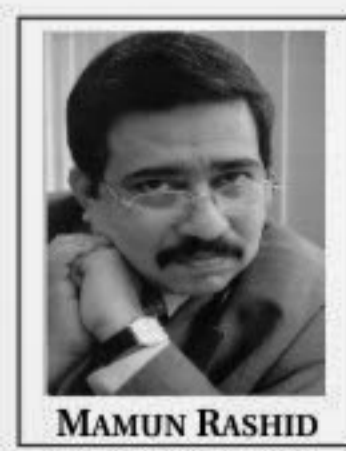


THIRD EYE

Making sense of food security



A Dhaka University economics professor, in a television interview in early 2008, said that he expected the next

elected government to make a kilogram of rice available at Tk.12-14. However, when I talked to an uncle from Chapainawabganj and heard how increased procurement price has encouraged his fellow farmers/producers to take farming seriously to produce more and not to keep an inch of farmland uncultivated. This also helped them towards optimum utilization of inputs such as fertilizer, seeds and pesticides.

In an economy like ours, where agriculture compromises about 20% of the country's gross domestic product (GDP) and employs almost 50% of the total labour force, a "not so encouraged" farming community is not a good sign. We can't simply afford that to happen when we are losing almost 1% of arable land to habitation and industries every year, and are challenged to keep our increased population fed at least two times a day.

Dr. Rakesh Mohan, former deputy governor of the Reserve Bank of India (RBI), once said that though Indian agriculture's contribution to GDP is overshadowed by spectacular rise in the service and manufacturing sectors, a slight drop in agricultural production can jeopardise the political harmony in India and spread tension all over. The conclusion is equally applicable, if not more, in Bangladesh.

One of the main challenges for our government today is to motivate the farmers to remain in farming and produce more, especially rice. This can't happen in today's world without forward-looking product pricing

policy, timely inputs and financial support. Despite the devastating cyclone Sidr, we saw how the interim government proved our development partners' forecast with regard to food security to be wrong by transferring the terms of trade in favour of the real growers through increasing the procurement price. This meant putting funds in the hands of the farmers during boro season.

Our policy planners have to forget about ensuring rice at Tk.12 per kilogram and, instead, encourage the "real producers." They also should appreciate the role of wholesalers and retailers, and even "middleman," in the food supply chain. "Extortionist" and "middleman" do not mean the same. The role of the middleman in agricultural produce marketing is widely accepted.

Availability of credit was always a question mark. We know from various papers produced by economists at Bangladesh Institute of Development Studies (BIDS) and elsewhere, how tough it was for the real growers to get agriculture credit from state owned banks. They had to accept almost 25% discount as facilitation money paid to various agencies, including bank officials. With serious push from the government, Bangladesh Bank and other agencies, the situation has improved.

However, availability of credit still remains a major concern. Bangladesh Krishi Bank (BKB) along with other state owned banks can't support the increased credit demand in the farming sector, while MFIs are reluctant to lend to farmers because of absence of cooperative based micro-credit, political pressure for interest or principal waivers at frequent intervals and, more importantly, subsidised interest rate for agriculture sector. This is where money lenders and others channels play a part, but terms of trade are



FIROZ GAZI/DIRKNEWS

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always against the farmers.

Therefore, while the issue is timely availability of credit and farmers are increasingly able and eager to pay market interest rates, including those being charged by MFIs for small loans (reflective of the risk based return), we could possibly think of expanding opportunities for the farmers by letting agriculture credit follow market-based interest rates. This should help other formal lenders to find space and increase the overall availability of funds. This

would help the farmers to avoid borrowing money at 100% -120% per annum from money lenders.

While the government is focusing on rightly identified issues and working on the policy measures, we must not forget "where the shoe pinches." In the past, we saw policies formulated without any effective monitoring process. A cohesive policy should be formulated to determine the terms of trade and pricing. The core challenges for the government will be to find market-driven solutions in

terms of managing the distribution network, creating a balance between market prices and consumer desired prices and, most importantly, timely availability of resources.

With a "result driven" Matia Chowdhury in the lead, we are observing a number of positive changes in the policy directions. The government has taken initiatives to prepare a comprehensive user-friendly database on farmers. It is working at the policy level to develop market infrastructure to build up an

effective value chain between producers and consumers. Although the commodity prices are higher than the fixed income of the ordinary people, the government is planning to set up an agriculture price commission to provide guidelines to strengthen agricultural marketing, and to ensure fair price for farmers and affordable price for consumers. Quality assurance in both the production and the supply ends has also been set as a priority.

The ministry of agriculture, along with the ministry of finance, should also use NGOs' wide network for channeling the agriculture inputs. The objective should be to stick to the primary mission of attaining food security through offering right incentives to the farmers and other stake holders in the supply chain. Early procurement of rice or food grain through import from the international market before it gets too crowded, or building a "buffer" through Trading Corporation of Bangladesh (TCB), may always be an option and should help in sending a positive message to the market -- re: government's preparedness to tackle any untoward situation. We have heard our premier being so firm on this. However, for that we need to accelerate the decision making process in the bureaucracy.

If we want to keep our 150 million people fed, and to great extent save them from the impact of extreme price hike in the international market, we need to take our agriculture seriously, help the farmers to improve their productivity, and proceed with hybrid research and cultivation. The farmers should also be given right price to keep them in the fields, and to keep on producing for the non-producing population.

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Après le gala evening

Please drop the bomb



The gala evening has come to an end. It is a thing of the past. The party is over for the government and it has more pressing tasks to address.