

Company Profile: Khyati Foods Pvt. Ltd (KFPL)

Khyati Foods, based in India, procures, certifies and trains farmers in organic soy and cotton farming, as well as processes and distributes the agricultural products for export. For the past 10 years, it has been Khyati's mission to facilitate a relationship between farmers and customers, ensuring the production of high-quality, organic agricultural products. Khyati's value-added activities ensure prosperity, sustainability and social justice within their operations by consistently purchasing farmers' products and working to expand opportunities for improved farmer livelihoods. The company sources product from 15,000 farmers who farm more than 18,000 hectares of organic farmland. The company has also established infrastructure for post-harvest processing including a soy processing facility and a lint cotton manufacturing facility, contributing to the growth of the organic agricultural market in India.

This Sustainable Business Case Study showcases the results and lessons learned from Khyati's implementation of their Sustainability Innovation Grant Initiative: Strengthening Organic Value Chains.



Investment Spurs Khyati's Expansion and Growth

In 2013, Khyati received a capital investment from Sarona Asset Management, which was used to build local warehouses, procurement centers and first-stage processing centers that are within close proximity to producers. As a result of Sarona's investment and technical assistance provided by MEDA, Khyati has reduced crop contamination and waste, while increasing the efficiency of procurement and quality control, thereby improving the income opportunities for smallholder farmers.

The Challenge

With over a decade of experience, Khyati has been working 15,000 farmers in Madhya Pradesh and Maharashtra. However, as the company has grown, Khyati recognized that further training and sensitization was required to ensure that targeted farmers comply with various European and US regulations for organic farming. As regulations and requirements for organic certifications have become increasingly stringent, Khyati identified a need to build the capacity of the farmers they work with to comply with organic standards of production to eliminate possible sources and contamination and reduce rejection rates of their products from their buyers.

As the farmers supplying to Khyati were growing certain crops organically (cotton, flax, sesame, sunflower, wheat, chickpeas, and corn), they expressed a need to produce and market their other crops organically as well, to maintain crop rotation requirements under the organic system of production. Further training and capacity building among Khyati's farmers was required.

The Sustainability Innovation Grant

In August 2014, Khyati was awarded a Sustainability Innovation Grant (SIG) from a technical assistance facility managed by the Mennonite Economic Development Associates (MEDA). The purpose of the grant was to address the challenges Khyati faced to catalyze change in the company to strengthen the organic agricultural production market in India.



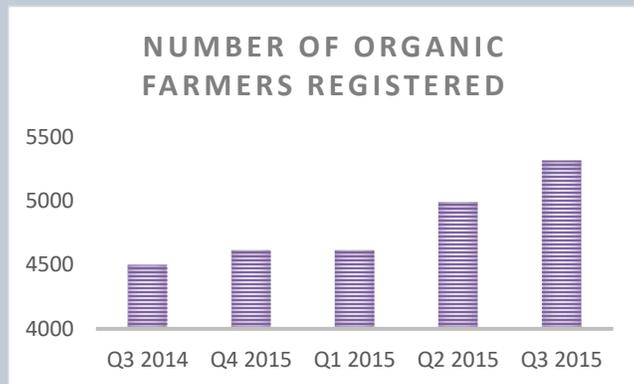
Khyati received a matching grant of CAD \$50,000 and invested \$89,783 of their own funds to strengthen organic value chains. In addition to the grant, MEDA provided 15 months of technical assistance to coach and advise the Khyati team on environmental, social and governance issues. Khyati worked with several key partners (Ekologie Forte and Abihinav) who were critical in enabling Khyati to offer training programs to the farmers.

Khyati's Sustainability Innovation Grant initiative included the following three key components:

1. Expand the value chain to include organic cotton and flax;
2. Build systems and procedures to expand to additional markets to obtain additional certifications; and
3. Strengthen the capacity of farmers to comply with organic production standards through extension services and organic farming training.

Increased Number of Organic Farmers

Through the SIG initiative, Khyati increased the number of farmers engaged in organic farming through extension services. Khyati has invested approximately CAD \$70,000 (INR 3,500,000) in field-level activities related to organic farming, with 1,800 farmers who received organic farming training. There was an 18% increase in the number of farmers registered in Khyati's Organic Farmers group – up from 4,500 at the beginning of the project to over 5,300 as of December 2015. Additionally, Khyati increased the number of female farmers registered by almost 88%, from 65 at the beginning of the project to 122 as of December 2015.



Improved Farmer Training Strategies and Content

By working with self-formed farmer groups (community-based organizations), Khyati improved their training process to be more efficient and group-oriented, reducing costs and achieving results at a larger scale. The self-formed groups identify a farmer who can be a "barefoot technician" and is willing and able to teach what he or she has learned to other farmers, in other words, a lead farmer. One lead farmer can reach and support about 50 farmers.

Khyati also provided enhanced training to their farmers, including topics such as health, sanitation, water conservation etc., enabling farmers to think more holistically about their farming, family, and community life. The enhanced trainings integrated practical skills and demonstrations on farms to help farmers reduce their water management costs through micro irrigation techniques. Other skills included soil tillage practices and composting techniques. Demonstration events also proved to be an attractive recruitment strategy, as non-organic farmers can see the benefits of organic farming.

"Through MEDA, the SIG initiative has propelled the company in both ways: towards the market and its people (suppliers/farmers)."

- Dr. Selvam Daniel, Head of International Operations at Khyati

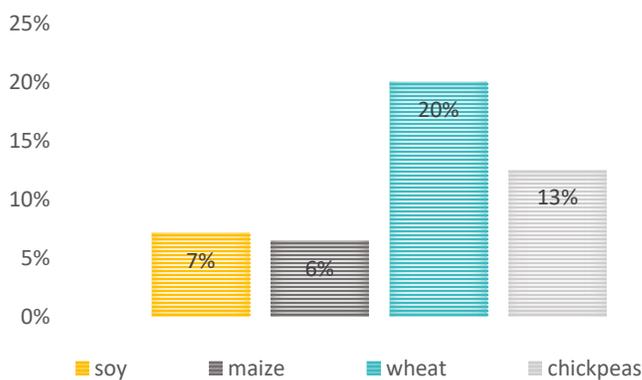
"I do all my farming by myself. Most importantly, I don't require to pay for farming inputs. I don't need to go to my husband for money anymore."

- Dhandibai Rathad, Khyati organic farmer

Boosting Farmer Productivity

Organic farming is often considered to be lower in productivity, as yield challenges can be attributed to poor seed selection and poor use of technology. Through the SIG initiative, external training was provided to help farmers improve organic methods. These improvements included the following: assisting with suitable seed selection; training in proper seed treatment techniques; knowledge of crop spacing requirements, intercropping, crop rotation and buffer crops; improved pest and seed management; and, lastly, improved post-harvest techniques. As a result of the training program, many products have increased in production per hectare. For instance, wheat productivity amongst farmers increased by 20% from 2,500 kilograms per hectare to 3,000.

CHANGE IN PRODUCTIVITY BY CROP



Improved ESG Practices

As an indirect result of the field level extension programs and farmer training, there has been a decline in environmental impact through improved organic farming practices such as the elimination of pesticide use and reduction in non-organic waste. Such environmental benefits have proven to be economic, and is motivating Khyati to scale their training to its entire farmer base.

Khyati also reported increased openness to improving gender equality and diversity within their corporate office including gender sensitization training for staff and extension workers. Khyati is motivated to be a role model, hoping to lead the agricultural industry through forming women-only farmer groups and working with more women.

Improved Data Collection and Monitoring

Due to the changes and impact in Khyati's operations and supply chain, the company has experienced an increase in demand for data to demonstrate and communicate their impact. Khyati has adopted monitoring practices used in their SIG initiative to measure impact when rolling out initiatives to all farmers. The company is also currently exploring options to store farmer profiles and data electronically, and move away from paper-based records.

Lessons Learned

Khyati learned that initiatives need to be culturally-specific and involve varied approaches for each tribal community. For example, there were wrong assumptions about the Bhil Tribe; it was assumed that men were the primary decision makers. However, the women of the Bhil Tribe are in fact involved in household decision making, and should have been engaged. Khyati recognized that it is important to have women field workers as part of their team, to work more effectively with women in the community. Through enhanced training to farmers, Khyati has learned that ongoing and transparent interactions with the communities they work with is a critical factor for the success of their business, enabling them to secure high quality supply and strengthen rural communities.

Challenges

In looking to expand markets, Khyati is challenged by varying regulations in different exporting markets and multiple, varying organic certification bodies. Currently, Khyati has organic product certifications to meet European, US, Canadian and Swiss standards.- The project areas were also impacted by late and erratic rainfall and temperature variations. Bad rains impacted the business by an estimated 40-60% decrease in production in the last few seasons. Therefore, Khyati's focus on organic agricultural practices is even more crucial in the wake of climate change and changing weather patterns, as such practices enable resiliency, energy efficiency, and increase soil fertility.

Sustainability

Khyati has learned valuable lessons in improving organic value chains for farmers and plans to replicate the training to the rest of their farmer base in India.. Evidently, the SIG initiative has been viewed positively from management, who have dedicated personnel to lead the initiative in Tanzania and has begun discussions to securing capital for the expansion.