

CASA Technical Assistance Facility Inclusive Business Case Study

DeHaat

Company: DeHaat

Sector: Cash crops & grains

Country: India

Investor partner: CDC Group & FMO

Project date: 2020 - 2024

Investment:

In 2020, the FMO Ventures Programme and Omnivore Partners invested alongside others in the \$12 million Series A funding round. CDC Group has committed \$15 million to Omnivore Partners' India Fund II.

Company description:

DeHaat is an agri-tech company which offers input sales, advisory and output purchase to 450,000 farmers; most are smallholders across Eastern India with a diverse crop profile



Commercial Agriculture for Smallholders and Agribusiness

Our approach

The Commercial Agriculture for Smallholders and Agribusiness (CASA) Technical Assistance Facility (TAF) supports agribusinesses that source from smallholder farmers. Our approach involves a deep dive into the business to draw up an Inclusive Business Plan (IBP) – a roadmap for the agribusiness to deepen and broaden its supply chain to deliver both commercial and social value to smallholders and shareholders. An IBP is a piece of thorough analysis produced over 3-6 months that:

- Diagnoses smallholder supply chain challenges;
- Identifies or validates the inclusive business growth opportunity, aligned to commercial objectives, identifying opportunities for greater commercial and smallholder impact;
- Quantifies the opportunity in terms of commercial value for the business and impact for smallholder farmers;
- Maps out an inclusive business model and associated package of technical assistance, including required partnerships to support the inclusive business model.

We work alongside investors to operationalise the IBP and deploy inclusive technical assistance that strengthens upstream supply chains and promotes returns, development impact and resilience. We also provide core business technical assistance to sourcing businesses that are experiencing disruptions in their smallholder supply chain due to COVID-19.

Purpose of this case study

CASA TAF case studies bring to light examples of smallholder sourcing businesses and how technical assistance can enhance both commercial and development returns. We are on a journey with each business – testing and refining our approach to TA as we go – and measuring results both immediately and over the long-term. This case study documents CASA TAF’s experience working with an innovative agribusiness on an input credit scheme in India; and sharing some of the early lessons we have learnt along the way.

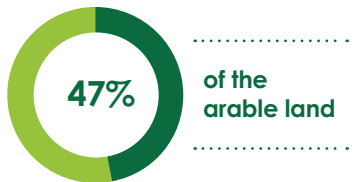
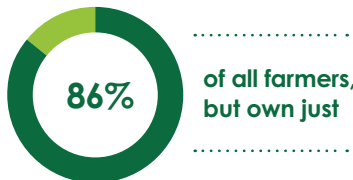
Context



In India:

~130 million

smallholder farmers working on less than two hectares of land account for...



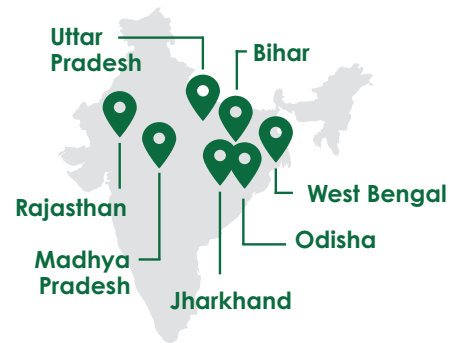
This fragmentation coupled with disjointed supply chains means they often lack access to high-quality inputs and inadequate technical knowledge to grow high-value crops. Due to the lack of storage facilities, farmers are also constrained by the need to sell produce immediately after harvest when supply is plentiful and prices are low.

DeHaat

which means ‘village’ in Hindi, is a \$50M¹ company



DeHaat addresses these challenges by bringing agri-services and off-take under one roof.



The company connects Indian smallholder farmers in some of the poorest Indian states including Bihar, Uttar Pradesh, Jharkhand, Odisha West Bengal, Madhya Pradesh and Rajasthan to a holistic marketplace through which DeHaat streamlines the supply chain between:



Input suppliers



Farmers



Off-takers

¹ Annual revenue, 2021



We decided to focus in north and eastern India because it is the most fertile belt in India, but poor connectivity in the past led to farmers getting neglected. This area has the largest proportion of small farmer holdings, of 2 hectares or less.

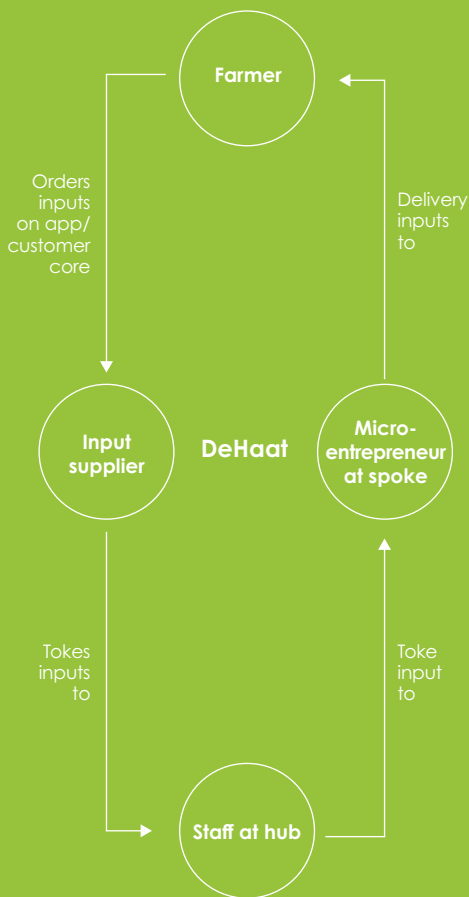
Shashank Kumar
Founder & CEO, DeHaat

DeHaat's tech-enabled hub-and-spoke model allows for cost-efficient delivery of inputs and extension services to smallholders. DeHaat has contracts with large providers that deliver inputs to DeHaat-owned facilities (the "hubs"). From there, DeHaat distributes inputs among last-mile centres ("spokes") that are set up, supported and supervised by the company but run and owned by over 1,600 micro-entrepreneurs.

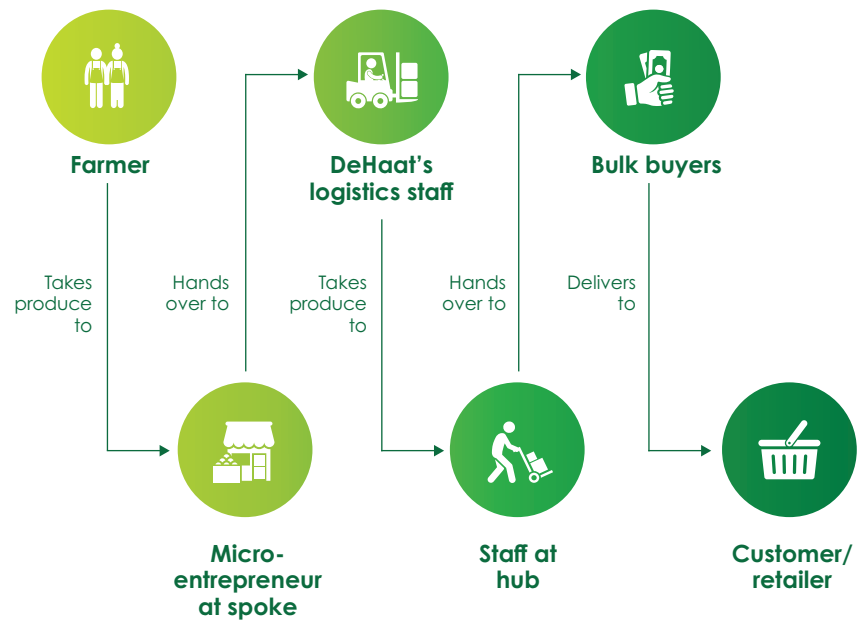
Each centre serves approximately 700 smallholder farmers within a catchment area of around 4km, giving them access to high-quality seed and agro-inputs as well as technical advice on producing and marketing their produce.

Farmers can place orders for agri-inputs or ask for technical advice and guidance on when and how to market their produce via DeHaat's helpline, in-person or via a dedicated app in Hindi, which also allows farmers to ask agronomic advice on crop selection, irrigation, pest control and the harvesting schedule.

Agri-inputs



Market access



The DeHaat platform also purchases corn, wheat, rice, fruits, and vegetables from farmers on the platform. Then, DeHaat uses third-party logistics services to collect the produce from the centres ("the spoke"), aggregates the output and directly supplies over 200 commodity bulk buyers, including retailers, traders for example Cargill, e-commerce players like Amazon, food processors and FMCG multinationals, such as Coca-Cola.

DeHaat currently reaches approximately 450,000 farmers, purchases output from 20% of farmers and sells inputs to 60% of its farmer base. The company aims to reach 17 million farmers by 2025 and is exploring expanding into financial services, to deepen impact and grow input and output sales.

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We think DeHaat's USP is the value it creates for the farmers on the platform, but the micro-entrepreneur model is critical to helping the company scale quickly and connect with farmers in-person across rural India.

Mark Kahn
Managing Partner and
co-Founder of Omnivore

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Agri-Input credit financing for farmers presents as strong business case, which will spur growth in our farmers' engagements, driving agri-input, agri-output and advisory related transactions. This will unlock great business potential and would result in overall growth in farmers' productivity as well as income.

Shyam Singh
Co-founder and
Executive Director



Inclusive Growth Opportunity

In India, only around half of small-scale farmers have access to credit with 40% of those procuring it from informal sources where interest rates are exorbitantly high ranging between 20% to 40% per year from micro-finance institutions (MFIs) or from 30% to 50% or more from moneylenders.

In 2020, DeHaat engaged the CASA TAF to conduct an Inclusive Business Plan to unlock smallholder farmer access to targeted inputs which can enable productivity increases for farmers. DeHaat management specifically engaged the CASA TAF to evaluate the impact potential and support the design of a pilot to operationalise an input finance scheme to support DeHaat's objectives to grow input and output sales by introducing financial services to farmers. For DeHaat, expansion to financial services has the opportunity to expand touchpoints and deepen engagement with existing farmers; driving farmer loyalty and competitiveness.

By leveraging demographic, landholding and agronomic data that is collected by the DeHaat centres and app, the company aims to develop credit risk profiles of farmers and partner with Financial Institutions (FIs) to enable provision of inputs on credit to farmers previously not served by the formal banking sector.

Over a 12-week period, the CASA TAF conducted an Inclusive Business Plan (IBP) which recommended establishing an input credit scheme that will enable farmers to purchase high quality farm inputs on credit with repayment linked to the harvest cycle. DeHaat will target "small commercial" farmers with "seed" and "seed plus" packages of value \$200-\$280 for a combination of high value crops and grain crops with ~40% cash down payment required from farmers.

Whilst the theoretical opportunity is compelling, there are many operational challenges that need to be addressed and weighed up to achieve success and to ensure farmer benefits alongside commercial benefits. CASA TAF, with its focus on smallholder impact and its team's technical knowledge of input finance, is helping DeHaat take a sustainable approach to the rollout of the scheme, examining the operating model in-depth, ensuring smallholders' concerns are heard, that the cost of credit is affordable, and that farmer impact is being measured and evaluated.

The success of the process has been driven by DeHaat's active involvement and CASA TAF's ability to balance being flexible and responsive, while still maintaining its core principles and holistic approach. Having a multi-stakeholder steering committee (bringing together multiple investors, TA providers and the company) and regular communications has also been critical in ensuring that there is alignment across parties.

Operational excellence is key to delivering the products at low cost and remaining competitive; and hence a design and pilot phase was deemed critical to allow us to iterate and course correct as we learn over the course of crop-specific pilots.

We recommended that an FI partnership model be used to share risk and leverage expertise. Several models will be tested in the pilot phase, the first being a Joint Liability Group lending scheme to farmers in the group, and the second being a retail lending model. Interest rates are in the 18-24% range which would be competitive compared to money-lenders and MFIs and we expect the rates to reduce over time as trust is built with FIs.



The CASA TAF team's global expertise in providing solutions to similar problem statements is very helpful for us during programme design and implementation. The team's deep expertise in programme monitoring and evaluation is also helpful for our impact assessment.

Shyam Singh
Co-founder and
Executive Director



Our micro-entrepreneur model has been a game-changer as it enables last-mile delivery of 360-degree agricultural services to farmers.

Shashank Kumar
Founder & CEO, DeHaat

Expected Results & Impact



With the CASA TAF technical assistance to introduce the input credit facility, farmers will benefit from an estimated:



20-25%

yield increase and reduction in interest rate to an estimated:



18-24%

initially



DeHaat will benefit from modest margins from a fee charged directly on financial services, with larger gains from increased input and output sales.

Overall, our Inclusive Business Plan estimates that this intervention will impact:



48,000 beneficiaries

with an incremental income of £177 per farmer per year by the end of the CASA TAF's project.

That's **£11 million** in total incremental smallholder farmer income which is over:

150 times

the investment by the CASA TAF in the project.

While it is important to start slow to optimise the model, significant gains for both DeHaat and farmers are achieved only at scale. Based on current assumptions, **DeHaat would break even after 3 years and with a 6% incremental contribution to EBITDA in Year 5 from reaching 287K farmers driven largely from increased input sales and 21% from increased output sales.**



The FCDO-funded Commercial Agriculture for Smallholders and Agribusinesses Technical Assistance Facility (CASA TAF) partners with investors with development interests to increase the smallholder impact of existing investments. We design, co-fund, and manage delivery of inclusive technical assistance (TA) projects at selected agribusinesses that can drive commercial and social impact by strengthening, deepening, or broadening inclusive supply chains.

Over its five-year life cycle, the CASA TAF will collect data on the impact of inclusive technical assistance, not only at the farmer-level, but also at the portfolio company and investment fund level. The objective is to learn and to influence DFIs, impact investors, commercial investors, and TA providers on the significance of generating compelling evidence to track commercial and development impact metrics, thus demonstrating the value of inclusive TA.

For further information:

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[www.casaprogramme.com/
technical-assistance/](http://www.casaprogramme.com/technical-assistance/)



Update on progress



~ 700 farmers were reached with the input finance product during the pilot



On average these farmers experienced a net income uplift of £152 per annum



We are now entering the scale up phase of the access to finance initiative

CASA TAF delivered a technical assistance package for DeHaat, focusing on an input finance pilot aimed at reducing smallholder farmers' financing costs and increasing yields. The pilot tested a new loan product and operating model for future scaling. It also established partnerships with financial institutions to lower DeHaat's financial risks and improved extension services and input packages to increase farmer sales and production.

Farmers involved in the pilot increased their net incomes by \$494, compared to a \$258 increase in a control group without the pilot. DeHaat plans to expand the input finance scheme significantly in the near future.

Phyigital extension model pilot



CASA TAF, in collaboration with DeHaat, is enhancing its digital service capabilities through a hybrid physical and digital extension model. This innovative approach is designed to disseminate crucial information on agricultural inputs, farm services such as soil testing, and especially, climate adaptation practices. The model employs a blend of in-person consultations and digital platforms, enabling the pilot to assess the effectiveness of delivering personalised content to farmers. A key component of this initiative is the emphasis on promoting climate-smart agricultural practices, equipping farmers with knowledge and tools to adapt to and mitigate climate change impacts. To date, this endeavor has successfully reached over 45,000 farmers, aiming to establish a scalable, cost-efficient model for agricultural extension and service delivery. The ultimate goal is to maximise farmer adoption of improved, sustainable practices and to provide efficient, relevant advice that bolsters their productivity and resilience.