

## **Araku Originals Site Visit - July 27, 2013**

Araku Originals is a for-profit farmers' cooperative for the Adivasi tribal farmers to bring quality products to market, while building a fair income in the hands of the farmers. Having grown to over 11,000 farmer-households (over 55,000 people reached so far), it is still just starting to scale, and can cross over 100,000 households.

Araku Originals leapfrogs traditional approaches to increase farmer income. If it were simply providing market-access, that in itself would provide better income to farmers. If it were simply providing capacity building to improve quality, that in itself would increase the quantity of a farm's output. If it were simply eliminating the middle-man traders, that in itself would increase pricing for farmers.

Araku Originals goes farther to build a high-quality brand. It demonstrates that tribal farmers, with an attention to detail and quality, can produce some of the best coffees in the world. It is not satisfied with quantity or pricing or volumes alone. These farmers are now delivering coffee that rivals some of the best coffees from South America and Africa, winning praise at local and international levels. That brand value accrues to the cooperative, and so to the farmers themselves.

But it's not just about coffee. Araku Originals sits within an ecosystem of economic development that is fast taking households from subsistence farming to aspirational growth. And now, is set to expand. With calls from Mozambique, the team is readying to replicate the model in Africa.

### **The Araku Hills**



The Araku Hills are on the Eastern coast of India and form part of the range of mountains called the Eastern Ghats. Part of the state of Andhra Pradesh, it was the one of the sources for Naxal terrorism in the state. The Hills are very fertile and, with investment of

time and money, could become the fruit-basket for the country (as Punjab today is the bread basket).

The people of Araku are industrious and hard-working but have been at the mercy of traders who would pay them a paltry sum and then resell their produce in urban markets for significant margins. The farmers were left with little for investment and growth. They were stuck in a cycle of subsistence farming, and during difficult times, selling their labour in neighbouring regions.

## Araku Originals and the Cooperative



Araku Originals creates a brand platform for high-quality coffee. The brands are recognised for quality and fetch the same prices as high-quality coffees from around the world. The specialty, high-quality blends, called Gems of Araku, are now winning praise from coffee experts, with certifications and testing done at labs in Bangalore and around the world.

The process starts at the farm. The Cooperative has established a high-quality process for planting, nurturing and harvesting coffee beans. This includes natural-high-nutrient fertilizers, organic pesticides, daily mulching and pruning, shade management, and selective harvesting.

The result is the canopy of coffee shown below, with its thick cover and healthy green leaves. Such a field can yield over 1,000 kg per acre, in its third year and double by the fifth year.

The farmers have adopted the practices established by the Cooperative, who in turn are advised by expert farmers, such as David Hogg, who has been practicing organic farming for over 35 years.

Of special note, the farmers have learned the value of letting the fruit ripen to a rich red colour before harvesting. Previously, in the urgent need for cash, they had harvested all and any beans, sacrificing pricing for cash, and leaving themselves trapped in subsistence.



Take the example of Boi Sundarama and her son Santosh. Their annual income from coffee was barely Rs. 25,000 (approximately US\$500), barely enough to sustain their family of four. Every year, the family had to hire themselves out as labourers in neighbouring farms or on government infrastructure projects just to make ends meet. That is no longer the case.



They adopted the practices established by the Cooperative across their three acres. This past year, their income quadrupled to over Rs. 100,000 (approximately US\$2,000). They are now beyond subsistence and have developed into one of the leading families in their village. Last year, tragically, Santosh's father passed away. Usually, such tragedies would spiral a family back below the poverty line. However, given their dedication to the coffee plantation, the family has survived this tragic loss.

When I left them, after the morning visit, they were starting their work on caring for the coffee plants by mulching and pruning where needed.

Like them, there are over 11,000 farmer-households in the Cooperative.

### **The Araku Central Processing Unit**

At the heart of the venture is the Central Processing Unit. Coffee is collected from the farms and delivered to the CPU daily during harvest season. The first step is to separate the ripe red fruits from the raw green ones. The green ones are returned to the farmers who may sell them elsewhere but will realise little value. This reinforces the practice of patience - waiting for the fruits to ripen. Though there are no statistics kept, the staff have noticed a dramatic fall in the amount of raw beans.



Farmers receive approximately Rs. 30/kg of ripe fruit, vs. Rs. 5-10/kg they were receiving previously. The fruit is shelled and the coffee bean extracted, washed, cleaned, and dried. At this stage, the bean weighs approximately 1/6th of the fruit, but

will fetch over Rs. 320/kg. Any profits are shared amongst the farmer members of the Cooperative, and last year, it yielded an additional Rs. 2/kg of ripe fruit. The Processing unit has handled over 150 tonnes of fruit and has a capacity to reach to over 450 tonnes.

The Cooperative is run via elections. The current elected President Kumbo and Secretary Sobhan were kind enough to show me around the facilities.



This Central Processing Unit, coupled with the *Araku Originals*

practices established by the Cooperative are yielding high-quality coffees, that are leading to a premium-branded product (Gems of Araku).

## **Scale Potential**

The business itself has already reached an economically-viable scale with over 11,000 farmers and growing quickly to triple that size. At the current scale, the business model is fully functional and viable. After approximately 35,000 farmers, the Cooperative will likely have to expand and build another CPU or invest to increase the capacity of the current CPU. With the business model in place, the initiative can further scale in several dimensions.

First, is to expand the farmer base. From 11,000 today, the potential in the region alone is over 100,000 farmers, which is approximately half-a-million lives. That is in this region alone. Further potential exists across India, especially across the Ghats (Eastern and Western) as well as the Northeast. In India alone it could reach over a million farmers.

Second, is the addition of other products into the business model. Beyond coffee, the area is also known for mangoes, papayas, guavas, and a host of other fruits. Fruits also fetch premiums for quality and increased incomes from better yield. The disciplines that have been adopted in coffee farming could also benefit fruit farming. These too can become Gems in their own right, as the Cooperative is currently exploring.

Third is to continue to build the brand, creating variety and quality and ensuring premiums continue to grow as the produce gains recognition across markets. This will mean moving close to the end consumer, providing packaged products, whether to cafes or grocery stores.

Fourth is the potential to expand to other countries. The invitation from Mozambique is one such example and the team is already on its way to replicating the Araku model there.

## **Where it all started**

Manoj Kumar has been the CEO of Naandi Foundation for over a decade, running the largest mid-day meals program in India. Through the Foundation, he has been working with farmers, especially tribal farmers in troubled areas of Andhra Pradesh, during this time. At the Aspen seminars of the India Leadership Initiative, he developed the idea of turning the work with farmers into a for-profit enterprise co-owned by the farmers (a Cooperative). He then took the innovative approach of suggesting the produce from these tribal-farmers can be high-quality and premium-priced. With that, he built a team of expert farmers and topic-experts (such as the partnership with the coffee labs in Bangalore), to move the farmers from basic farming to high-quality farming. He then built the branding initiative to ensure such quality is recognised at a premium price.

Perhaps the most challenging innovation is to suggest that farmers who were, only a short time ago, barely surviving at a subsistence level, can produce some of the best produce in the world. And when they realise the value of their work, the impact is inspiring.

## The Ecosystem of Araku

Araku Originals sits within an ecosystem of change in the valley. Here are just three such dramatic changes.

With the success of the coffee initiative, the farmers have great confidence in the team from Naandi. That has allowed them to launch several other programs that continue to develop the community.

The first is a forestation program, funded by a grant from Livelihoods, to plant trees throughout the valley. The team has already planted over 2.8 million trees and will reach 6



million within the year. The team has focused on trees that would provide further income to the community; fruit trees such as mangoes, papayas and vegetable trees such as tapioca. While the tree cover would provide a good carbon sink, it also serves to introduce a new income stream that could benefit from an Araku Originals branding program.

This is farmer Ram Rao and his wife in their field, freshly planted with over 140 trees, a mix of fruits and vegetables.

The second is a bee pollination program to reintroduce Indian bees into the farming community. These bees would help pollinate the flowering fruits, a process that naturally enhances the quality of the fruits, fetching premium prices.

The bees themselves require very little care, just some water, a cool place, and a regular check on the health of the hive. Ram Rao, while initially hesitant, has grown fond of the bees. He has yet to see the value of keeping a bee hive (it is only a few months old), but has faith in the Naandi team to support the initiative.



The third leg of the ecosystem ties back to the Coffee business.

As the forestation program continues and the trees grow to create a canopy, it provides the ideal shade to plant a coffee crop. Ram Rao has already grown coffee saplings in preparation to plant this coffee crop under the new tree cover this season.

Here again the bees play a part in improving the

quality of the coffee, creating a potential to further grow the Araku Originals brand.



The final, most exciting part of the ecosystem is education of the girl-child. Naandi had started a program called Nanikalis, ensuring girls stay in the school system through high-school. Until grade 5, they study in the local schools. Then from grade 6 to 10, they stay at local boarding schools, supported by Naandi.

Several of the graduates have gone on to pursue degrees in engineering and medicine, setting great examples for the younger girls and community.

The success of Araku Originals is strengthening the Nanikali program. With increasing incomes and better standards-of-living, more families are willing to send their girls into the program. Today, with 7,402 girls in the region, the program has just started to takeoff.

Creating a for-profit Cooperative within the tribal farmers was an inspired way to motivate the farmers to develop a truly sustainable and profitable business model; a model that asks them to leap beyond their subsistence farming to create globally-competitive products and brands; a model that reaches from farming coffee to forestation; a model that creates confidence and independence. Araku Originals, more than a great cup of coffee, is having an impact across the lives in this community.