

# Improving the value chain of fruits and vegetables

SA SABUR

**M**ALNUTRITION is a widespread phenomenon in Bangladesh, partly driven by people's imbalanced diets. Indeed, the per capita consumption of fruits and vegetables barely reaches half of the recommended minimum requirement of 400g per day. As a result, only about 2 percent of dietary energy comes from fruits and vegetables, compared to 78 percent stemming from cereals. Evidence suggests that the low level of consumption of horticulture products is linked to inefficiencies in the value chain that are driving up the retail prices of these fruits and vegetables by 83 percent and 63 percent of farm prices, respectively. Among the main obstacles for better performance are food losses, market distortions through intermediaries, and the absence of modern market infrastructure.

For example, studies find that about a third of fruits and vegetables are lost during transport from producers to consumers, negatively affecting prices. Another reason for higher prices at the retail level are profits earned by middlemen, who play an important role in Bangladesh in bringing fruits and vegetables from producers to markets. Finally, prices increase due to the absence of modern storage and transportation facilities such as cold stores and refrigerated vans. As a result, retailers of fruits and vegetables have much larger profit margins than in the case of cereals. In Dhaka city, for example, retailers capture 43 percent and 31 percent of total profits for eggplant and banana compared to only 18 percent for rice.

Prices also surge because growers cannot sell their produce directly to local buyers due to informal agreements between local commission agents and buyers. What is more, local buyers frequently delay their purchase orders in order to force farmers to sell their produce at a lower price. As a result, growers on average receive only 71 percent and 48 percent of retail prices for fruits and vegetables, compared to 79 percent in the case of rice.

Without proper marketing infrastructure, horticulture products are also subject to sharp seasonal price variation. For example, prices of brinjal and bananas fluctuated by 35 percent and 26 percent throughout the year, compared to only 3 percent in the case of rice. This high



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price variability has two main effects. For one, it lowers the consumption of horticulture products in the off-season when prices tend to be high. Conversely, it discourages producers to grow horticulture products because of the lower prices during harvest.

Several measures could be adopted for improving the value chain of fruits and vegetables. In order to encourage small and medium scale farmers to grow fruits and vegetables, the government through different projects and non-governmental organisations could promote the formation of marketing groups and cooperatives. These will strengthen the bargaining power of growers and help them achieve better prices for their produce. Cooperatives would also improve market access as farmers could send their produce jointly to distant markets.

Contract farming constitutes another option to increase market access of small and medium scale farmers. By facilitating the development of supermarkets and other large-scale retail centres that could have direct agreements with local producers, small farmers could be better integrated into the value chain while the influence of market intermediaries would be effectively reduced.

Another necessary improvement needs to tackle food losses and deterioration during transport. Strengthening the packaging sector and introducing cold transport facilities constitute essential steps in order to reduce the loss of perishable goods. For the same reason, modern post-harvest technologies like low temperature storage facilities need to be promoted, while improved marketing facilities such as forklifts for loading and unloading and weighing machine would further reduce loss.

In order to address the seasonal price variation of fruits and vegetables, new varieties would need to be developed by research institutes like BARI and BINA so that they can be harvested in the off/season. In addition, improved market information systems, including public displays of current price levels of agricultural commodities, would increase market transparency and reduce the mismatch between producer decisions and consumer demand.

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## India raises sugar import duty to 25pc from 15pc

REUTERS, New Delhi/Mumbai

**I**NDIA, the world's biggest sugar consumer, raised the import duty on the sweetener to 25 percent from 15 percent as part of efforts to help regional mills struggling with lower prices and higher stocks.

A rise in the duty will make imports unviable for port-based refiners despite a plunge in global prices due to ample supplies from top exporters Brazil and Thailand.

In June, Food Minister Ram Vilas Paswan had said the import duty could be raised to 40 percent from 15 percent if mills pay farmers' dues, estimated at nearly 50 billion rupees.

Mills say a 70-percent jump in the price that they have to pay to farmers in the biggest cane-growing state of Uttar Pradesh and a meagre 7 percent rise in sugar prices have worsened their finances, leading to cane dues.

"There was an import parity but mills were not signing deals, expecting revision in the import duty. At 25 percent duty, imports are not viable," said a

Mumbai-based dealer with a global trading firm.

In the current sugar year to September, India is likely to import just 30,000 tonnes compared with 680,000 tonnes a year earlier, an industry official told Reuters earlier this month.

The benchmark sugar futures in India rose 1 percent after the increase in the duty, while shares of sugar makers such as Bajaj Hindusthan Ltd, Shree Renuka Sugars Ltd and Balrampur Chini Mills Ltd rose more than 4 percent.

"The duty will certainly support prices, but local prices are unlikely to jump. Supplies are adequate," said Ashok Jain, president of the Bombay Sugar Merchants Association.

Prices in India, the world's biggest producer after Brazil, fell below the cost of production in some states as the south Asian country produced surplus sugar for the four straight year.

Even in the next year starting October, the country's output is likely to jump 4 percent to 25.3 million tonnes because of higher cane yields in Maharashtra and Karnataka.

## iPhone 6 screen snag leaves supply chain scrambling

REUTERS, Tokyo

**S**UPPLIERS to Apple Inc are scrambling to get enough screens ready for the new iPhone 6 smartphone as the need to redesign a key component disrupted panel production ahead of next month's expected launch, supply chain sources said.

It's unclear whether the hiccup could delay the launch or limit the number of phones initially available to consumers, the sources said, as Apple readies larger-screen iPhones for the year-end shopping season amid market share loss to cheaper rivals.

But the issue highlights the risks and challenges that suppliers face to meet Apple's tough specifications, and comes on the heels of a separate screen technology

problem, since resolved, in making thinner screens for the larger iPhone 6 model.

Cupertino, California-based Apple has scheduled a media event for Sept. 9, and many expect it to unveil the new iPhone 6 with both 4.7 inch (11.94 cm) and 5.5 inch (13.97 cm) screens - bigger than the 4-inch screen on the iPhone 5s and 5c.

Two supply chain sources said display panel production suffered a setback after the backlight that helps illuminate the screen had to be revised, putting screen assembly on hold for part of June and July. One said Apple, aiming for the thinnest phone possible, initially wanted to cut back to a single layer of backlight film, instead of the standard two layers, for the 4.7-inch screen, which went into mass production ahead of the 5.5-inch version.

## India flags rosier economy, vows to tighten up on banks



Vehicles travel past a Delhi-Jaipur national highway flyover under construction at Manesar in Haryana, India.

REUTERS, New Delhi

**I**NDIAN government officials painted an upbeat picture for the economy on Thursday as it struggles to emerge from the longest spell of sub-par growth in decades and promised to tighten up risk management at the country's dominant state banks.

India's Finance Secretary Arvind Mayaram said growth is on course to recover to about 5.8 percent in the year to March 2015, up from 4.7 percent last year - the second year of growth below 5 percent, too slow a rate to provide jobs for the large numbers entering India's labour force.

Recent economic data does point to a nascent recovery: industrial production is having its best run since last September, infrastructure output growth is at a nine-month high and manufacturing activity is growing at its fastest for 17 months. Car sales, a proxy for consumer demand, are also up.

"If you look at the trend growth, then you see green shoots of recovery in the economy," Mayaram told an industry chamber.

Persistent concerns about the health of the country's banking system were also addressed on Thursday when Finance Minister Arun Jaitley told delegates at a banking event in New Delhi that the government was working to tighten up risk management in the sector, giving a vital boost to confidence. The prolonged slowdown has hit the banks' balance sheets as bad loans rose

to 4.1 percent of gross advances in March from 2.4 percent in March three years ago, the Reserve Bank of India (RBI) said in its annual report on Thursday.

Restructured loans rose to 5.9 percent of gross advances in March from 2.5 percent in June 2011, the central bank said. "Some recent instances have been disturbing," Jaitley said.

"I would only hope that they are a drop in the ocean and we have all learnt the lessons from such incidents, and there will be no repetition of them," he said.

While a sluggish economy is the main reason for a rise in distressed assets, the RBI's report also blames the banks for lending to certain "excessively leveraged" groups.

The launch of a corruption investigation at state-controlled Syndicate Bank has raised broader concerns about weak oversight, graft and politically directed lending at state banks.

Weak industrial activity and capital investments lie at the heart of growth struggle, and Prime Minister Narendra Modi's election triumph has stoked hopes that he will replicate his success as head of Gujarat state in boosting investment.

Added to those hopes, the global economy shows signs of strengthening and is expected to lift overseas demand for Indian merchandise and underpin the recovery.

Mayaram said he expected a further pick up in economic momentum from RBI monetary policy.

## US job market still in recovery, calls for pragmatic policy: Yellen

REUTERS, Jackson Hole

**F**EDERAL Reserve Chair Janet Yellen called for a "pragmatic" approach to US monetary policy on Friday, amid calls by hawkish members of the central bank's policy committee for a quick rise in interest rates due to tightening labor markets and inflationary risks.

In a speech at the Fed's annual central banking conference, Yellen laid out in detail why she feels the unemployment rate alone was inadequate to evaluate the strength of the jobs market and why the central bank needed to move cautiously on raising rates.

At the same time, she nodded to the concerns of some Fed officials who are growing uneasy with the sustained level of its monetary policy stimulus.

"There is no simple recipe for appropriate policy," Yellen said, arguing for a "pragmatic" approach that gives officials room to evaluate data as it arrives without committing to a preset policy path.

Ahead of her comments, a number of other top Fed officials had pressed their case for an early hike in benchmark rates, which have been held near zero since December 2008.

Philadelphia Fed President Charles Plosser, a voting member of the Fed's policy panel this year, and two non-voters - St. Louis Fed President James Bullard and Kansas City Fed President Esther George - have all sounded warnings this week on the risk of the Yellen-led Fed falling behind the curve.

## Jetstar Hong Kong sells 3 aircraft as it awaits approval

AFP, Hong Kong

**N**EW budget airline Jetstar Hong Kong said Friday it has sold a total of six of its aircraft because it is taking longer than expected to get a licence to operate.

The airline, which is a joint venture between Australia's Qantas, China Eastern Airlines and Hong Kong-based Shun Tak Holdings applied for regulatory approval in 2012 in the southern Chinese city.

An airline will only be given an operation license if its principle place of business and centre of its decision-making is in Hong Kong, according to local laws.

"Jetstar Hong Kong can confirm the sale of a further three aircraft, now a total of six Airbus A320s, with three remaining in the fleet for launch," the airline's chief executive officer Edward Lau told AFP in an email.

The airline sold three A320s this month, and three in April. "This has been an unfortunate but prudent business decision made by the Jetstar Hong Kong board as the regulatory approvals are taking longer than initially expected," Lau said, adding that the sale doesn't affect the firm's readiness once approval is given.

Lau said Jetstar is working "closely" with the government and is "confident of gaining all the necessary approvals".

The catalogue price of the latest sale of three A320s this month is \$281.7 million, according to Dow Jones



The Goldman Sachs logo is pictured on their post as traders work on the floor of the New York Stock Exchange in New York.

## Goldman Sachs to pay \$3.15b to settle mortgage case

AFP, New York

**G**OLDMAN Sachs will pay \$3.15 billion to resolve claims it misled Fannie Mae and Freddie Mac on mortgage-linked securities it sold them before the US housing bust, officials said Friday.

The Federal Housing Finance Agency, the conservator for Fannie and Freddie, which were rescued by the government during the 2008 crisis, said that Goldman will repurchase the securities it sold to the two effectively government-backed mortgage giants between 2005 and 2007.

Goldman said the agreement will resolve "all" federal and state securities claims for mortgage-backed securities purchased by Freddie and Fannie over the period.

"We are pleased to resolve these matters," said Gregory Palm, executive vice president of Goldman Sachs.

The FHFA, in its lawsuit against Goldman, accused the Wall Street bank of

"false statements" and "misleading omissions" on the underlying securities.

The FHFA said the Goldman settlement was worth \$1.2 billion. The \$1.2 billion is the difference between the \$3.15 billion paid by Goldman and the current value of the securities, a person familiar with the matter said.

The FHFA said it has now reached 16 settlements following a series of lawsuits filed against financial giants in 2011 over the sale of mortgage-linked securities that cratered after the housing bust.

The agency said it is still pursuing lawsuits against HSBC, Nomura and Royal Bank of Scotland in comparable cases.

The Goldman deal follows numerous other major US settlements with big banks following the 2008 financial crisis.

Bank of America Thursday agreed to pay \$16.65 billion to settle Justice Department and other authorities' charges that it misled investors about the quality of dodgy mortgage-linked securities.