

Collective Purchase of Essential Commodities

A majority of the members in Kantaphod, Barwah, Khategaon and Dewas are landless and survive on wage labour. Most of the members are not in the official BPL category even though they are palpably the poorest and do not enjoy any subsidy offered by the PDS and thus have to purchase their household requirement of commodities from the open market. The members are forced to buy most of their essential food requirements in small quantities on need basis. This exposes them to market fluctuations, poor quality and no negotiating plank. A majority of the members are also forced to borrow from moneylenders / *kirana* store owner to buy food items. A recent study 'The



Base of Pyramid Distribution Challenge' by the Institute of Financial Management and Research (IFMR) states that rural consumers end up paying a premium of 25 to 100 per cent on several basic commodities. This premium it calls the 'Base of the Pyramid Penalty'. The penalty is primarily an outcome of local monopolies, inadequate access, poor distribution and strong traditional intermediaries. The members of SPS SHGs through their collective purchase of essential food commodities initiative for the last 2 years have been trying to overcome challenges similar to the ones mentioned above. The intervention is steadily gaining acceptance and strength. The programme was initiated by members of Barwah and Kantaphod location in March 2009. Wheat was purchased by members in bulk immediately after the harvest period. Normally post harvest price of wheat is at its lowest. The programme made sure that every member was extended loans from their respective groups to enable them to purchase sufficient quantity of wheat for at least 6 months. Very soon the programme extended its coverage to other essential commodities and currently in some locations the basket of items which are collectively purchased has gone up to 15 items. Seeing the encouraging response from the members some of the locations are now developing a loan product which will enable members to receive all the basic commodities required every month through the collective purchase mechanism. The idea is to work out the minimum quantities of essential food items required by a member family and to so design a loan product that the items are made available within the credit limit of each member family by the SHG, leaving a fair share of the credit limit available for other major expenses / investments to be made by the family. A total of 4000 members have participated in this initiative till date and commodities worth Rs 1 crore have been purchased and distributed through this mechanism in the last 2 years. The projection is Rs 5 crore across locations for the year 2011 -12. The programme will cover close to 8000 families in 2011-12.

