it off all my produce which I kept stored as the price increased Rs.30.00 per bag (Rs.370.00). As I went to puliyampatti I approached many of the buyers and enquired about their procurement price for which they all quoted around Rs.265.00 to Rs.280.00 per bag - mentioning it was the old stock and poor quality which I realized very less price after undergoing transportation, storage and labour costs. I also had an option to approach some of the middlemen through which I can sell it off at better prices but I doesn't do, as many sad experiences to my neighborhood farmers in the previous year like delayed payment and improper weighing of produces made them to suffer more. At last I sold it off my produces @ Rs.275.00 per bag which was about Rs.65.00 less per bag compared with the market price when it get stored. Totally I incurred a loss of Rs.8,000.00.

Not only myself, but also many other farmers underwent many bitter experiences which came into discussion in their regular Self help group meetings, which resulted to evolve a solution for the problems. The issue taken to Navajagruthi SHG federation by the all the SHGs of near by villages to find a collective solution which benefits the whole community. The federation looked into the issue seriously and approached many sources to mobilize resources to construct warehouses in at least 2 villages K.B.Malam & Bedarpalayam were the maize catchment area was more.

We also took the issue to MYRADA, which agreed to do a feasibility study in association with federation for the warehouse programme in the 2 villages, which clearly explained the scope for it. Though all the process lead to a period of more than 9 months, MYRADA favoured us by granting 73% of the construction cost for 2 warehouses and the remaining 27% borne by the SHGs in the respective villages through which we had our "Own Godowns". Apart from the funding part to warehouses I also admit the

MYRADA's facilitation role in designing the management mechanism & to build the linkages with other institutions helped us to stand on our own legs.

I get surprised myself by analyzing my own fact after few years that, I kept stored since the construction of Godowns (2003), So far in an average I kept stored 110 bags an year for past 5 years, every year I earned an average profit of Rs.50.00 per bag it tends to Rs.27,500.00. In addition I also avoided the other costs in transportation, storage and marketing. "Every money which I saved is nothing but money I earned"

After Godown, most of the farmers in the village (even Non-SHG members) kept storing as the buyers are approaching to our doorsteps for buying the produces which gave wider acceptance. Last but not least, for us Godowns are not just a storage space but in addition it was an additional income source for our livelihood.

#### **Project Background:**

Germalam is located at an altitude of 1050 msl towards the east of Arepalayam in Erode District of Tamilnadu. The entire area is covered by thick reserved forests once inhabited by Veerappan - the bandit. Out of the total land area of the Thalavady Taluk only 15% is available for cultivation, the rest being steep hills and forests. Agriculture and livestock are the key livelihood sources for people in the area. The land holding of the each farmer are about 1 to 3 acres of dry land where cultivation depends on the monsoon rains which was in an average of 750mm - 950mm. Farmers used to grow Ragi and Lablab beans, mostly for their own subsistence, till the early 1990s. The Myrada KVK Project's interventions to improve their food security led to the formation of self-help groups, watershed management associations, agriculture extension and work with soil and water conservation. These strategies were to both increase people's access to finance and inputs as well as reduce the risks in dry land agriculture. This led to crop diversification in the area and gradually improved the economic condition of people. Maize is grown extensively in the Tibetan Resettlement Camp in Odeyarapalya near Germalam and when the risks of agriculture were reduced people in Germalam found it easy to grow this crop. Today maize, ragi and lablab are the main crops and tapioca, black gram, horse gram and French beans are the minor crops in Germalam.

| <b>Maize Facts</b>                   |                  |
|--------------------------------------|------------------|
| Planting season                      | June-July        |
| Harvesting season                    | December-January |
| Crop duration                        | 180days          |
| Total area under maize in Germalam   | 6000 acres       |
| Total maize production in one season | 1 lakh tones     |

**The need for storage spaces:**

With improved agriculture practices, farmers came across a new challenge - getting better prices for their produce. Growing maize was closely linked to dealing with agriculture input traders from nearby towns. Before the formation of SHGs before 1990's farmers had to borrow from moneylenders at 3-5% interest per month for purchasing seeds and fertilizers. The moneylenders usually arrived at the farm at the harvesting season - and took away from the farmer a volume of produce equal to the loan principal and interest. The farmers did not have much control over the rates that the moneylenders fixed. Besides, the moneylenders used their own faulty weighing scales. The farmers therefore lost out both on rates as well as the weight of their produce. Since they had no idea of the markets or the prevailing rates for maize and as they were indebted - they did not have much choice. In case they wanted to sell their produce themselves, they incurred high transportation costs (especially as they had small volumes each) and were forced to sell the maize as soon as it was harvested to prevent post harvest losses - there was not enough place in Germalam to store all farmers' produce.

Things began to change with the formation of self-help groups in the area. Both men and women members took loans for agriculture - they now got timely credit before the agriculture season and could repay the loans after harvest; this reduced their dependence on moneylenders and they were now free not to sell their produce to moneylenders. They could get larger loans as they were linked to banks and the interest rates were much lower at 7 - 8 % per annum. After harvest the SHGs members who had taken crop loans had to measure their produce equal to the principal and interest owed to the group and deposit it with their group. The SHGs in turn fixed the price for the produce at the prevailing market rates and transported all the collected maize to the nearest available cooperative warehouses in the plains of Tamilnadu where they could store the produce till they found a good buyer.

### Nearest Warehouses & Distances

| <i>Warehouse locations</i> | <i>Distance from Germalam</i> |
|----------------------------|-------------------------------|
| Puliyampatti               | 80 km                         |
| Gobichetipalayam           | 80 km                         |
| Sathyamangalam             | 60 km                         |
| Erode                      | 120 km                        |

The SHG members while transporting and storing the produce incurred following expenses:

| <i>Cost head</i>                                    | <i>Cost per load (100 bags/ 10 tones)<br/>in Rs.</i>                       | <i>Cost for<br/>one month</i> | <i>Cost for<br/>three<br/>months</i> |
|---|--|-------------------------------|--------------------------------------|
| Vehicle Hiring charges                              | 3,800  | 3,800                         | 3,800                                |
| Check post fees                                     | 250  | 250                           | 250                                  |
| Loading & Unloading charges                         | 700  | 700                           | 700                                  |
| Warehouse charges                                   | 2 per bag per month for less than 90 days & 3 per bag per month thereafter | 200                           | 300                                  |
| Village Administrator fees for transportation       | 250  | 250                           | 250                                  |
| Weighing Charges                                    | 75   | 75                            | 75                                   |
| Medicine? Is this pest repellent? cost at Warehouse | 200  | 200                           | 600                                  |
| Miscellaneous expenses                              | 300  | 150                           | 300                                  |
| <b>Total</b>  |  | <b>5625</b>                   | <b>6275</b>                          |
| <b>Cost per bag</b>                                 |  | <b>Rs.56</b>                  | <b>Rs.63</b>                         |

Farmers and SHGs who went directly to the market faced new challenges. It was a buyers' market. The traders offered low prices for the produce taking advantage of the fact that the sellers were not locals and had come from faraway. The sellers were often forced to agree to the buyers' rates as they wanted to go back home early and there were costs for storing their maize in warehouses. Stored grain also lost moisture and its quality deteriorated. Merely getting rid of the moneylender/trader was not a complete solution. The SHGs began (2001) discussing possible ways out of these problems.

One of the ideas that emerged during discussions among SHGs and their federations was the construction of community warehouses in their own areas. The Navajagruthi SHG federation in Kaddubasavanmalam (K.B.Malam) approached the Myrada Germalam Project with this idea continued by a feasibility study jointly by Peoples Institutions & MYRADA. Based on the coverage of Maize grown area and the number of members to get benefited it was decided that two could be constructed at K.B.Malam and Bedarpalayam villages.

### Project Implementation :

Two warehouses constructed with the Community Participation. The technical assistance of Save grain campaign of Ministry of Agriculture, was taken to design & construct the warehouses and to build the capacities of Management committee in the areas of pest control & maintenance.

| <i>Particulars</i>  | <i>KB Malam Warehouse</i>   | <i>Bedarpalayam Warehouse</i>  |
|---|---|--|
| 1. Total Budget   | Rs.2,73,000   | Rs.2,73,000  |
| 2. People's Contribution                                  | Rs. 70,000  | Rs. 70,000   |
| 3. MYRADA Assistance                                      | Rs, 2,03,000  | Rs, 2,03,000   |
| 4. Size of the Warehouse                                  | 23 x 46 Feet  | 23 x 46 Feet   |
| 5. SHGs and watershed associations involved in Management | Veerabadrassamy Sangha<br>Basaveswara Sangha<br>Mahalakshmi Mahila Sangha<br>Mookambika Mahila Sangha<br>Vigneswara Mahila Sangha | Vigneswara Seva Sangha<br>Akamadevi Mahila Sangha<br>Tambdikarai Jalanayana Sangha |
| 6. Godown Monitoring Committee Members                    | 10 members  | 6 Members  |
| 7. Date of Inauguration                                   | 22 <sup>nd</sup> February 2003  | 22 <sup>nd</sup> February 2003   |
| 8. Warehouse Capacity                                     | 1500 bags (15 tons)   | 1500 bags (15 tons)  |
| 9. Building Sites   | Voluntarily Contributed by the local people   |  |
| 10. Technical Assistance                                  | Save Grain , Ministry of Agriculture - Government of India  |  |



**Its Not Theirs but Ours**

### ***Technical details of the Warehouses:***

|                  |   |
|------------------|---|
| Storage Capacity | 1500 bags of maize (15 tons)                |
| Ventilation      | Provided with ventilators and glass windows |
| Pest control     | Rat proofing system & Tablets               |

### **Management and Monitoring :**

Both the warehouses managed by the SHG's in the respective villages. The experience SHGs gained in handling various community development programmes in their federations gave them confidence to setup an independent Management Committee (MC). After discussions, the SHGs developed the following as the duties and responsibilities of the MC :

- To conduct management meetings of the committee regularly - every fortnightly during harvest and procurement season and at least monthly at other times.
- The maintain, monitor the needs and usage of the warehouses
- To maintain all books and registers of transactions of the warehouses
- To submit progress and status reports to the SHG federation
- To implement suggestions and recommendations of the federation
- To establish linkages with various departments for further development and innovation
- To provide the market information to local users (prevailing market prices in various markets)
- To ensure transparency in all financial dealings

### **Peoples participation is here....**

The Community Managed Warehouse model did not require year- round management. As the maize procurement was a seasonal activity the MC should scale down its activities at other times. The model cut labour costs as farmers themselves brought in their produce from their farms to warehouse. No full time staff were required and the MC decided to work for free. Therefore the annual maintenance costs for the warehouse is as low as Rs.1000/- mainly for whitewashing and cleaning and this is paid out of the Godown account.

According to Sharadamma, member of Sri Madheswara Godown Management Committee, Bedarpalayam- the management and monitoring of their Godown was not at all difficult or a risky task. It requires minimal personnel- about 2 to 3 hrs a day for 5 days when grain is get stored and the same while grain is being sold. This is not a burden for the management committee members as they belong to the same village and there are clear and significant benefits for themselves and their SHGs.

**Cost of service provision:**

The warehouses charge different rentals for those who have contributed to the construction of the warehouses - chiefly self-help groups and watershed development associations and those who have not. SHGs and WDAs (Contributors for Warehouse construction) pay a rent of Rs.1 per bag stored per month. Other individuals pay Rs.1.50 per bag per month. No additional charges levied as the transportation, loading and unloading costs from the farm to warehouse borne by users themselves. After deducting all the expenditures, the Godown committee Bank A/c currently have a balance of around Rs.30,000/-.

**Impact & Warehouse Utilization :**

| Year | KB Malam Warehouse |                    |                    | Bedarpalayam Warehouse |                    |                    |
|------|--------------------|--------------------|--------------------|------------------------|--------------------|--------------------|
|      | No. of Bags        | Procured Price/bag | Marketed Price/bag | No. of Bags            | Procured Price/bag | Marketed Price/bag |
| 2003 | 611                | Rs.400             | Rs.500             | 643                    | Rs.400             | Rs.500             |
| 2004 | 1491               | Rs.450             | Rs.500             | 1420                   | Rs.450             | Rs.500             |
| 2005 | 1471               | Rs.500             | Rs.560             | 1757                   | Rs.500             | Rs.560             |
| 2006 | 1777               | Rs.500             | Rs.680             | 1624                   | Rs.500             | Rs.680             |
| 2007 | 1588               | Rs.800             | Rs.650             | 1174                   | Rs.800             | Rs.650             |
| 2008 | 510                | Rs.680             | --                 | 268                    | Rs.680             | --                 |

The utilization of warehouses are up to the capacity since 2004. The storage increasing gradually defines the increase in income year by year except 2008 due to spike in maize prices farmers make significant profits by selling the produces immediately after harvest. The profit & loss from grain sales are reflected in the common fund of the SHGs and not in Godown financials which ensures that the post management of Godowns can be done without the dependence of the project.

Ms.Manjula, a member of Sri Mookambika SHG, K.B.Malam feels that the Godowns have made a remarkable difference to their bargaining power which has not been existed before having the community warehouses. It is now the small farmers and not the middlemen who decide on the final prices for maize. More or less most of the buyers are approaching to the village directly for procuring the produces the which considerably reduced our risks. Henceforth I can conclude that "buyers market became the sellers market".

## Bar-graining produces with the trader

## Sellers Load - now - Buyers Load



The rise in income level of the farmers not only lead to increase in economical standards but also in social standards. Farmers now are accessed towards household medias (Television with satellite TV connections), investing in educating the children till graduation, construction and alteration of houses.

Ms.Rathnakala, a member of Mahalakshmi SHG says " Godown was an asset which provide an opportunity for us to create our own assets, as I have purchased around 15 gms of gold for my daughter, I reimbursed the mortgaged gold chain valued Rs.12,000.00 from pawn broker, I also changed my smoky kitchen Chula and I availed an LPG gas connection for cooking which considerably reduced my burden and iam planning to educate my daughter in the course of teacher training next year(2009) in which she was interested.

### Replication:

The Community Managed Rural Godowns were utilized well and the Government noticed this in 2004 - 2005. The government replicated the programme and supported the construction of three more Godowns in Germalam area. They are located in Kadatty, Kottamalam and Boothalapuram, and have also incorporated management processes like the older ones and are running well. Based on the success of the Community Managed Rural Godowns in Germalam Area, the Germalam Project supported further constructions of warehouses in Anakere in Kadambur and Hongalvady in Arepalayam. In all cases, the demand was articulated by the community. The project supported the Anakere warehouse with Rs.2,75,000 and the Hongalvady one with Rs. 260,000 and the community directly contributed Rs. 50,000 and Rs.60,000 respectively. Maize has been stocked from 2007 onwards. The four warehouses constructed by the Myrada Germalam Project and local people's organizations like SHGs and federations have proved their worth and the government is rapidly replicating the programme. Apart from the three already supported by the government, six more are being build in the Kadambur and Thalavady hills in collaboration with District Rural Development Agency (DRDA).

## **Reasons for success :**

- Need realized & idea emerged from the community.
- Community as the stake holders holding all the responsibilities from planning till management.
- Appropriate linkages and networking with other institutions made this to be a sustainable model.
- Unity between all the people institutions in the village towards solving the problem.
- Transparency in all the dealings ensures sustainability.

## **Key lessons for others:**

- a. Peoples Institutions can be the base with which any achievement can be done. Experience as members in Peoples Institutions (SHG, WDA, VDA, Federation etc) provides experience in handling programmes even at smaller level which starts from Planning, Resource mobilization, Implementation, Monitoring and Evaluation which was the base learning to the community after which they can manage any programme among themselves rather than directly entering into a major enterprising programme.
- b. Appropriate capacity building programme essential to make the community realize. Not only particular with this programme but also in common, adequate capacity building programmes like trainings, exposures, demonstrations etc to be designed as curriculum based which also should address the needs of the community which induces the community to realize the worth of the programme.
- c. Adequate experience at different levels of institutions essential for any community to build their own management mechanism. Experience as members in Peoples Institutions also provides experience in developing their own management systems which was essential factor to achieve the programme objective in long-run. Always management system to be finalized and decided by the community and not by the NGO. Instead various experiences at different programmes can be shared by NGO to the community which rather helps to adopt a suitable model.
- d. Regular follow up and guidance from the facilitating organization in the initial stages (till 2 years) important to make understand the roles and responsibilities among the people. The Organization which facilitates the development process / initiative must convey to the community in clear that they will not remain for ever but at the same they can render support towards providing linkages to different institutions & capacity building. The functioning of the programme can be observed as an outsider and can provide adequate suggestions & directions where the community that too in the initial phase of the programme till the community realizes their own roles and responsibilities.
- e. Don't encourage free usage which makes the community dependent towards others for their future support

*The Organization which facilitates the development process / initiative must ensure the people participation at all levels of programme. In addition to this the organization must also direct the institutions to charge for the services done to the beneficiaries which can even be "minimal cost but no free" through which maintenance & running costs can be met out which was essential for any programme to function sustainable .*

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