



**POLICY AND INSTITUTIONAL MAPPING FOR SMALL-SCALE  
PRODUCERS' PARTICIPATION IN DYNAMIC MARKETS IN BANGLADESH**

12 - 14 June 2007

**WORKSHOP REPORT**

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## **Policy and Institutional Mapping for Small-Scale Producers' Participation in Dynamic Markets in Bangladesh**

### **SUMMARY**

A series of working meetings were held in Dhaka and in Daudkandi, Comilla District, Bangladesh, during 12-14 June 2007, to explore the emerging implications to small-scale producers and processors of changes in the dynamic agric-business sector. The meetings involved some 100 participants including over thirty farmers and similar number of agribusiness representatives as well as academics, and civil society, public sector and media representatives. The meetings were informed by a potato value chain map developed at the first meeting together with the farmers from Daudkandi. Dynamic changes are taking place in the potato sector including processing as well as structural changes impacted by the emergence of modern wholesale and retail markets including those of AGORA, Nandan and Meena Bazar and the impact of liberalisation on the growth of imports. The meetings with farmers and agri-business representatives defined the key trends and drivers of these trends, which were then validated by participants at the final day's multi-stakeholders meeting when the key challenges emerging from the first two meetings were also elaborated. For the highest ranked challenges, the group developed ideas on key actions and entry points to enable small-scale producers to secure their place in the dynamic and changing agri-food markets in Bangladesh. There was a strong call by the participants for good and innovative business models drawn from other regions globally for possible validation and transfer to Bangladesh including contract farming. The need to look more critically at the transaction costs of different value chains and how these can be reduced was recommended. Further the need to enhance farmers' productivity and address quality along the value chain was seen a key to securing future small-scale producer market access. It is anticipated that an informal task group of private sector actors interested to explore future investment and new models will be formed.

Three working meetings were held to enable multi-stakeholder representatives and interest groups to share experiences on the current drivers of change in dynamic market in Bangladesh with special reference to fresh produce of potatoes. The meetings were organised by Unnayan Onneshan with technical and financial support from the Regoverning Markets Programme international team and specific support from Nijera Kori [www.nijerakori.org](http://www.nijerakori.org) a local NGO who made the arrangements for the meeting with farmers in the community.

The working meetings considered multiple future scenarios and their implications (recognising uncertainty), addressed the current policy and institutional factors which help or hinder small-scale producers' participation in dynamic markets and identified options for the future. The meetings identified possible actions or interventions which could be considered to strengthen small-scale producers' access and anticipated future participation in dynamic markets. The meetings recognised the unique institutional and economic policy environment of Bangladesh, seeking the active engagement of key stakeholders namely small-scale producers and their representatives, key public sector administrations, the agri-food processing and wholesale and retail sectors, consumer organisations, economic and social policy centres of excellence, agricultural research and public and private sector service providers to the agri-food market chain. Unnayan Onneshan will take on the responsibility for dissemination of the findings from the meetings within Bangladesh and assist as appropriate any follow up.

## **BACKGROUND**

Rapid changes are taking place in agri-food markets in middle and low income countries. The spread of dynamic modern retailers, wholesalers and food processing business is shaping the way the food systems are governed. Small-scale agriculture, which supports the livelihoods of many households in rural areas are poorly prepared for these changes. Public policy makers and international development agencies are sometimes remote from the changes that are taking place within these dynamic markets.

An international multi-donor funded programme **The Regoverning Markets Programme** [www.regoverningmarkets.org](http://www.regoverningmarkets.org) is working in nine regions of the world seeking to understand the keys to inclusion of small-scale producers in these dynamic markets, defining good and innovative practice and helping to bring key findings into public and private sector policies and strategies. The South Asia regional hub of this programme is based at the Sustainable Development Policy Institute (SDPI), Pakistan.

Bangladesh is experiencing the early stages of this dynamic change in agri-food processing, wholesale and retail sectors. New wholesale and retail structures are emerging. The significance of developing policies and interventions particularly to enable broad-based market participation by a range of producers and processors including small-scale producers and processors is being recognised in Bangladesh.

Key questions for producers, for the dynamic market sector, and for public policy makers including development partners include:

- Can the new agri-food business drivers be partners in enabling broad-based procurement?
- Can small-scale producers and their organisations be partners in new business?
- Can anticipatory public policy help to ensure that small-scale producers and processors are able to participate in dynamic markets?

Work has been initiated in Bangladesh to deepen the understanding of dynamic change within the market value chain. Funded through the Regoverning Markets Programme – Phase 1, a rapid country assessment for Bangladesh was undertaken in 2005. This focused on the issues of the dairy sector, fresh fruit and vegetable sector specifically potato.

Through a partnership arrangement with the Regoverning Markets programme, the Unnayan Onneshan, Dhaka, hosted a series of workshops on theme of 'small-scale producers' participation in dynamic markets with the wider objective of fostering single and multi-stakeholder dialogue and exchange of this issue.

### **Program schedule of workshops**

#### ***Small-scale Producers Workshop***

Date: June 12, Tuesday

Time: 9:00-15:00

Venue: Daudkandi, Comilla

Composition of Participants: Small-scale farmers, large-scale farmers, cold storage manager, journalist, agricultural extension staff, local traders.

Total participants: 33 and the support teams

### ***Modern Market Chain Workshop***

Date: June 13, Wednesday

Time: 9:00-16:00

Venue: BRAC INN auditorium, BRAC Centre, Mohakhali, Dhaka

Composition of Participants: wholesalers, food processors, service provider, traders, retailers

Total participants: 13 and the support teams

### ***Workshop with Multi-stakeholders***

Date: June 14, Thursday

Time: 9:00-14:00

Venue: BRAC INN auditorium, BRAC Centre, Mohakhali, Dhaka

Composition of Participants: farmers, wholesalers, food processors, retailers, government policy makers, academicians, representative from farmer's association, journalists.

Total participants: 23 and the support teams

## **PREPARATION FOR THE WORKSHOPS**

Prior to the workshops, there was a round of rigorous meetings on June 11 at Dhanmondi office of Unnayan Onneshan. Golam Sarwar and his Unnayan Onneshan team including Rezaul Islam and NS Nisha participated and exchanged their views and preparations with the international team of Felicity Proctor, consultant and IIED Visiting Fellow, UK, and Larry Digal, University of Philippines who arrived on the same day. The agenda of the meeting included:

- Program structure and schedule of 3 days workshops
- Methods for the workshops
- Establishing links among all the workshops
- Necessary inputs and logistics
- Review of participants invited prior to the arrival of the international team
- Confirm expectations and share views on objectives and expected outputs
- Reviews on value chain

All materials – pens, cards, flip paper and other necessary materials were available in advance. It was agreed and hoped that the findings from days 1 and 2 would feed into day 3 (multi-stakeholder) – the latter would validate and take forward. Thus day 3 was not fully pre-planned in advance.

## **FARMERS WORKSHOP AT DAUDKANDI, COMILLA**

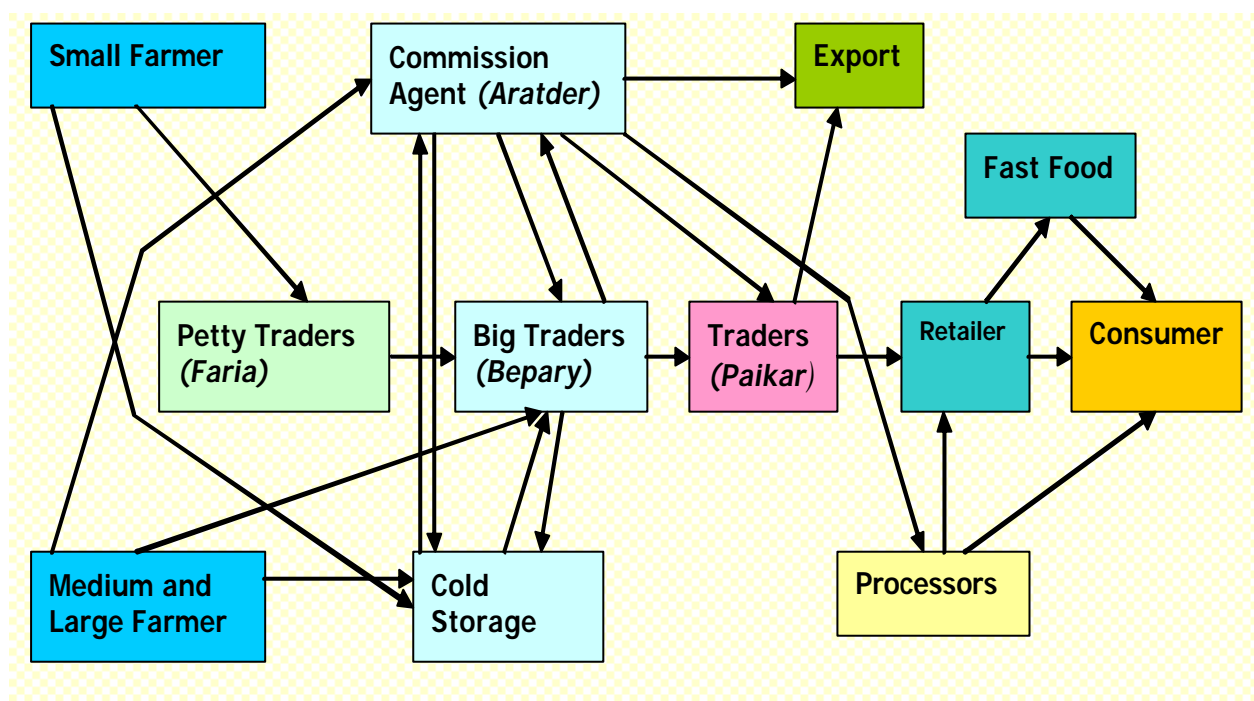
Daudkani in Comilla had been selected as the location for workshop with farmers on June 12, because Daudkani is well-known for potato production, and easily accessible for small-scale farmers. The workshop was organised in collaboration with the grass-root NGO, Nijera Kori, because it has experience in working with the small-scale farmers at field and community level.

There were a good number of participants present in the workshop including 25 farmers, 4 local traders, 1 manager from a cold storage, 1 member from agricultural extension offices, and 1 working in the transport sector and 1 journalist. After a short welcome address by a representative from a local organisation, the workshop began. Golam Sarwar from Unnayan Onneshan presented

an overall objective and goals of the meeting and the overall objectives of Regoverning Market Programme. The objectives, methodologies and timetable were agreed at the first instance so that the participants could be easily accommodated into the target and structure of the programme.

First a value-chain for potato trading was constructed with the active participation of farmers. Possible and probable actors in the value chain were prewritten in cards and all materials were at hand so that value chain could be constructed on the wall chart including actors and linkages in an efficient manner. New actors identified by the participants had cards made up on the spot. Cards prewritten but not used/called for by the participants were destroyed.

Figure 1: Value Chain Map for Potato trading in Bangladesh



In discussion of constructing the value chain, the farmers started with the potato producing farmers (both small and medium farmers) and gradually ended up to the consumers. The most significant aspect of value chain for the small producers is the lack of access to the big traders. They sell almost all their produce to the *Farias* (Petty Traders) since their capacity to produce is much less to attract the big traders. The indebtedness of the small farmers also force them to sale their produce immediately after harvest and again they only find the *Farias* as the ready customers giving them less price as well. Commission agents are the major players in the rural potato market as they have appointed *Farias* and *Baparies* (Big Traders) to collect large amount of potato from the market in a condition suitable to supply on a commission basis. Cold storage is used by the small farmers to preserve their seed for the next season whereas the *Baparies* (Big Traders) and *Aratdars* (Commission Agent) store large amount of potato to sale in the market later. Farmers acknowledge that the potato market is changing as new retail market chains are evolving including fast food shops and supermarket outlets and also because of the emergence of the giant food processors like Pran Group, Bombay Sweets, etc. Yet the small producers have no direct access to this modern supply chain. Farmers' unanimously suggested that if they have been

effectively incorporated into the modern market chain, they could get the right price in the market.

Then, the participants were divided into three groups to discuss the following question.

*Question: What are the main issues and barriers to get better price/ market access of potato for small-scale producers'?*

The group discussions were supported by rapporters from Unnayan Onneshan and a leader identified by the participants of each group facilitated the group discussion. The participants devoted one hour to discuss among themselves the major barriers in the market access and ranked them accordingly. The session was followed by a presentation by the three group leaders to the whole meeting.

*Table 1: Outputs from Group Discussions on Barriers for Access of Small-scale Farmers in the Market*

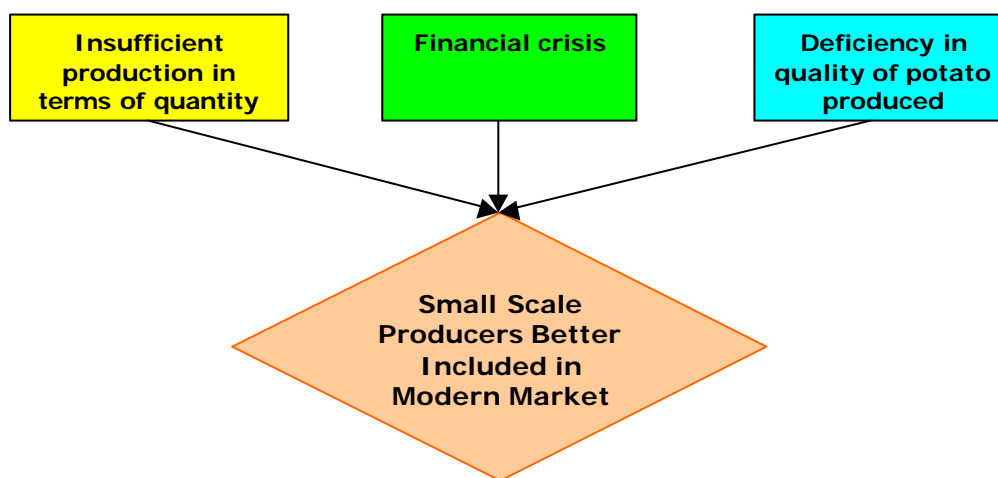
<b>RANK</b>	<b>GROUP 1</b>	<b>GROUP 2</b>	<b>GROUP 3</b>
<b>1</b>	Financial crisis and indebtedness of small farmers	Financial crisis and indebtedness	Due to financial crisis, farmers take loans with high interest rates from local businessmen
<b>2</b>	Very small quantity of production to attract large buyer	Very small quantity of production to attract large buyer	Because of low volumes of production the small-scale farmers cannot sell directly to <i>Baparis</i>
<b>3</b>	Natural disasters and calamities attributing to the supply side constraints	Poor infrastructure and inconvenient transportation	Due to biotic factors, the potatoes produced are deficient in quality

The major barriers identified by the small farmers are financial problems, small quantity of production per farm, lack of transport facilities and infrastructure, natural disaster and calamities and deficiency in quality production. Due to financial crisis, small-scale producers take loans from local businessmen at a very high rate of interests. When the farmers are unable to pay the loan with the incurred interest in the limited time span, they are forced to sell their crops before due time for harvest at low rates suffering a loss in prices. If they are unable to sell their crops within the limited time span, they give up almost half of their crops to the lender to pay the loan. Thus the farmers remain very poor and financially instable. Due to small quantity of production, small-scale farmers cannot sell their potatoes directly to *baparis* (big traders) who purchase only in large quantities. The farmers are therefore left without much choice but to sell their produce to *farias* (petty traders) who give them a price below the usual rate, and farmers once again incur losses. The small producers either cannot afford to preserve their potatoes in cold storage or they do not meet the volume criterion for storage, hence they have to sell their produce quickly to prevent it from rotting. The small-scale farmers are very often unable to meet the target quantity

because of external factors such as fog, insecticide, fertilizer and water. Not only quantity is insufficient, even the quality is not up to the mark, so the farmers are forced to sell their produce at minimum price incurring losses to prevent the entire produce from getting wasted. Due to poor infrastructure and inconvenient transportation, the small-scale producers are unable to carry their produce directly to big traders in city markets, so they sell at whatever price they get to local traders.

The outputs from the group discussions led to identify three most weighted barriers from the farmer's side. According to the given weightage by farmers and ranking, the three most important barriers are identified.

Figure 2: Major Three Barriers for Market Access for Small-Scale Farmers



These three critical issues were distributed to the three former groups considering the groups' preference to work on the issue. Each group was assigned to discuss on the issue focusing the causality of the problems and possible way out for solution. They also identified the actors who will take the lead in the change process. The specific questions were

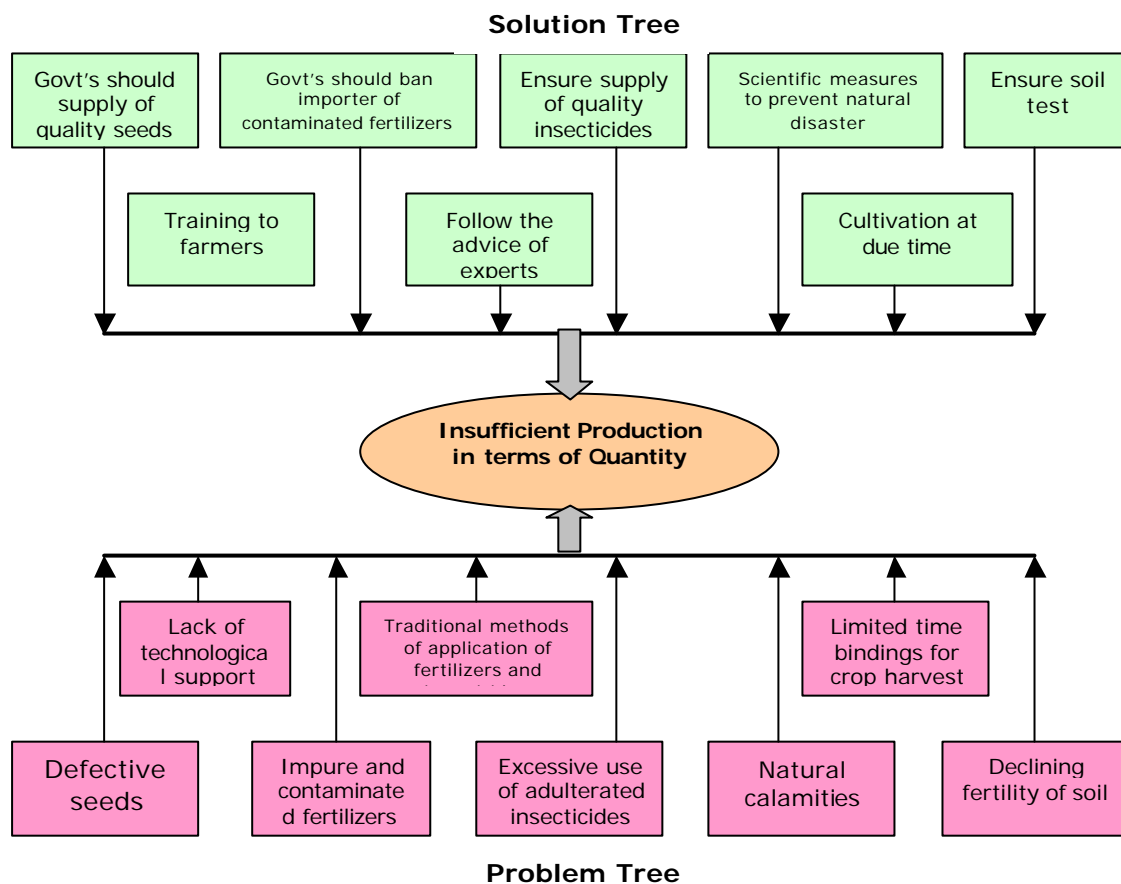
*Key Question 1: What are the underlying reasons behind the issue/barrier?*

*Key Question 2: What action is needed to solve the problem and who might take action to solve the problem?*

Group 1 discussed the problem of insufficient quantity, Group 2 worked on the problem of financial crisis whereas Group 3 concentrated on the issue of deficiency in quality.

While discussing, the **Group 1** identified many factors **responsible for insufficient production**. The problem of defective seeds/planting material came in the first position amongst others. Besides, contaminated fertilizers and adulterated pesticides, natural calamities like fog and droughts, lack of technological support, traditional farming system and low amount of cultivable land per household were identified as the causal factors contributing to insufficient production per farm for small-scale producers.

Figure 3: Problem and Solution Tree for Insufficient Production for Small-scale Producers

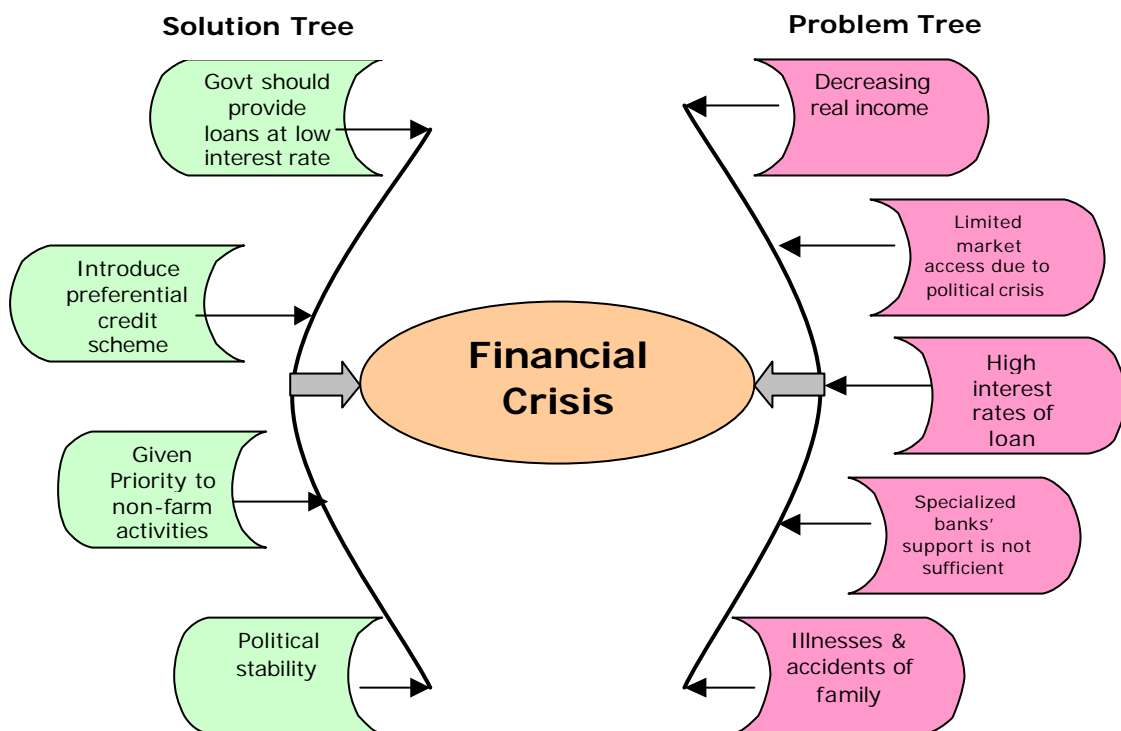


Farmers suggested many things while they were working on the possible way out for solution. They argued about better government role on supplying necessary inputs like seed, fertilizer etc in good quality, quantity and on time. Government should also provide necessary training to the farmers so that the farmers can easily adopt new technologies and would be able to test their soil to find out the suitable crop and ascertain exact dosing of fertilisers. Agriculture extension service should be more effectively work for giving effective advice to the farmers. Farmers also felt a need for collective farming so that they can be empowered with sufficient amount of produce which would create a space for bargaining for right prices in the market.

The **Group 2** worked on the issue of **financial problem for the small-scale producers**. Small farmers have very weak asset bases to generate tangible income. So their income is decreasing in contrast to the rising expenditure. Most of the small farmers cultivate crops with the loan from the traditional moneylenders, *farias* and other micro credit institutions where interest rate is much higher than the formal credit system. Farmers have no access to the formal credit system from the specialized agricultural banks since they lack the collateral. Thus it becomes urgent to repay the loan immediately after harvesting, as the interest rate is very high. Circumstances like this ultimately force the farmers to go for immediate sale when the price is usually low. Again, farmers argued about the political unrest for their financial crisis as they can't access the market when there is a sudden strike.



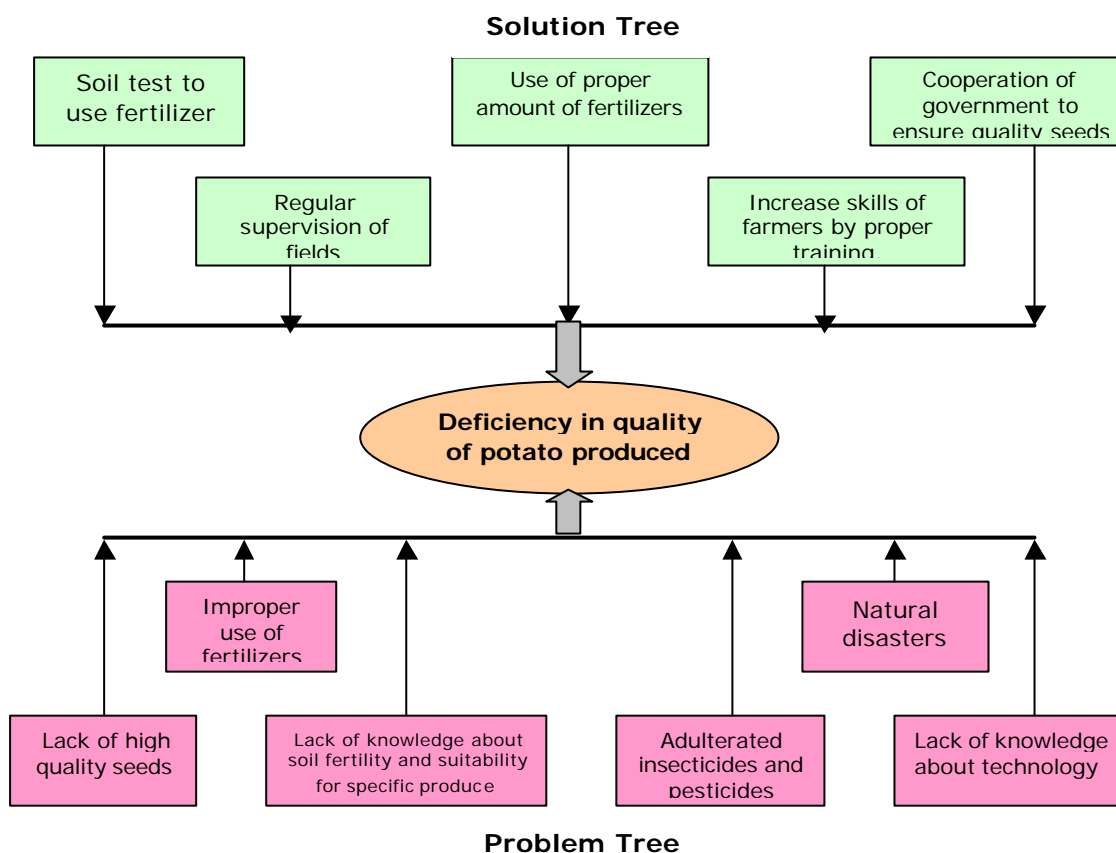
Figure 4: Problem and Solution Tree Diagram for the issue of Insufficient Production in terms of Quantity



Farmers strongly asked for a special credit scheme comprising lower interest rate and no collateral while finding the solution for their financial crisis. Government will provide such facility the farmers argued. Government and other private sector players should give the priority to initiate viable rural non-farm activities.

While working on the issue of **deficiency in the quality of the produce**, **Group 3** identified many underlying causes for the problem. Again, the problem of defective seeds came in the first position amongst others. Besides, contaminated fertilizers and adulterated pesticides, natural calamities like fog and droughts, lack of technological support, traditional farming system and low amount of cultivable land per household are identified as the underlying factors contributing to such an issue. The lack of storage capacity and technical knowledge were also identified as major factors contributing to quality deficiency of produce.

Figure 5: Problem and Solution Tree Diagram for the issue of Deficiency in quality of potato produce



Farmers suggested many things while they were working on the possible way out for solution. They argued about improved government role on supplying necessary inputs in good quality, quantity and in time such as seed, fertilizer etc. Government should also provide necessary training to the farmers so that the farmers can easily adopt new technologies and be capable of testing soil and storing their produce at a low cost. Agriculture extension service should be more effectively work for giving effective advises to the farmers.

In **closing up the meeting**, the moderators gave space for any final comments from the meeting participants. A number of farmers spoke, many re-enforcing the key outcomes from the meeting. On behalf of the group, a number spoke of their appreciation of the meeting and the opportunity it had offered for their voice to be heard on issues of the market chain. They reported that it was the first time they had had such an opportunity.

Unnayan Onneshan outlined the next steps and how the outcomes from this meeting would feed into the three day programme itself. A selected number of participants from this day 1 meeting were invited to the Day 3 multi-stakeholder meeting to participate and to see for themselves that the key issues raised etc were indeed taken forward to the multi-stakeholder meeting. Copies of the overall report together with a short summary will be made available to the community based NGO, Nijera Kori, who will share the key findings with the farmers.

## **MODERN MARKET CHAIN WORKSHOP AT BRAC INN, DHAKA**

The next day on June 13, a workshop was held with different private sector players/agents in modern market chain at the BRAC INN Auditorium. There were a total of 13 participants including 3 from departmental stores, 2 wholesalers, 3 from food processors, 1 service provider, 1 traders, 2 people from fresh produce retail market, and 1 representative of retailers' association.

At 10:00 AM, M. Nazrul Islam, Member secretary, Unnayan Onneshan, on behalf of Unnayan Onneshan, formally opened the workshop and welcomed the participants.

After welcoming the participants, Golam Sarwar from Unnayan Onneshan presented the overall objective and goals of the workshop and the overall objectives of Regoverning Market Programme. The objectives, methodologies and timetable were agreed at the first instance so that the participants could be easily accommodated into the target and structure of the programme. The structure of the three days series of events was described and the linkages between them.

The value-chain map developed in the farmers' workshop was displayed in the meeting for any further addition or subtraction. Then the participants introduced themselves with their brief expectations from the workshop. The general expectations from the participants were -

- Qualities of the production
- Governments' position on the supply side constraints and the market chain
- How the meeting can contribute to developing a good value chain (field to retail)?
- Practical Nitty-Gritty of Value Chain (need for practical ideas not just policies)
- How to put in place contract farming with small-scale producers c.f. own farms – need examples?
- How can small producers be involvement in the modern system including exports?
- How to secure more value addition including post harvest handling and processing?
- What are the Trends and Barriers to entry in the developing export markets?
- How to safeguard the interests of farmers in modern markets e.g. contract farming?

Felicity Proctor presented an overall objective and goals of Regoverning Market Programme, followed by Larry Digal about project activities and innovation in South East Asia Region, Shakeel Ahmed on project activity and success stories in South Asia and Golam Sarwar on changing markets in Bangladesh.

After the presentations a short open forum was held for further clarification. Felicity Proctor responded to the questions. Then the plenary session started with asking the specific question:

*What are the key trends on the fresh (wholesale and retail) and processed potato markets?*

The participants were asked to write down the trends on stick pads (separate page for separate ideas). While participants were responding to the question, the facilitator was arranging the cards into some homogenous trend categories. At last 10 trends are summarised from the participant's feedback on the question. These were:

- Increased consumer demand for quality
- Expanding export market opportunity

- Expanded agro-business using more raw materials
- Improved infrastructure
- Changes in market structure (more middlemen/intermediaries)
- Quality assurance of modern retail markets
- Better value chain management and vertical integration
- Changes in technology
- Decrease in public support to farmers
- Increases in cost of production

After a short summing up of the identified trends participants are asked in the plenary to identify the drivers for such changes answering the question:

*What are the drivers of these trends?*

The method for categorising drivers also followed the same method as for the categorisation of the trends. The drivers for such trends are categorised as follows :

- Global spill-over effects
- Increasing purchasing power
- Changes in consumer demand and lifestyle
- Media exposure
- Growth in exports
- Public policy supporting farmers
- Changes in production and processing technology

After compiling the trends and drivers the participants are asked to identify the major issues for small scale producers considering the trends and drivers active in the market. The question was-

*What are the implications of these trends to small-scale producers?*

The issues identified by modern-market Chain Agents:

**1) Need to improve Product Quality:**

- Better quality production from the farmers' end
- Farmers should be provided technology support
- Greater mechanization required in production process
- Product should meet certain standards
- Farmers need to be equipped with knowledge about crop diseases such as late blight disease to save their crops

**2) Need for Vertical Integration/Market Linkages or Mechanism:**

- Need to get involved with modern processing and marketing systems
- The small farmers must get their optimal price. If the farmers are not given their deserved price, they will lose their incentive to produce
- Need to establish supply market chain
- More small farmers are interested for potato cultivation through support of entrepreneurs and exporters
- Need to commence contract farming to involve small and marginal farmers to improve socio-economic condition of farmers

- 3) **Need to strengthen Private-Public Sector Partnership:**
  - Farmers need financial assistance such as short-term loans for potato production.
- 4) **Re-enforce Logistics and Infrastructure:**
  - Cost effective transportation
- 5) **Support a Conducive Policy Environment:**
  - Government's supportive policy
  - Government should have some regulations on local market
  - Growers' money back assurance
  - Financial support
- 6) **Increase Market Awareness:**
  - Awareness about present market dynamics and change
- 7) **Establish and strengthen Organisation of farmers:**
  - Co-operative Farming
- 8) **Put in place Private-Public Dialogue:**
  - Collaboration between private and public chain actors is needed

In the subsequent and last session, the participants were divided into two groups each supported by two rapporters from Unnayan Onneshan. Each group was assigned to explore the possible future role of the private sector in enabling small-scale farmers access to the modern and dynamic market. The question for discussion was:

*What kind of role and what institutional setting would the private sector be enabled to play an increased role in broad-based procurement from small-scale farmers and SME processors?*

The groups were invited to have an open debate, get out all the ideas and focus their discussion on the highest priority three ideas. The groups identified their own moderator/chairperson.

### **Findings from Group 1**

Top three ranked:

1. Facilitating corporative (cooperation) for the small scale farmers was seen as an essential pre-requisite to small scale producers' participant in dynamic markets.
2. Private sector is interested to invest in the value chain including procurement infrastructure and value addition - this could be area wise. The private sector is willing to explore joint consolidation to enable effective procurement as sales volume grows.
3. Need for a forum (public and private) to provide technical support (production, knowledge of agricultural inputs), training, financial support for inputs including irrigation (loan facilities), information (market demand) to groups.

Others:

4. Guarantee of sales to farmers.
5. Developing the value chain
  - Warehouse facilities and preservation technique
  - Better packaging at field level.
  - Infrastructure development in remote region.
  - Better transport facilities
6. Marketing consolidation
7. Forming pressure groups/ associations to raise issue to the Government.
8. Promote exports which will push up production.
  - Changes in Government policies
  - Simplification of bureaucratic policies.
  - Foreign policies to promote export to certain countries for specific products
  - Inadequate carriage facilities
  - Effective role by Bangladesh foreign mission.
9. World class (international) standard lab facilities for certification and sample testing.
10. Government and non-government bodies including the private sector should meet frequently to ensure progress.
11. Rehabilitating middle men while improving value chain.

## **Findings from Group 2**

Top three ranked:

1. Support to Production Technology. The private sector has a role to play in
  - Training of the farmers including technology awareness – e.g. what quality is required, source of seed variety
  - Support to demonstration plots and good practice
2. Finance
  - There was seen to be a critical need for credit either through Government or commercial credit
3. Support new models of farming
  - Cooperative
  - Contract farming
  - Collaborative farming with private sector

Others:

4. Marketing
  - Need to explore fixing of floor price to safeguard production
  - Support the establishment of procurement centres on the production regions

#### 5. Transport:

- Donation (Extortion)/ unseen cost in the market chain were seen as key barriers to market development and change

#### 6. Procurement and preparation centres in rural areas

#### 7. Buyers and sellers fora

The group discussions were followed by presentation to the meeting of each group's findings by the two elected group chairpersons/moderators. This was followed by a **short open discussion**. In the open discussion, key points from the groups were re-iterated in particular the need for new models of farming and linkages with the value chain including contract farming and cooperation. There was real interest to learn from other regions of what works (including detailing costs, business planning, roles and responsibilities) - the example to the NorminVeggies from the Philippines had for example attracted much interest. Structures of contract farming for example were seen as a way in which training and technology could also be transferred. There was a strong call not for new and more policies *per se* but for practical ideas for business action. The private sector re-affirmed their commitment to invest and work to secure new and dynamic market opportunities in the interest of both the farmer and the consumer. The private sector expressed interest to work together and with others to support such change.

**In closing** Golam Sarwar and his Unnayan Onneshan colleagues, advised that the key points from the meeting would be taken forward to the multi-stakeholder meeting and that participants from this meeting were welcome to join the final multi-stakeholder meeting. In addition Golam Sarwar and M. Nazrul Islam expressed appreciation of the work of the group. They advised that a report would be prepared and shared with all participants and that Unnayan Onneshan stood ready to help take this important agenda forward in the future.

### **MULTI-STAKEHOLDER WORKSHOP AT BRAC INN, DHAKA**

Final workshop was held with multi-stakeholders group at the BRAC INN Auditorium. There were a total of 23 participants including 3 farmers, 3 wholesalers, 4 food processors, 5 government officials, 2 Academician, 1 representative from farmer's association, 5 journalists. At 10:00 AM, M. Nazrul Islam, Member secretary, Unnayan Onneshan, on behalf of Unnayan Onneshan, formally opened the workshop and welcomed the participants..

After welcoming the participants, Golam Sarwar from Unnayan Onneshan presented the overall objective and goals of the workshop and the overall objectives of Regoverning Market Programme. The objectives, methodologies and timetable were agreed at the first instance so that the participants could be easily accommodated into the target and structure of the programme.

The value-chain map developed in the farmers workshop also displayed in the meeting for any further addition or subtraction. Then the participants introduced themselves with their brief expectations from the workshop.

Felicity Proctor presented an overall objective and goals of Regoverning Market Programme, followed by Larry Digal about project activities and innovation in South East Asia Region, Shakeel Ahmed on project activity and success stories in South Asia and Golam Sarwar on changing market in Bangladesh. There was an open floor discussion after the presentations where participants raised concerns addressed by the experts and exchanged comments among themselves.

After the presentation session, the plenary started with sharing the outputs of the last two days. First, The value-chain constructed by farmers and the trends and drivers identified by modern market-chain in the two previous workshops were validated in the presence of the multi-stakeholders and new additional inputs recognised by the participants were also added.

The participants agreed with the trends identified in the previous workshop but also added some additional trends:

- Increase in media activities in value chain
- Increase in importation of agri-food products
- Increase in NGO activities in the value chain
- Increase in crop diversification and crop intensification increase/expansion in contract farming

In the case of drivers the participants had the partial disagreements on one point and suggested some amendment on the driver of *Increasing purchasing power* as this was happening for a certain class of people but not for all. They also added another point to the previously identified drivers:

- Increase in market syndication (leading to price distortion)

### **Taking the challenges forward**

The team had the previous evening amalgamated the challenges into nine broad clusters. These were drawn exclusively from a list of challenges/issues generated from both the farmers' workshop and the business sector workshop regarding the issue of market access for small-scale producers.

The participants were invited to review these and debate any points of query. They were generally agreed as a valid working list. The participants are invited to rank the challenges as challenges that they felt were important and that they would like to focus on in the subsequent working group session. Each participant was given two votes. It was recognised by the group that all the issues mattered but time did not permit working on all nine challenges.

The following lists the challenges and the scores given (in brackets).

The **Challenges in Securing Small Scale Producers Participation in Modern Markets** were identified as:

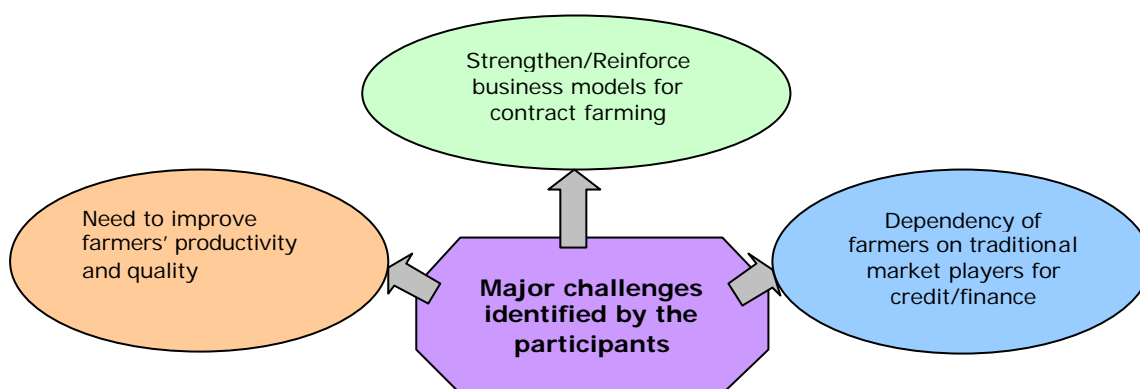
- 1      Need to improve farmer's productivity and quality (10)
  - Production technology
  - Agricultural inputs (seed variety, efficient utilization of inputs e.g. fertilizer)
  - Quality improvement/standards



- Capacity building
- 2 Dependency of farmers on traditional market players for credit/finance (7)
    - Need for finance models
    - Loan facilities/special credit, guarantee of sales for farmers)
  - 3 Imbalance of market information (1)
    - awareness
    - price
    - quality standards
    - end-user requirements
  - 4 Need for cooperative action at small scale farmers levels and low level of production (1)
    - Cooperative, joint actions, lobby
    - Low level of production by each small farmer (small land, traditional farming, disasters)
  - 5 Strengthen/reinforce business models for contract farming (7)
  - 6 Strengthen vertical farmer-private-private sector linkages (i.e. vertical value chain) (2)
    - Improve market consolidation
    - Procurement centres run by farmer associations
    - Partnerships developed (not ignoring the role of the traditional middlemen)
    - Warehouse and storage infrastructure
    - Preservation/post harvest technology (e.g. better packaging at field level)
    - Cost-effective transportation
    - Capacity building
  - 7 Need for on-going private-public sector dialogue (0)
    - supportive public policies
    - forming pressure groups/associations/networks to raise issues to government
  - 8 Strengthen exports to diversify market opportunities for small scale producers (6)
    - change in policies-simplification of bureaucratic procedures, promotion to certain countries for specific products
    - logistic/carrier facilities
    - effective role by Bangladesh foreign missions
    - world class laboratory facilities to meet international certification requirements
  - 9 Conducive public policy environment for small scale producers and markets(6)
    - price
    - finance

The three issues that gained the highest number of votes were then individually assigned to three groups of participants. The participants discussed the issues as well as how to resolve them. The group discussions supported by rapporters were followed by individual presentations of each elected group leader. Among the issues *Need to improve farmer's productivity and quality* got highest at 10 votes and was placed first for discussion. Then *Dependency of farmers on traditional market players for credit/finance* and *Strengthen/reinforce business models for*

*contract farming* - both issues got 7 votes and were selected as the next two other most important challenges by the participants. Participants were free to work in the group of their preferred choice. Each group selected one person from the group as the moderator. The selected moderator presented the output at the end of the meeting to the wider workshop.



The group three worked on the analysis of the challenge of the most important one i.e. ***Need to improve farmer's productivity and quality***. While identifying the major underlying causes of the challenge the participants noted the reasons including: Lack of quality inputs, Information gap about market dynamics and changes, Lack of technological knowledge and adaptation, Insufficient allocation of resources for research and development, Lack of infrastructure and knowledge gap regarding post harvest, handling, packaging and storage.

<b>Challenge: Need to improve farmers' productivity and quality</b>					
<b>Background of the Challenge:</b>	Lack of quality inputs	<b>Actions to face the challenges</b>	Adequate supply of quality input at required time and affordable price	<b>Who should take the actions?</b>	Public-Private Partnership
	Information gap about market dynamics and changes		Awareness building about technology		Private Public NGOs
	Lack of technological knowledge and adaptation		Skill development through training		Public private research organizations
	Insufficient allocation of resources for research and development		Innovation and adaptation of appropriate technology		Government (DAE) & NGO
	Need of market improvement in favour of farmers		Right price mechanism		
	Lack of infrastructure and knowledge gap regarding post harvest, handling, packaging and storage		Awareness building, training and infrastructure development for post harvest handling, packaging and storage		
	Dissemination of relevant information about market requirements				

Then they suggested major actions including ensuring adequate supply of quality inputs in a timely manner and at affordable price, effective mechanism for awareness building about technology, taking initiatives for skill development through training, innovation and adaptation of appropriate technology, provisioning right price mechanisms, awareness building, training and infrastructure development for post harvest handling, packaging and storage, and dissemination of relevant information about market requirements.

Participants explicitly argued for private-public partnership and dialogue to make the changes viable and sustainable.

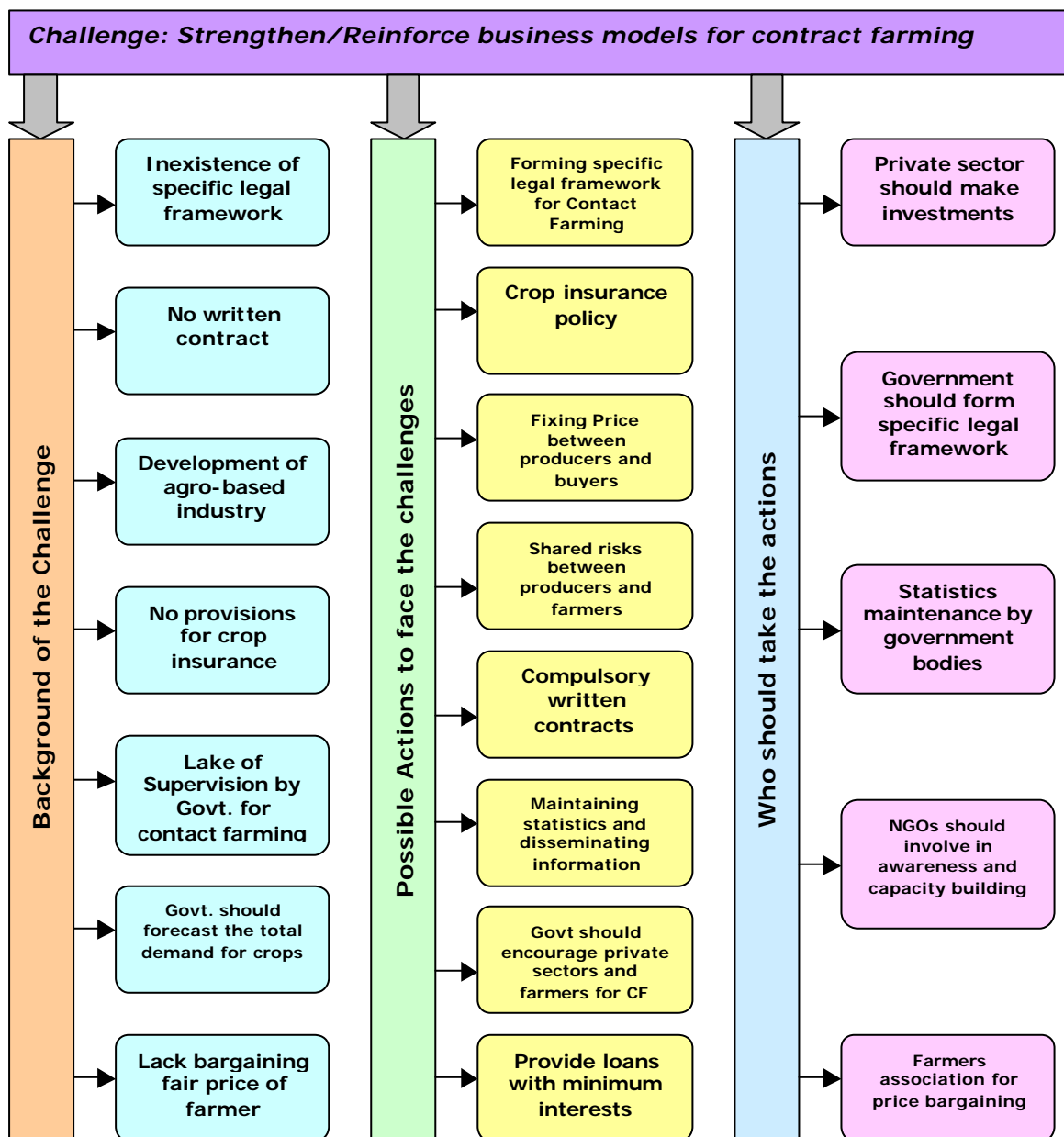
The second group worked on *Dependency of farmers on traditional market players for credit/finance*. It was identified in the group discussion that the small farmers are resource poor and always suffer from the chronic indebtedness. The major sources of credit are the traditional moneylenders and traditional market players (Farias, Baparies etc).

<b>Challenge: Dependency of farmers on traditional market players for credit/finance</b>					
<b>Background of the Challenge</b>	Lack of self-finance or capital	<b>Actions to face the challenges</b>	Govt should provide low interest rates loans	<b>Who should take the actions</b>	Insurance companies
	Lack of timely availability of capital		Granting sufficient time to farmers to return the loan		Support price by the government
	Chronic Indebtedness		NGOs giving loans with low interest rates before cultivation		Special agriculture loan scheme by government
	Farmers offered lower than the right price		Loan without mortgage		Timely availability of capital by government and private sector, NGOs
	Giving up almost half of crops to money-lenders to repay conditional loans		Crop insurance provided by insurance companies that are reinsured by the state		Farmers association to raise concerns of farmers
	Investable capital reducing in relation to collateral		Farmers co-operative without government interference		
	Farmers hardly have any tangible assets for mortgage for loans				

The reasons for dependency of farmers on the traditional market players identified from the participants are mainly attributed to the lack of self-finance and timely availability of capital, chronic indebtedness and subsequent loss of investable capital over the years. Possible actions to overcome the challenge that the group identified was that there should be a mechanism for lending at low interest rates and that there should be a special arrangement so that the farmers can get loans without mortgage. Farmer co-operative's were also seen as a means for building awareness among farmers and for increasing their bargaining power. Insurance companies, government, NGOs and farmers association can contribute to the change.

Another group worked on the challenge *Strengthen/Reinforce business models for contract farming*. In Bangladesh, there is specific lacking in the regulatory regime for contract farming. Almost all the contract farming is agreed on verbally and there is no paper contract. Companies often communicate with the farmers through their local agents who are generally the part of the local middlemen. Again the contracted farmers cannot sell their product to the local market whereas the contractors often deny buying the produce at market price. Agro-based industry development and dynamic markets in the country is creating a new opportunity for contract farming. As there is no provision for crop insurance for small producers, small farmers are more

inclined to have a contract farming agreements where there will be a risk sharing and benefit sharing arrangements.



While suggesting actions for combating the challenge the group argued for compulsory written contracts, provision for a mechanism to share risks and benefits between the both parties i.e. contractors and farmers, competitive price fixing arrangements, crop insurance policy and formulation of effective legal framework for contract farming. Private sector should play the major role for functional arrangements while the government should initiate the effective safeguard mechanism by introducing legal frameworks.

In the **closing session**, time was given for any final comments from the participants. Much of the commentary further re-enforced the comments already made from the working groups. In addition there was a debate on the issue of the opening up of the market in Bangladesh under WTO and a concern about the readiness of the agribusiness and farming sector to be exposed to open competition. One participant placed emphasis on the importance of infrastructure and reaffirmed the need for effective public and private sector linkages in any investment decision in particular where it linked to value chain requirements e.g. procurement hubs. Finally, the new World Bank programme (the National Agricultural Technology Programme) was noted as having a component on value chains embedded within it. This was seen as a possibly entry point for taking part of the agenda forward.

Rashid Titumir, Unnayan Onneshan, and Felicity Proctor, Regoverning Markets Programme, provided closing comments, both noting in particular the rich debate that had been held over the three days and the strong participation by all. The participation by farmers in the final multi-stakeholder workshop was very much welcomed and seen as essential as the dialogue on changes in the market take place today and in the future. It was agreed that many ideas had been shared – some old but many new and all set within the changing market environment. The importance of re-enforcing new modes of dialogue and function between the public and private sectors was noted as a key to building the capacity of all actors to contribute to and benefit from changes in dynamic agri-food markets.

Unnayan Onneshan confirmed that they would share with all a copy of the final workshop report and that it would be posted on both the Unnayan Onneshan website as well as the international programme website of the Regoverning Markets. In addition, Unnayan Onneshan, expressed their willingness to remain ready to assist where possible and appropriate in helping to take the agenda forward.

**Annex 1: Participants List for Modern Market Chain meeting on June 13, 2007**

SL No.	Name	Designation	Organization	Address	Category
1	Mr. Basu Chandra Deb	Asst. Manager	Nandan Food and Beverage Ltd.	NWJ (4), Kemal Ataturk Avenue, Gulshan Dhaka	Departmental Store
2	Mr. Roknuzzaman Chowdhury	F.S	Nandan Food and Beverage Ltd.	NWJ (4), Kemal Ataturk Avenue, Gulshan Dhaka	Departmental Store
3	Mr. Sohel Ahmed	Head, NGP	Rahimafrooz Ltd.	1A, Gulshan Avenue, Gulshan-1, Dhaka-1212	Departmental Store
4	Md. Jahangir Alam	Asst. Manager	ITochu Corporation	Jahangir Tower (2 <sup>nd</sup> Floor), 10-Kawran Bazar, Dhaka-1215.	Wholesaler
5	Mr. Fazlul Hoque	Manager	Arecon Bangladesh	35/12 Golapbag, P. O. Wari, Dhaka - 1203	Wholesaler
6	Mr. Md. Sadequ Ali		Bombay Sweets & Co. Ltd.	Red Crescent Concord Tower 17, Mohakhali C/A, Dhaka	Food Processors
7	Mr. Mizanur Rahman	Director	S T D International	Bangladesh, Dhaka, 33/35, Jafary Bhaban, Kawran Bazar, Dhaka	Food Processors
8	Mr. Md. Belayet Hossain	Entrepreneur	Global Multi Resources INC	House. 34/A, Road. 4, Dhanmondi R/A, Dhaka-1205	Food Processors
9	Mr. Nurul alam	Manager (M)	Lalteer seed Limited	Anchor Tower, 10th Floor, 1/1 B Sonargaon Road, Dhaka-1205	Trader
10	Mr. Placid Gomez	Manager	Omnitrans International Ltd.(OOCL)	100, Kazi Nazrul Islam Avenue, Chartered Accountant Bhaban, 3rd Floor, Dhaka-1000.	Service Provider
11	Mr. Matin Rahman	Secretary	Mohammadpur Natun Kancha Bazar	Mohammadpur, Dhaka-1207	Fresh food retailer association
12	Mr. Jamaluddin	Retailer	New Market Kacha Bazar	New Market, Dhaka	Fresh food Retailer
13.	Mr. Kamrul	Retailer	Karwan Bazar	Karwan Bazar, Dhaka	Fresh food Retailer

**Annex 2: Participants List for Multi-Stakeholders Meeting on June 14, 2007**

<b>SL No.</b>	<b>Name</b>	<b>Designation</b>	<b>Organization</b>	<b>Address</b>	<b>Category</b>
1	Mr. Md. Akther Hossain	Farmer	Potato Cultivation	Pipuia Kandi, Daud Kandi, Cumilla.	Farmer
2	Mr. Md. Anower	Farmer	Potato Cultivation	Mohammadpur, Daud Kandi, Cumilla	Farmer
3	Mr. Md. Keramat Ali	Farmer	Potato Cultivation	Malay, Daud Kandi, Cumilla	Farmer
4	Mr. Md. Abdul Latif	General Manager	M / S Wadud Traders	12 Progoti Smarani, Block - J, Baridhara, Dhaka	Wholesaler
5	Mr. Fazlul Hoque	Manager	Arecon Bangladesh	35/12 Golapba g, P.O. Wari, Dhaka-1203	Wholesaler
6	Mr. Monir Bhuiyan	Proprieter	M/S. Kyokushin Enterprise	3, Sukrabad (ground Floor), Dhanmondi, Dhaka	Wholesaler
7	Mr. Mizanur Rahman	Director	S T D International	Bangladesh, Dhaka, 33/35, Jafary Bhaban, Kawran Bazar, Dhaka	Food Processors
8	Mr. Eleas Mridha	Executive Director	PRAN Group	12 R.K. Mission Road Dhaka	Food Processors
9	Md. Jahangir Alam	Asst. Manager	ITOCHU Corporation	Jahangir Tower (2 <sup>nd</sup> floor), Kawran Bazar, Dhaka, 1215	Food Processors
10	Mr. Md. Sirajul Islam	Deputy Director	Dept. of agriculture Extension	Khamarbari, Farmfate, Dhaka	Govt. Officials
11	Mr. M. L. Mahmud	Director (T.W)	Dept. of agriculture Extension	Khamarbari, Farmfate, Dhaka	Govt. Officials
12	Mr. Md. Sirajul Islam	Director	Dept. of agriculture Marketing	Khamarbari, Farmfate, Dhaka	Govt. Officials
13	Shaikh Mehedee Mohammad	Assistant Director, RED	Rural Development Academy	Bogra -5842	Govt. Officials

14	Mr. M. Hajiqul Islam	Additional Director	Food Policy Monitoring Unit	16 Abdul Gani Road Khadya Bhaban Dhaka-1000	Govt. Officials
15	Mr. A.F.M. Badrul Alam	Lead Consultant	Agri-Business Expert, free lens Consultant		Academician
16	Mr. Md. Saleh Ahmed	Lead Consultant	Free lens Consultant		Academician
17	Mr. Badrul Alam	President	Bangladesh Kreshok Federation	Ismail Mantion, 9/h, Motijheel C/A, Dhaka-1000	Farmers Association
18	Mr. Raseduzzaman	Director	Mondol Agro Industries Ltd.	3, Shahid Taj Uddin Ahmed Sharani Boro Magbazar, Dhaka 1217	Food Processors
19	Mr. Porimal Palma	Reporter	The Daily star	19 Kawran Bazar, Dhaka	Journalist
20	Mr. M A Raquib Khan	Staff photo Journalist	New Age	Holiday Building, 30, Tejgaon I/A, Dhaka	Journalist
21	Mr. Zahidul Islam	Senior Staff Correspondent	New Age	Holiday Building, 30, Tejgaon I/A, Dhaka-1208	Journalist
22	Mr. Arif Ahmed	Reporter	Independent		Journalist
23	Mr. Nazrul Islam Masud	Staff photo Journalist	The daily Destiny	Aligarh House, 146 Motijheel (3 <sup>rd</sup> Floor), Dhaka-1000	Journalist