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AGRICULTURE DEVELOPMENT

Scope and Potential in Bangladesh

An expanded and modernised agribusiness can reduce waste, rationalise consumption, expand boundaries of seasonality, exploit full production potential and expand horizon of production for the future. These can be done through acquisition, development and transfer of technologies.

by M Hassanulha

AGRIBUSINESS refers to all commercial activities in agriculture aimed at making profit by adding value to inputs, infrastructure, services and outputs of agriculture. A part of the added value is accrued to the enterprises and entrepreneurs and a part is passed over to both producers and consumers. It is presumed that an activity remains sustainable till it adds value which is shared by members of the society. A very wide spectrum of processes and products — inputs, services and outputs of agriculture, can provide scope for agribusiness. Any of them or a mix of them can emerge as a business enterprise. A single enterprise may diversify its products as well as processes, depending upon its comparative advantages in terms of its financial, technical and managerial resources.

Potential of Growth and Development

Agribusiness has a sky-high potential for growth and development. Farmers currently realise only about one-fifth of the production potential of the existing technologies. Recent scientific developments indicate that expansion of the horizon of production in terms of quantity and quality knows no bound. Production activities can therefore be multiplied many fold. Hardly 5 per cent of whatever is produced at present is processed and preserved. Wasteful traditional means are still being employed in transportation of products. Storage also remains unchanged. There is no facility for storage of perishables. Even grains get spoiled in the traditional stores. Packaging is also very much traditional deteriorating quality of products. Trading is widely practised without much improvement in terms of handling, packaging and quality control. Therefore, there is a great potential to expand and upgrade agribusiness in the country.

Role of Agribusiness in Modernizing Agriculture

An expanded and modernised agribusiness can reduce waste, rationalise consumption, expand boundaries of seasonality, exploit full production potential and expand horizon of production for the future. These can be done through acquisition, development and transfer of technologies.

Acquisition of Technologies: Technologies providing business opportunities are protected by patent rights or by intellectual property rights. Even some of the superior technologies evolved by public institutions through contractual R&D system are also subject to protection. Under the circumstances superior technologies are not expected to be available unless business communities take the lead in acquiring technologies, either through direct purchases or through payment of royalties or by establishing joint venture activities in order to earn profits. Agribusinesses can also establish the system of contract production with both large and small farmers (through NGOs) and ensure application of the right technologies for maintaining quality standards of their products. They can adopt technologies that reduce post harvest losses in order to increase its margin of profit. They can acquire the right technologies of storing, packaging and processing and can sell processed products at times when they are not available fresh in the market.

Technology Development: Not all superior technologies can be bought from home or abroad, because sources of many of the superior technologies are not known and many of them are protected. Often the marketing of technologies is restricted or protected by nations who possess them. In this situation there is no way but to invest for the development of such technologies. Technologies relating to post harvest operations often can be acquired from abroad but production technologies need to be locally studied or developed. Agribusinesses can invest a part of their profits in developing such technologies to expand future business opportunities. They can either invest or pay for the services of researchers through a contract research system. Motivation for profit is the best incentive for the development of technologies of production, processing, storage, packaging and transportation of inputs, services and outputs of agricultural.

Technology Marketing: Agribusinesses can introduce and sell technology transfer programmes through the educational process. They can introduce appropriate technologies for production, processing, storage, packaging and transportation of inputs, services and outputs of agricultural.

Arrangement in order to get fresh or processed products of desired quality to satisfy the preferences of customers and ensure profitability. Secondly, they can syphon off commodities from primary and assembly markets at peak harvest time resulting in better prices to the primary producers. They can motivate others to adopt more productive technologies for increasing production commensurate with increased demands of the products. People do not learn and use technologies unless they provide opportunities for profit. Thirdly, they can engage in joint ventures sharing and transferring technologies which otherwise is not available.

Factors Constraining Agribusiness Development

Subsistence Orientation: The first factor constraining development of agribusiness is the subsistence orientation of agribusiness enterprises. They use traditional ways and keep the operation limited to a level which satisfies the needs of a family, what is often called "shop mentality". The entrepreneurs remain satisfied with the limited earning and the comfort accrued upon. Commercial orientation of scaling up, modernisation, chain of operations on a national and international perspective is indeed rare in Bangladesh. There is lack of urge to earn and invest for the benefits of the society. This is due to lack of professionalism in business. In fact agribusiness is business. Trading is widely practised without much improvement in terms of handling, packaging and quality control. Therefore, there is a great potential to expand and upgrade agribusiness in the country.

Lack of Investment-friendly Environment:

The third factor constraining development of agribusiness is the subsistence orientation of agribusiness enterprises. They use traditional ways and keep the operation limited to a level which satisfies the needs of a family, what is often called "shop mentality". The entrepreneurs remain satisfied with the limited earning and the comfort accrued upon. Commercial orientation of scaling up, modernisation, chain of operations on a national and international perspective is indeed rare in Bangladesh. There is lack of urge to earn and invest for the benefits of the society. This is due to lack of professionalism in business. In fact agribusiness is business. Trading is widely practised without much improvement in terms of handling, packaging and quality control. Therefore, there is a great potential to expand and upgrade agribusiness in the country.

It is commonly perceived as a means of personal benefit rather than as a service for a better social life.

Lack of Access to Modern Technologies: The second factor constraining agribusiness development in Bangladesh is the lack of access to modern technologies and management practices. The existing agribusiness system of Bangladesh has been built upon the prevailing subsistence agriculture. In order to be globally competitive the system must have access to modern technologies of production, processing, transportation, storage, packaging and trading products and services. Modern technologies are more cost effective, efficient and reliable in terms of quality and durability. Bangladeshi entrepreneurs have little or no access to such technologies. Even the doors of domestic public sector research systems are not fully open to private sector enterprises. Acquisition and development of modern technologies, not protection, would help them become competitive in the local and international markets.

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Investment Priorities

First priority is to invest in marketing of commercially and industrially important crops such as soybean, sunflower and maize. Expansion of their production is held back due to lack of private sector trading initiatives. Though they have a high production potential as well as market demand, some of their products like oils, cakes and flakes are extensively imported, depleting foreign exchange reserves.

The second priority should be to invest in export of fruits and vegetables because local markets have no capability to absorb any increased production. Farmers have been exploiting only 10 to 20 per cent of the production potential. Increased production results in a severe decline of prices, which eventually backlashes on the economic condition of the farmers. New products like mushroom, baby corn and gherkin also have a high export potential and a good production

potential in the country as well. We need to invest in facilities for processing, packaging, storing and shipping of exportable commodities. The third priority should be to invest in processing of those commodities which provides scope of adding the highest value. For example, the price of one kilo maize is about Tk. 8.00, whereas, when it is converted into corn flakes, we buy it at a price of Tk. 24.00 from the retail markets. The same is true for wheat, soybean, maize, fruits, vegetables, milk, meat, eggs and fish.

The fourth priority is to invest in the development of refrigerated distribution and retailing system for fresh and processed products of perishable commodities such as milk, meat, eggs, frozen fish, vegetable and fruits in order to avoid spoilage, to maintain quality and avoid health hazards.

The fifth priority is to invest for the development of seeds and fertilizers industries. There is enormous potential for private sector investment in both of these basic inputs of crop agriculture. Demand is so great that several dozen national companies can establish nationwide operations to provide high quality seeds and slow release plant nutrients, including bio-and organic manures for improving soil health.

The sixth priority should be to invest for the production of parent stocks, chicks, fingerlings, frozen semen, embryos, feeds, medicines and vaccines. Adequate availability of these inputs can go a long way to bring rapid development in poultry, livestock and fishery industries.

The seventh priority of investment is to develop local capacity to manufacture a small power equipment in order to ensure quick turnover, operational efficiency and quality standards for tilling, sowing, weeding, spraying, harvesting.

The eighth priority is to collect and provide market information for making investment decisions in agribusiness. Entrepreneurs need to know short or long term production or supply trends, demand and prices, trade concessions and facilities of both local and export markets, tariff and non-tariff barriers and opportunities, appropriate technologies, plant and machinery specifications and prices, standards and restrictions.

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