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Chapter 4: La Chetina, Peru

Executive Summary

“La Chetina” is a micro-enterprise manufacturing and selling dairy and other agricultural-based products in the remote area of Cheto, Chachapoyas, located in the Amazonas region of northern Peru. Created in 2007, La Chetina generates employment by using only local agricultural products, some of which are produced by the enterprise itself, promoting the consumption of traditional local products, and exporting these products to other regions across the country.

The enterprise employs mostly unmarried women, as part of its social commitment to improve the livelihoods of those with limited opportunities, and stimulates growth and development in the area of Cheto.

The founder, Doris Sánchez, is a woman from the indigenous Quechua community. Born into a poor farming family, she overcame various obstacles linked to her origin and to her gender to become a nurse. However, her passion and talent for raising livestock kept her in touch with the farming community, which in turn sensitized her to the plight of rural farmers in the Chachapoyas region. This in turn led her to launch a project whereby local farmers could process and sell agricultural products themselves, thus earning higher profits. With a few trainings by a local NGO to supplement her practical knowledge on dairy farming, she started La Chetina, which initially operated without any external financial input or other support.

Undaunted by several early setbacks, Doris Sánchez persisted. She offered training and support to local farmers so they could grow and process high-quality products, and sell them instead of bartering them. She also sensitised people in her community on the value of those local products and on how to include them in their diets, thus creating more local demand.

Today La Chetina successfully produces and sells top quality dairy products as well as marmalade, honey, brandy and chocolate. In only 5 years, it has diversified its products; expanded from 1 to 3 stores across the Chachapoyas province; facilitated access to healthcare services to its employees and other women in Cheto; and generated employment for more than 50 milk producers. La Chetina’s products are increasingly in demand in other districts across the Amazonas and have reached Lima. Doris Sánchez is now planning to open a larger factory to increase the volume of sales, allowing her to reach more farmers, generate further employment, increase profits, and contribute to improved living standards overall.

Section 1: Introduction and Context

1.1 Introduction

Located in the remote village of Cheto, in the Chachapoyas province of Peru, La Chetina is a micro-enterprise run by 6 people producing and selling agricultural products cultivated by single women belonging to the indigenous Quechua community. It started operating in 2007 after its founder, Doris Sánchez, and her husband started selling their own dairy products in their village. Today La Chetina has 3 stores in the Chachapoyas province of Peru, selling milk, cheese and yoghurt alongside a variety of products, such as honey, jam, brandy and chocolate. Its products are now available in districts around Chachapoyas and cities as far as Lima. The enterprise is generating local employment for more than 50 milk-suppliers and small producers, and has successfully promoted the consumption of local products in the Amazon region. Ms. Sánchez also views La Chetina as a “social commitment” to her community and employs those with limited economic opportunities, mainly students and single mothers, who also receive access to healthcare for their families.

La Chetina emerged from its founder’s motivation to create a business that addresses the pressing needs of local farmers to access markets for their products, and gain greater incomes to foster the development of her small village. Coming from a rural peasant family, Doris Sánchez spent her childhood raising cattle and poultry. Although she studied to become a nurse, she gained basic practical knowledge about dairy farming through specific trainings and workshops offered by an NGO. Her self-confidence, talent for raising cattle and poultry, and basic farming knowledge, encouraged her to start selling milk from her farm door-to-door around Cheto every weekend. This service was well received by families in her community and she soon required additional help to supply more clients.

With financial support from her husband and cousin, Ms. Sánchez started La Chetina as a small market stall selling dairy goods produced by her relatives and herself. To increase revenue, she diversified her products by creating new ones elaborated with local raw materials from the Amazonas such as fruits and other local produce like honey and chocolate. The small market stall has now become a small rural factory run by indigenous women, generating employment as well as health coverage for an increasing number of livestock farmers and small producers in the region.

1.2 Context

To understand the achievements of this small rural enterprise, it is important to recognize the social and economic realities of Peru and of Cheto. Peru is the 4th most populated country in Latin America, with 29.3 million inhabitants.¹ Classified as a middle-income country, it has weathered the global financial crisis, growing at 6.9 per cent in 2011, driven

¹ *Factsheet Peru*, World Bank, <http://www.worldbank.org/en/country/peru> (accessed 10 November, 2012).

by high global mineral prices and expanding natural resource outputs.² Its main economic activities include agriculture, mining, fishing, and manufacturing products such as textiles.³

Over the past few years, Peru has made strides in development. Achievements include high growth rates, low inflation, macroeconomic stability, reduction of external debt and poverty, and notable advances in social development indicators. In 2012 the country held the 77th position, with a score of 0.78 on the Human Development Index, higher than its neighbours Brazil and Colombia for instance.⁴



Despite this progress, self-sustained growth and a more egalitarian distribution of income have proven elusive, and poverty remains an important issue, especially in rural areas. In Peru, 24 per cent of all households are rural, representing 1.6 million families. About 4 out of 10 Peruvians are considered poor, but 6 out of 10 in rural areas, a proportion even higher amid indigenous groups.⁵

The country is geographically divided in 3 zones: Costa (the costal plane), Andes (sierra or high-lands), and the Amazon Basin (lowland forest, where Chachapoyas is located). The Amazon Basin is home to 6.7 per cent of the country's population and represents 60

2 *Country strategic opportunities programme : Republic of Peru*, IFAD, <http://www.ifad.org/gbdocs/eb/97/e/EB-2009-97-R-11.pdf> (accessed 10 November 2012).

3 *Peru Statistics*, Rural Poverty Portal, IFAD, <http://www.ruralpovertyportal.org/web/rural-poverty-portal/country/statistics/tags/peru> (accessed 26 August 2012).

4 *International Human Development Indicators: Peru*, UNDP, <http://hdrstats.undp.org/en/countries/profiles/per.html> (accessed 15 May 2013).

5 *Republic of Peru: Country Strategy Opportunities Programme*, IFAD, 2009, <http://www.ifad.org/gbdocs/eb/97/e/EB-2009-97-R-11.pdf> (accessed 26 September 2012).

per cent of the total area, contributing approximately 15 per cent of agricultural GDP.⁶ Poverty is most severe among people of indigenous origin living in the Amazon Basin and the Sierra, where income is derived from primary activities, such as fishing and agriculture. About 56.3 per cent of the population in the Amazon Basin lives below the poverty line and 23.6 per cent live in extreme poverty and lack basic services, infrastructure, and job opportunities.⁷

The La Chetina enterprise operates in Cheto, located in the Chachapoyas province, in the north of the Amazon Basin. It has a population of 606 inhabitants (2005) and the closest city, Chachapoyas city, also the capital of the Amazonas region, has 20,279 people. Cheto has only one secondary school and medical care is scarce. Many of its inhabitants travel to Chachapoyas city, which is 125 kilometres away, for schooling and health services. In this region, farming and husbandry are the main economic activities, although they have been losing importance due to a poor rural road network, limited communication infrastructure, lack of support for production activities, and poor access to markets.⁸

In 2008, the Peruvian government's strategy for poverty reduction included rural development as a priority, representing a substantial change to its previous approach which favoured urban consumers at the expense of rural producers. To this end, the Ministry of Agriculture created AGRORURAL, a rural development programme promoting productive agriculture, to reduce poverty and improve the quality of life through a combination which includes training and access to credit. However, lack of financial resources, difficulties in reaching remote areas, and lack of awareness about the programme among potential beneficiaries have limited its impact. The main challenge in rural Peru remains: how to help smallholders move from subsistence farming to rural entrepreneurship.



6 Op. cit., *Republic of Peru: Country Strategy Opportunities Programme*, IFAD, 2009.

7 Op. cit., *Peru Statistics*, Rural Poverty Portal, IFAD.

8 Op. cit., *Republic of Peru: Country Strategy Opportunities Programme*, IFAD, 2009.

Section 2: Analysis of the Catalyst

2.1 Why was it created?

Purpose

The goals of La Chetina are closely related to the aspirations and needs of Cheto's population. Its founder aimed first to increase her revenue and give a better education to her 3 children. Her becoming a rural entrepreneur was itself a major change and challenge given the prevailing gender bias in her indigenous community favouring men as entrepreneurs. Now her purpose is “[...] convincing other women that they can become successful rural entrepreneurs and bread winners.”⁹

Overall, La Chetina aims to improve the livelihoods of those with limited opportunities in their community, such as unmarried, indigenous women. The small enterprise was created to address a number of limitations that farmers and small-scale producers face in Cheto, such as unemployment and under-employment, lack of support for production activities and lack of alternative job opportunities for women farmers. Doris Sánchez aims to help her village grow and develop through encouraging high-quality and high value-added products, creating more employment, ensuring better returns and health-care coverage. By doing so she also intends to increase people's interest in Cheto and its traditional products, leading to further growth and development.

Relevance

The relevance of La Chetina's efforts in rural Peru is striking, considering the social and economic conditions that prevail in Chachapoyas, and especially in Cheto. As mentioned earlier, it is generating employment for indigenous women, a particularly disadvantaged group; allowing small-scale farmers to gain higher returns and access to health coverage; training them in technical skills, accounting and marketing, to help them better manage and sell their products. Given La Chetina's success, Cheto is now well known in surrounding areas such as Chachapoyas and Pedro Ruiz, and the nearby districts of Luya and Bagua, for producing high quality rural products; and people also take these products to other cities as far as Lima, Chiclayo, Trujillo or Tarapoto.

2.2 How was it created?

The founder

La Chetina's founder was born in Cheto, where she grew up raising poultry and cattle alongside her siblings. Her father was a cattle keeper, and from childhood she learned how to work with milk and milk products, in a small village where processed agricultural goods

9 D. Sánchez, interview, 28 September 2012.

were scarce. As the third child and first daughter of 6 children, she performed household chores, raised her sisters and looked after the livestock, which she highlighted taught her responsibility and hard work.¹⁰ Ms. Sánchez affirms that the widespread poverty in Cheto also affected her household, and the gender biases within her family and friends actually built up her self-confidence, which later helped her take a step forward and launch the La Chetina enterprise.¹¹

Other personal experiences were equally crucial. The lack of education and health services in Cheto strongly influenced Doris Sánchez. First, she had to challenge her father to pursue a higher education, as he was opposed to the idea of women attending secondary school, especially away from home. She managed to leave Cheto for Lima at age 15, and lived with an aunt while pursuing secondary studies not available in her home village, and working as a house maid to pay for her studies. As she studied to become a nurse, she became even more aware of the lack of medical care in her village, and was keen to take her skills back to her community.

During her studies in Lima, she became involved in a project supporting agribusiness called “PROMATEC”, where trainings were offered for men and women interested in the dairy industry. However, after sustaining injuries from a car bomb, she returned to Cheto and decided that she wanted to remain closer to her home village. She moved to Chachapoyas city, and enrolled in trainings in agribusiness and marketing offered by an NGO.

In this city, she interacted with people involved in politics, who persuaded her to integrate a platform representing Cheto at the municipal elections. Despite opposition, including from many in Cheto who would never vote for a woman as a municipal officer, at the age of 26 Doris Sánchez became the first women municipal officer in Cheto, gaining recognition and respect in both Chachapoyas city and Cheto as an indigenous female activist.

In her position as a municipal officer, she became involved in social action work which sensitized her to the lack of employment opportunities available to villagers. She had a “light-bulb moment”, as she calls it, and realized the need for a solid and sustainable employment-generating project in Cheto.

Creation – Initial opportunities, support and challenges

With this vision in mind, Ms. Sánchez decided to start selling milk from her farm door-to-door around Cheto on the weekends. This service was well received by families in her community, and she soon began selling 200 litres every weekend, then 300 litres 3 days per week. As the demand for her product grew, she obtained financial support from her husband and cousin, and started La Chetina as a small market stall in her own house.

Lacking experience in marketing and business administration, Ms. Sánchez asked her cousin to join the project and help her with the sale orders and legal procedures. Legal procedures were expensive and complicated, given the small size of the enterprise and the remoteness of its location. As her micro-enterprise did not appear to meet all requirements in terms of sustainability, she also had to spend considerable time to prepare all the necessary documentation and to meet with authorities to prove that La Chetina was

10 D. Sánchez, interview, 28 September 2012.

11 Ibid.

indeed a sustainable, employment-creating project, worth legal registration. The location of the relevant administrative offices, far away from Cheto, entailed additional time and financial costs.

La Chetina started operating in March 2007 with 2 investing partners –the owner and her cousin– and 4 women working in a small rural factory. It had to face a number of challenges to gain recognition and sell its products. In the beginning, milk sold by La Chetina was not accepted because it did not comply with quality standards. Ms. Sánchez had to train her staff step by step, from milking the cows, to basic marketing strategies for better sales. Today, La Chetina produces top-quality milk and is recognized not only among local consumers in Cheto and Chachapoyas, but also among small-scale producers and other suppliers who aim at becoming La Chetina’s suppliers. As Doris Sánchez points out: “In the beginning, peasants would not give us their produce, they would ask for something in return”.¹² But once customers started requesting our products, elaborated with their own produce, they asked us to save some yoghurt and milk for them in return.”

Given its local success and the great number of loyal clients and suppliers, La Chetina’s owner decided to use other local raw materials, and started selling diverse products such as flavoured yoghurt, marmalade, honey, cocktails made with brandy, local fruits and chocolate. The revenues were used to open more stores in Chachapoyas, and thus increase business and generate more employment.

2.3 How does it currently work?

Structure

In 2007, the Amazon Ministry of Production for Industry legally recognized Doris Sánchez’s project “La Chetina S & T S.R.L.” as a micro-entreprise. La Chetina’s structure and functioning remain quite simple; but what started as a small home business has grown to 3 stores, 2 in Cheto and 1 in Chachapoyas, with 6 employees to process, pack, and sell products, and over 50 suppliers.

Given its success as a rural enterprise producing high-quality dairy products, La Chetina’s clients are faithful and come from cities nearby Cheto and Chachapoyas city. Since Ms. Sánchez’s own farm produce soon became insufficient to meet customers’ demand, other milk producers in Cheto became involved. La Chetina now provides employment to more than 30 milk suppliers and around 20 small farmers producing raw materials for other products sold by La Chetina.

Activities

La Chetina’s main goals are to boost local development in Cheto by stimulating employment, especially for those with limited opportunities, such as unmarried, indigenous women; and to ensure a steady income to its employees, as well as access to good healthcare for them and their families. As part of La Chetina’s social commitment, Doris Sánchez also helps her employees’ and suppliers’ families acquire medical care.

¹² D. Sánchez, interview, 28 September 2012.

Due to the lack of education opportunities in Cheto, La Chetina also trains its own staff to develop their skills in producing high-quality products. For instance, when it started operating Doris Sánchez hired 2 women whom she trained for 2 years to become experts in yoghurt preparation. Later on, with the support of her father, who is also bee keeper, she trained 2 more women and some of her milk suppliers, honey producers, and small farmers. La Chetina received basic support from a local NGO for 3 years to provide training to local producers. Training activities focused on:

- Production – Raising and milking cattle properly, as well as simple tasks such as carrying the milk to avoid waste, adequately using pesticides for high-quality fruits, preserving fresh produce properly, etc.;
- Processing – Cooking the food, using the right amount of produce, properly packaging the final product, putting it into cans in a short period of time, etc.;
- Marketing – Selling processed products in rural areas such as Cheto and Chachapoyas city, as well as in other towns. La Chetina’s staff also taught its customers how to make its products part of their diet, for example eating yoghurt at breakfast or mid-afternoon, as a dessert, or alongside the main meals.

Loyal customers of La Chetina have helped spread the word around Chachapoyas city, and today people from neighbouring districts and cities come to buy La Chetina’s products and sell them nationally.

Given the increasing demand for its products, La Chetina is no longer able to provide direct training to local producers, but supports them with basic knowledge concerning good practices on farming techniques.

Challenges

La Chetina still faces a series of obstacles to remain successful, and to grow and expand. A major challenge is the lack of financial, social, and administrative support from local institutions. To remain legally recognized by the authorities, La Chetina needs to undertake



slow and complicated legal procedures to update its status as a rural micro-entreprise to make sure it fulfils all legal requirements. According to Doris Sánchez: “Traveling to Chachapoyas city takes at least 75 minutes on a road of hard and packed earth. I cannot send someone else because the authorities will not listen to them. It is really a waste of time.”¹³ Additionally, the micro-entreprise must submit a financial report every year, which needs to be prepared by Doris Sánchez herself: “I need to prepare it myself because my staff does not have the skills to elaborate this report. And today, I have no time to train them. This is the reason why I encourage these women [her staff] to send their children to school, no matter how far a school is.”¹⁴

Another challenge related to lack of financial support is obtaining a loan or credit from local banks and institutions. Procedures are slow and complicated, and requirements are quite specific. Doris Sánchez says, “I wish these institutions were a bit more flexible. I wish they could understand the situation we face as rural farmers. And instead of making things easier for us and the whole community, they make the whole process much more complicated.”¹⁵ Although she tried to obtain financial support in the beginning, she never received an answer from the local Ministry of Agriculture, so she prefers to look for financial support through local NGOs and friends.

A number of challenges are linked to the lack of basic services such as education, health and public transportation, and lack of infrastructure in general. Doris Sánchez explains that when a staff member gets ill, she herself needs to take him or her to the hospital in Cheto, which is often crowded. Traveling to Chachapoyas city takes her an entire work day. Similarly, supplying and supervising the store in Chachapoyas city has become a 3-day task. Ms. Sánchez needs to prepare and organize all the merchandise ahead of time to supply the store.

Changing weather conditions is another difficulty. If it rains it could take twice the amount of time it normally takes to reach Chachapoyas city: “Sometimes I use my husband’s car and take some staff members with me, but if it is not available or it is being used for emergencies, I have to ride my horse. If it rains, there is no other option, hence I cannot supply my clients with our products in Chachapoyas city, which is the store selling most of La Chetina’s products,” says Doris Sánchez.

In 2012, the floods in the Amazonas region adversely affected farmers’ production and La Chetina was not able to sell as much as it normally does. Doris Sánchez pointed out that farmers in Cheto lack the facilities, the equipment and the knowledge for storing their produce in such situations. As a result, an important volume of produce had to be thrown away or burned. This was a major challenge for La Chetina and everyone in Cheto. She believes that proper capacity building and training could provide local producers much needed basic knowledge on how to prepare for this type of event. However, this is also related to the biggest challenge of all, the lack of financial and social support from local institutions.

13 D. Sánchez, interview, 28 September 2012.

14 Ibid.

15 Ibid.

Section 3: Assessment of the Catalyst

3.1 Main achievements

The story behind La Chetina reveals 3 types of interesting achievements. First, the series of obstacles overcome by its owner to start the enterprise, largely linked to her being an indigenous woman, and living in a remote area. Having achieved her main goal, launching La Chetina, Doris Sánchez had to persuade local farmers to supply the business with local produce. She had to prove to them, and to customers, that her micro-enterprise could deliver high quality final products, and higher returns to them, and gain recognition.

Second, through a combination of social and economic commitments, La Chetina has helped improve the livelihoods of many inhabitants in Cheto. In only 5 years, it has diversified its products, has expanded from 1 to 3 stores across the Chachapoyas province, facilitated access to health-care services to employees and other local women in Cheto, and has generated employment for indigenous women and for over 50 local producers. At present it successfully produces and sells top quality dairy products and other items, such as marmalade, honey, brandy and chocolate. La Chetina's products are also well retailed in other districts across the Amazonas (i.e., Luya and Bagua) and have reached Peru's capital, Lima. Also worth noting is Doris Sánchez's capacity to convince her community to change its diet and consume healthier, more natural, and locally produced food.

Finally, La Chetina's accomplishments as a rural micro-enterprise are stimulating other rural entrepreneurs in her community. Young people come to Doris Sánchez for advice on how to become a successful rural entrepreneur and to gain knowledge on farming techniques.



3.2 Future

La Chetina's owner is now planning to open a larger factory to increase the volume of sales, allowing her to reach more farmers, generate further employment and good revenues, and broader health coverage, which would help Cheto grow and develop further. More people would also become aware of La Chetina's products, thereby increasing their demand.

Other plans include opening more stores, and further diversifying the products, for instance trying new fruits, such as *púrpur* or the local *tomatillo* (tomato). However, Doris Sánchez wants to be able to continue offering products without additives and only using simple packaging, to maintain the "local feel" of her products. She believes that La Chetina's products are successful because of their quality, but also because of their simple and basic look, and that this is how clients like them. A unique feature of La Chetina's approach is the fact that it does not seek creating luxurious or upmarket products, but focuses on producing simple but high-quality products.

Doris Sánchez would also like to provide more training to local producers, and is currently looking for support in Chachapoyas to bring professional skilled farmers to Cheto for that purpose.

3.3 Lessons learned

Despite an unfavourable context and many disadvantages, La Chetina's owner managed to become a successful entrepreneur, and to stimulate progress in her home village, through a small business that is economically and socially valuable. Important elements of successful entrepreneurship can be drawn from that experience:

- **Pursue self-improvement and personal development** – La Chetina's founder's determination led her first to attend secondary school outside her community, then to study to become a nurse. It also led her to seek basic knowledge about dairy farming through specific trainings offered by an NGO. It also allowed her to become an entrepreneur, despite the strong gender bias favouring men that prevailed in her indigenous community, and led her business La Chetina to success;
- **Display self-confidence and persistence** – In spite of an unfavourable context, Ms. Sánchez accomplished all her aims, one after the other. She never gave up any of her goals, trusting herself and her project, and taking action with the means available to overcome potential obstacles, such as providing basic training to overcome the lack of skills among local farmers that impeded their delivering high-quality produce;
- **Combine economic goals and social commitment** – Hiring only unmarried women and ensuring access to health care for them and their families demonstrates the possibility to combine a productive business with social commitments that improve the livelihoods of employees, their families, and others in the community;
- **Obtain community engagement** – Doris Sánchez gained support from local communities after she proved that the goods produced by La Chetina were of high quality. The success of her enterprise gained her support from small producers in the village, who provided her raw materials at a competitive price;



- **Modify local habits** – Doris thought that teaching people in her community how to make local products part of their diet was the best way to sell La Chetina’s products; a strategy that paid off;
- **Sell high-quality products without intermediaries** – La Chetina sells its products directly to consumers. Despite the fact that it is difficult to access markets from such a remote area as Cheto, La Chetina has proven that its high-quality products can be sold without brokers;
- **Be creative and gradually diversify products** – La Chetina started producing dairy products that were well accepted by the local community. Once it managed to secure a steady clientele and thus secure revenues from dairy products, it started processing other local produce and mixing them with its dairy products, resulting in yoghurts with different flavours, that were also well-accepted by its clientele. It now also sells honey, jam, brandy and chocolate products. The profits from this variety of products have been utilized to open 2 more stores near the factory that generated more employment. Creativity and diversification have been useful not only to ensure profits, but also to gain recognition in the area and now nationally;
- **Expanding business geographically** – For La Chetina, expanding means growing nationally. Its founder is keen on opening a larger factory in the province to allow her enterprise to increase the volume of its sales and reach more clients, as La Chetina’s products have already reached cities as far as Lima.