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Creating agricultural value chains in South Asia

Veena Vidyadharan, Susan Mathew and Kyle Robert Cote

While there has been a remarkable progress in food grain production in Bangladesh during the past decade, more than 30 per cent of its population still struggles under-access to good quality food. Much of the reasons behind the lack of desired progress to achieve the potential yield and economic growth are owed to natural calamities like floods, salinisation, and absence of institutional capacities of small and marginal farmers who form the majority of agriculture producers.

At the same time, the country has immense potential to produce high value commodities including fruits, vegetables, meat, and sea foods. Increasing income elasticity of demand for such commodities in South Asia has created a higher demand for them. This has also created the scope for value addition and trade within the region. The irony of hunger and poverty coexists in this part of the world with sheer wastage of food commodities due to weak post-harvest handling and storage facilities. Thus, stronger value chains are needed within and across the national borders for greater economic integration and poverty reduction.

Bangladesh is competitive in the production of rice, sugarcane, potatoes, fruits, meat, and sea foods. Barring rice mills, processing of high value commodities take place only in limited scale within the country. One of the major hurdles is limited private investment in the agro-processing industry which again is attributed to poor infrastructure, high cost of raw materials and absence of auxiliary industries.

Better connectivity via roads and waterways will ensure faster movement of goods - both inputs and products - within and outside the country. The BBIN (Bangladesh, Bhutan, India, Nepal) Motor Vehicles Agreement, which has been officially flagged off by India in November 2015, will play a vital role in improving connectivity and regional integration by saving cost and time.

On the other hand, India is a key exporter of cereal seeds, pesticides and agro-machineries to South Asian countries. A study conducted by CUTS International, a Jaipur-based think-tank in India, has revealed that in the absence of robust policies, rice seeds are finding their way to the farmers in both countries through informal channels. Seeds like BR-11, BRR1 Dhan-28 and BRR1 Dhan-29 of Bangladesh are doing quite well with Indian farmers and the Indian seeds like Swarna (including Guti and Sada), Parijat, Somsor, Swampas, Mamun, etc. are in demand amongst farmers in Bangladesh. Similarly, there is an informal flow of subsidised fertilisers from India to Bangladesh.

However, despite such increasing demands for agricultural inputs and commodities between neighbouring countries, a regional agricultural value chain is yet to be developed mostly due to the existing political, procedural and regulatory barriers such as high tariff rates, non-tariff barriers and non-acceptance of mutual certificates and standards. Also, there are issues related to quarantine restrictions in the case of plant and animal products which are in great demand across the border.

Thus, lack of access to markets coupled with the absence of real-time market intelligence has often led small farmers to get entangled in the hands of middlemen, preventing them from realising the optimum price for their produce. The existing retail markets are also congested and lack basic amenities. Opening of Border Haats along the borders between India and Bangladesh has shown a lot of promise towards economic development of border communities, formalising informal trade, building trust and higher trade openness.

The list of tradable commodities through Border Haats is limited to locally produced vegetables, fruits, food items, spices, forest produce, products of cottage industries, agricultural household implements, etc. As per the report by India's commerce ministry, an estimated US\$20mn worth of trade can take place annually between India and Bangladesh through Border Haats. Considering the volume of informal trade and increasing demand from both sides, more commodities can be included to enhance cross-border trade and fostering value chains.

To enable cross-border agricultural value chains, explicit policy changes have to be focussed on. CUTS International, as part of its work on sustainable development in Ganges, Brahmaputra and Indus basins, has adopted the strengthening of agricultural value chains as one of the key advocacy messages to be taken forward to the relevant policy-makers in South Asia. Key informant interviews and perception surveys under this work indicate that it is time to integrate and develop a strong South Asian voice for fostering agriculture value chains.

The significance of small farm holdings in contributing to the region's food security is well established. It is

inevitable that the institutional capacity of these farmers has to be enhanced through organising and supporting them through credit, inputs and extension services. It is also important to develop the entrepreneurial skills of farmer organisations so that it becomes successful business models with forward and backward linkages.

In addition to removing non-tariff barriers, extension of Border Haats to potential areas and products, and better infrastructure for fostering value chains, attaining potential yield and marketable surplus lays the foundation to higher farm and national incomes. This would buffer South Asia from foreign market shocks and create a reliable cross-border market for agricultural products.

Veena Vidyadharan, Susan Mathew and Kyle Robert Cote are

respectively Policy Analyst, Senior Programme Officer, and Policy Analyst at CUTS International, a think tank based in Jaipur, India.

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Telephone : PABX : 9553550 (Hunting), 9513814, 7172017 and 7172012 Fax : 880-2-9567049.

E-mail: editor@thefinancialexpress-bd.com, tfe@bangla.net, fe@accesstel.net and fexpress68@gmail.com