



SUSTAINABLE DEVELOPMENT INVESTMENT PORTFOLIO (SDIP)

Sub Regional Policy Dialogue “Fostering Agricultural Value Chains in Eastern South Asia”

Saturday, 25th June, 2016
The Lily Hotel, Guwahati, India

Background:

1.1 CUTS International in collaboration with Rashtriya Grameen Vikas Nidhi (RGVN, Guwahati), SNV (Bhutan) and Unnayan Shamannay (Dhaka) organised a Sub-Regional Policy Dialogue “Fostering Agricultural Value Chains in Eastern South Asia” on 25th June at the Lily Hotel in Guwahati, Assam. This event was organised under the Sustainable Development Investment Portfolio (SDIP) supported by Department of Foreign Affairs and Trade (DFAT), Australian Government



1.2 The workshop aimed to bring together government agencies, regulators, private institutions and private players engaged in the agriculture sector to understand and deliberate on how to best harness agriculture value chains and its potential in the sub-region comprising of the North Eastern states of India and its neighbours in the Brahmaputra basin.

1.3 Objectives of the Workshop:

- ✓ To discuss the possibilities and hurdles associated with the trading of agriculture products within and across borders
- ✓ To seek solutions to address those hurdles

Highlights and Proceedings:

2.1 About 50 participants from various sectors like government, private, civil society organisations and cooperatives from India, Bangladesh and Bhutan attended the workshop. Opening remarks was given by Dr. Amiya Sharma, Executive Director of RGVN and V.B. Pyarelal, Additional Chief Secretary, Department of Agriculture Assam gave the key note address emphasising the significance of market led growth strategies as a game changer for agriculture in the region. He also stressed on the need for crop diversification, especially for high value crops, and development of the processing industry to strengthen the value chain in the agriculture. He shared that the Assam Government is trying to amend a few regulations so that there is ease of doing business and single window clearance system for entrepreneurs in the NE region.

2.2 The inaugural session was followed by four sessions, each with a separate group of stakeholders including discussants from three countries (India, Bangladesh and Bhutan) focusing on the issues specified under each session.

Potentials and Barriers associated with Trans-boundary Trade in Agriculture

3.1 The first session dealt with the potentials and barriers associated with trans-boundary trade in agriculture. To begin with, CUTS shared its key advocacy messages on transboundary agricultural value chains from its work under SDIP. This can be accessed in the link <http://www.cuts-citee.org/SDIP/pdf/Advocacy-Enhancing Farm Incomes and Economic Growth in BBIN Countries through Better Linkages and Stronger Value Chains.pdf>

The discussions highlighted the sub-region's potential to produce diverse crops like cereals, fruits (e.g. strawberry, pineapple, oranges, passion fruit and litchi), vegetables, spices and medicinal /aromatic plants. The turmeric from the region has the highest curcumin content. Plantation crops like tea, coffee, rubber, coconut and arecanut are also widely grown. Since the Green Revolution has not penetrated into this region most of the food crops are produced with fewer chemicals and are by default organic. Hence there is potential for organic farming and exploring the market for organic products. Northeast India shares more than 4500 km of international border with neighbouring countries like China, Bhutan, Bangladesh and Myanmar providing vast opportunity for cross border trade of agricultural inputs and commodities.

3.2 The most important factor which has been hindering the development of value chains was the poor infrastructural development both in terms of connectivity (road/railways/ water) and in terms of storage and processing facilities for various

agricultural products. Fragmented land holdings, weaker credit institutions, poor quality of produce, lack of entrepreneurial skills, inadequate production of exportable goods and monocropping of rice were highlighted as other hurdles in the region. Other barriers consisted of regulatory barriers (like non uniformity in the standards of each country, high tariff, non-functioning of Land Custom Stations, procedural delays, and absence of creditable laboratories at Bangladesh border and Indian banks at Indian border). Concerns were raised by Indian traders on the lack of incentives for export, removal of subsidy on transportation fees and the location of cold storages. The main concern flagged in the session was **“how to integrate agriculture market both across states and across borders”?**

3.3 The various solutions suggested which would address the issues as well as help further in trade facilitation in the agricultural sector included harmonisation of standards in South Asia, strengthening PPP, capacity building and skill development, women empowerment, streamlining of credit and creation of a credit harmonisation system between the centre and states, creation of market linkages (both forward and backward linkages) and lastly development of infrastructure for post-harvest management and better transportation.

Role of Regulatory Regime in Facilitating Regional Value Chains in Agriculture

4.1 The session started with a brief introduction given by Mr Prithviraj Nath on different trade barriers and the role of the regulatory regime in trade facilitation. Issues related to connectivity, quarantine measures, difference of pricing of various agricultural products, delay in customs clearance, lack of awareness among traders and concerned officials about the formalities required and procedures were highlighted. One of the concepts that were flagged through this session was **“Private Sustainable Standards.”** Further, the dignitaries from Bhutan raised the issue that the Import Certification process is very long and complicated in India.

4.2 Representatives of regulatory authorities from India (Food Safety and Standards Association of India (FSSAI), Plant and Animal Quarantine departments) shared the recent developments and achievements in this regard. As far as infrastructural issues were concerned, it was highlighted that the government has already passed on notifications to open up various ports and also that the imports should be directly cleared from ports which also addresses the time consumption issue. Also, the Indian Government has notified labs for specific commodities for carrying on testing of products making the whole process simpler and faster. Further, the SPS measures are technical guidelines by WTO and India being a signatory is surely to abide by them and it's also necessary in the public interest. However it was noted that certain coordination needs to be enhanced between different agencies for better and faster trading. FSSAI will be sharing its testing parameters with plant and animal quarantine departments to avoid duplication of documentation. Steps have been initiated to integrate all imports to one digitalized platform to create a single window mechanism. It was further brought

to light that India is closely working with CODEX so as to make the whole process more transparent and authentic. The government authorities also clarified that mostly 90% of the agricultural commodities gets clearance except for those which have huge wax content and have been manufactured by using excessive pesticide and fertilizers.

4.3 Officials from the quarantine department necessitated the awareness of importers about the existing regulations in India for specific markets. Exports from Guwahati are picking up the momentum; agricultural products have been exported to 17 countries from Guwahati itself. The exporters have to identify potential products in demand (e.g. Rice bran and bamboo sticks), which the region has a comparative advantage. Tying up with airlines is another alternative to boost trade across borders.

Private Sector Perspective on Cross Border Trade

5.1. This session focused on the concerns of private sector with regard to trade barriers, infrastructure and regulations. Some of the issues that were raised by the discussants are high cost of production and transportation, poor connectivity, political disturbances, unfavourable investment climate and non-development of alternate modes of transport like inland water ways. The suggested solutions included a market-oriented production approach, activating existing Land Custom Stations, mutual recognition of standards, fairer market regulations and changes in the domestic policies of Bangladesh to facilitate easy trans-boundary investment. Bhutan largely follows organic/natural methods of cultivation and such products have huge export potential within and outside the region. This demands capacity building of farmers and sensitisation of regulators. Farmers need to be encouraged for diversification and also to assure the quality of produce. There is a demand from the private sector that primary processing need to be done at farm level. It is non-economical for private players to enter into primary processing. The session highlighted the need for a **transformation in agriculture from subsistence to market driven mode.**

Role of Producer Companies, Cooperatives and Civil Society

6.1 This session was aimed to bring together different civil society organizations and discuss how better they can contribute to strengthen value chains in the region. Empowerment and good governance is needed for market oriented agriculture. Farmers are to be supported with credit and market linkages. In this regard, Farmer Producer Companies can prosper given that they are provided handholding support for a longer period and professional managers are engaged to take ahead the business plans. Farmer's club, cooperatives and Local Service Providers are different models of collaborative structures functioning with the support of the government and NGOs. Constant engagement with the farmers is essential to identify the market constraints and develop market based plan for crop production. Development of entrepreneurial skills is crucial for this.

Conclusions and Way Forward

6.2 The day long dialogue was fruitful in the sense that there were some concrete outcomes towards the end.

- Department of Agriculture, Assam will be in touch with Agricultural and Processed Food Products Export Developmental Authority (APEDA) Guwahati office for making use of its cold storage and packaging units
- PRAN-RFL Group will be contacting FSSAI in conjunction with the delays in custom clearance and license issue
- Senior Official of FSSAI has responded positively to the concern of dignitaries from Bhutan about high pesticide content in the vegetables procured from West Bengal border
- Discussions on the initiatives taken by Indian government for easing the procedures and process for import were welcomed by all, especially the private sector

However, the dialogue also threw light on the importance of capacity building, entrepreneurial skills, and credit support and market linkages to farmers. It is important that the larger deliberations on transboundary value chains are connected with the small and marginal farmers to include them in the discourse. The following action points for future will help in bringing better integration and fostering agricultural value chains in eastern South Asia.

- Capacity building/ skills development of farmers, especially with regard to diversification, market oriented crop production and primary processing to assure quality of the produce
- Sensitise traders about the existing rules and regimes for cross border trade. It was realised that ignorance about existing regulations also lead to import restrictions.
- Advocate for common standards in the region as this will boost trade within the region
- Promote organic farming and also prepare strategies as to how the whole concept can be promoted across borders
- Promote improved connectivity using multiple modes- road, rail and water ways which will reduce the cost of production
- Create enabling environment for private traders through incentives
- Facilitate interfaces with producers, traders and regulators to bridge the gap and share responsibilities

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