



AGRI-BUSINESS FOR INCLUSIVE GROWTH

Prospects and Challenges for Bangladesh

Katalyst in partnership with The Daily Star organised a roundtable titled "Agri-business for inclusive growth: Prospects and challenges for Bangladesh" on February 14, 2018. GB Banjara, General Manager, Katalyst welcomed the panel members and Dr Nazneen Ahmed, Senior Research Fellow, Bangladesh Institute of Development Studies (BIDS) gave a keynote speech. The event was moderated by Reaz Ahmed, Executive Editor, United News of Bangladesh. Roundtable discussants included representatives from the Government, private sector, development partner, civil society, media and the academia. Here we publish a summary of the discussions.

Dr Nazneen Ahmed, Senior Research Fellow, Bangladesh Institute of Development Studies (BIDS)
The importance of agriculture in the development of the country need not be emphasized. Currently, this sector provides 42.7 percent of our total employment. It contributes around 15 percent of our total GDP. Though the growth rate and GDP contribution of this sector have been declining, productivity in agriculture has increased manifold and that's why the country is now self-sufficient in food production. In the last 10 years, our agricultural export has also increased which has helped agri-business flourish in the country.

When we talk about inclusive agri-business, the business venture must have a positive human development impact and at the same time it has to be commercially viable and environmentally sustainable. Inclusive business should lead to poverty reduction and women's participation in economic activity. It should add value to agricultural produce.

Finally, inclusive agri-business should work towards attaining food safety and food security. It involves poor people as both the consumer and participant in the production process. As a consumer, if a farmer gets low-cost input then they are the consumer of a business product which is inclusive because it is for the poor person. For example, small seed packets of Lal Teer are very useful for small farmers. Again, if a farmer can be involved in contract farming system s/he is actually part of a production chain which is inclusive.

The government has a very important role in promoting agri-business. It has to carry out the primary investment in research and development and create an enabling policy environment. In the last five years, the budget for agricultural research has been rising.

There can be different modalities of agri-business such as contract farming, management contract, joint ventures, farmers' own business, or upstream and downstream business. At the end of the day, these models have to have the basics which means including the poor in the process. Also, there is a huge scope of backward and forward linkage in agri-business sector.

The benefits of inclusive business include higher profitability, larger market share, lower operating cost, new consumers, better branding of products and the ease of doing business. The benefits for the poor are jobs and income opportunities, increased access to the market, protection of human dignity, empowerment of women, access to innovation and technology and better access to credit. The benefit for the government is that if agri-business works then they get revenue which will ultimately contribute to the GDP.

Agri-business entrepreneurs need to have an innovative business model. They should have an idea about how they can collaborate more with the people and the market and how they can mobilise resources—small farmers in particular. Finally, they have to be patient because it does not work like other business models.

Now if we look at the opportunities of agri-business in Bangladesh, we will see that there are many sectors that have surplus production and their productivity is rising. We already have a big local market as the country goes towards middle-income status. There is also good scope of exporting our agro-products.

We all want to achieve the Sustainable Development Goals (SDGs) and don't want to leave anyone behind. Inclusive agri-business can be a key contributor in achieving that goal.

Anwar Faruq, Former Secretary, Ministry of Agriculture
We are gradually moving towards commercialisation of our agriculture sector but we do not have proper infrastructure in place for facilitating this transition. We have no dedicated transportation facility for this sector. Our storage facility is also very poor. We have some cold storage only for the preservation of potatoes.

Our farmers have very little access to agricultural credit. Our post-harvesting technology is also poor. However, the government has formulated some policies to develop a value chain in the agriculture sector. Both the Agriculture Policy 2013 and 7th Five Year Plan have a separate chapter for value chain development. Unfortunately, we do not see proper implementation of these policies.

In order to develop agri-business, the government should create an enabling policy so that private entrepreneurs feel encouraged to invest in agri-business. There should be a special credit scheme and incentive for these entrepreneurs. Like the garment sector, agri-business can be a major source of employment for rural women. For example, there is a huge opportunity of involving women in large numbers in hybrid seed production. Finally, there should be public-private collaboration in agricultural research.

Dr FH Ansarey, Managing Director and CEO, ACI Agribusinesses
We always talk about increased productivity and food security but that is not enough for the development of our agriculture sector. The missing part is increased income for farmers. Without the improvement of the situation of farmers no agri-business initiative can be inclusive. It has been recommended strongly in the SDGs.

Farmers need to have easy access to advanced cultivation techniques and agriculture-related information. The government should play a lead role in creating this access.

Mohammad Anisur Rahman, Director, Dairy and Food, BRAC Enterprises
We are becoming over-dependent on high-yielding seeds and chemical fertilisers. As a result, our indigenous seed varieties are becoming extinct and our soil is losing fertility. Another challenge is that our agricultural plots are small and fragmented and we do not practise community or cooperative farming. BRAC is working on both of these challenges. We are trying to popularise local varieties. We are also promoting cooperative farming.

Economic development of a country is closely related with the development of the dairy sector. Every year Bangladesh has to spend a huge amount of foreign currency to import powder milk. Bangladesh has an opportunity to develop its dairy sector and save this money. Unfortunately, 94 percent of our local milk is



unprocessed. There are very few dairy processing industries in the country. It is difficult to set up a big dairy industry as there is serious shortage of grazing land. Processing cost is also high. To overcome these problems, we need active support from the government as well as innovative entrepreneurship from the private sector. BRAC is involved in smallholder dairy farming where women play a key role. We promote women as lead farmers. Currently, 39 percent of dairy farmers are women. This is a good way to make agri-business inclusive.

Dr Ferdousi Begum, Managing Director, Ferdous Biotech (Pvt) Ltd

Unfortunately, we, agri-business entrepreneurs, do not get enough support from the government. Last year, potato production was far above local demand. We requested the government to buy the extra amount of potatoes and distribute them through various social safety networks and relief programmes but we did not get any positive response from them. As a result, potato farmers and the related business entities incurred huge losses. There is also no export processing area in ports and transport facilities, and policy support in order to promote export of agro-products is lacking. Unless and until the government changes its attitude towards agri-business there is very little hope for agri-business entrepreneurs.

Anirban Bhowmik, Country Director, Swisscontact Bangladesh

We need to bring changes to the way we look at agriculture. We have to accept that we are gradually moving towards commercial farming which means each farmer is approaching agriculture from a business perspective. This business case needs to be reflected in our agricultural policies.

In agri-business, risk is disproportionately high. The cash repayment cycle of even the banking sector does not match the cash flow of the agriculture sector. That's why this sector needs a different kind of financing and insurance facilities. Besides creating access to finance, we need to invest in designing the right kind of financial products for the agri-business sector.

We need to develop ancillary non-firm services in rural areas that will play a strong role in creating market linkage and strengthening the agri-business value chain. We also need to establish an efficient management system of small farms. The government has to play the lead role in this regard.

Narissa Haider, Deputy Team Leader, Growth and Private Sector Development, DFID Bangladesh

When we talk about agriculture we generally focus on improving productivity. But now we need to move beyond that and emphasise value addition to our agricultural produce and agro-processing. This is not only about export earnings but also the domestic market. If we want to move into the export market we need to ensure export quality of products. It has spillover benefits. On the one hand, it will encourage safe production practices and on the other farmers will learn and apply new technologies to improve quality of their produce. That means farmers themselves will be consuming better food and will also be delivering quality produce for the domestic market and then eventually for the export market. It will help the country diversify its export basket. At the same, for the local population, availability and affordability of nutritious food will increase. It is both transformative and inclusive.

Mohammad Rafiqul Islam, General Manager and Project Coordinator, Promoting Agricultural Commercialization and Enterprises (PACE) project, Palli Karma-Sahayak Foundation (PKSF)

There are five main challenges in our agri-business sector: adulteration in production, small number of agro-processing companies, limited export facility, lack of non-traditional agro-products, and lack of climate-smart production. PKSF is working in all these five areas. We have developed a safe vegetable production chain. We are also working with a Japanese company to export a particular type of mung bean which is not popular in the country but has high demand in Japan. We are also promoting crab cultivation in the saline-prone areas of the country as a non-traditional agro-product. It is also a climate-smart intervention as salinity does not affect crab production.

Mahub Anam, Managing Director, Lal Teer Seed Ltd.

In Canada when there was sudden increase in production of milk due to the introduction of a new variety of cows, the government came forward to help the dairy industry and bought the entire amount of excess milk. We do not see such support from our government when production of an agro-product far exceeds the local demand. For agri-business to flourish in the country the government must cooperate with private entrepreneurs.

Dr ABM Ziaur Rahman, Corporate Affairs Lead, Syngenta

The main challenges in our agriculture sector are lack of technology, lack of access to finance and poor commodity price. To address these issues Syngenta has been testing a "farmer centre" model in the northern part of the country for the last three years. It is a kind of one-stop solution centre where farmers get all the necessary information about appropriate technology, finance and marketing. So far, this model has worked very well.

Sheikh Morshed Jahan, Associate Professor, Institute of Business Administration, University of Dhaka

The government needs to be the lead investor in inclusive agri-business as the private sector sees it as a risky venture. It is also related to the development agenda of the government. Unfortunately, the responsible officials in different agriculture-related government bodies have very little understanding about inclusiveness. We also do not see the business in the government-led inclusive business models.

Therefore, the government must invest in innovating suitable agri-business models that are both inclusive and business-oriented and encourage the private sector to invest more in inclusive agri-business. Traditionally, our agricultural policies have been focused on production development. As we have attained sufficiency in production, we now need to invest in market system development.

Professor Dr M Kamruzzaman, Dean, Faculty of Agricultural Economics and Rural Development, Bangabandhu Sheikh Mujibur Rahman Agricultural University

In Bangladesh 77 percent of farmers are small farmers. If we want to make our agriculture sector inclusive we have to bring these small farmers into the mainstream. They mostly suffer from a poor pricing system. To ensure proper pricing of agricultural produce we need to introduce agricultural planning and set up price commission. We already have an agricultural zoning system. It can be significantly improved by introducing GIS-based agricultural planning. We also need to employ agricultural planning officers at the upazila level.

Fawzia Yasmeen, General Manager, MM Ispahani Ltd

We introduced bio-pesticide in 2008. But the product did not reach farmers until 2012 as it took four years for us to get registration from the government. We still face various challenges to bring innovative products to the market due to many institutional obstacles. I would request the government to formulate business-friendly policies for the growth of the agri-business sector. We need to create a platform where all the stakeholders of the agriculture sector including the government can participate, discuss obstacles to the growth of this sector and find suitable solutions to overcome the challenges.

Involving women in agri-business is crucial for making this sector inclusive. When we launched our company, 20 percent of our workforce was women, which now stands at 90 percent.

Afzal Hussain, General Manager, Metal Agro Ltd

I would like to focus on seed export. A lot of the seeds we export, such as cucumber seeds, are harvested during the rainy season. During this period, it is difficult to dry seeds. A new technology named "dry beads" has been introduced recently for this purpose. As there is no policy regarding import of this product, importers face various kinds of challenges to import it. We urge the government to look into this issue seriously and ease the import process of dry beads.

To increase export of seeds we need to diversify our seeds sector and develop different varieties of seeds. Many importing countries ask for extra-aggregated quality certificate of seed products. Unfortunately, we do not have the kind of lab facilities necessary to fulfil this requirement. The government should establish such labs.

India can be a major export destination for our seed products. But they have imposed a ban or restriction on many of these products. The government should discuss with its Indian counterpart to ease seed export to India.

Mohammad Hafizur Rahman, Joint Secretary and Director, WTO Cell, Ministry of Commerce

The government is sincerely working to create new business channels for the agriculture sector. In exporting agro-products we face challenges regarding quality of our products. In 2016, 117 consignments of our agro-products were cancelled by the European Union. Seven critical products have been banned by them. We are also facing problems in exporting fresh fruit and vegetable products. Therefore, to increase export we must improve the standard of our products. All the stakeholders in the agriculture sector should work together to improve overall compliance of the sector. The Ministry of Commerce has been running various programmes to make our farmers aware about quality issues. In November 2016 a delegation from EU visited Bangladesh and they gave 14 recommendations to improve the quality of our export products. We are seriously working towards meeting these requirements.

Currently, the government is providing incentive to the food-processing sector which will definitely support growth in agri-business sector. We need more business ventures in the food processing sector.

There must be a crop-insurance system for farmers to mitigate production-related risk factors. We also need to create easy access to finance for small farmers.

Debraj Agarwal, CEO, Annapurna Agro Ltd

To ensure inclusive growth we should give most importance to soil. We need to promote organic fertilisers and organic farming to maintain the quality of soil. Application of chemical fertilisers seriously affects productivity of soil and the country has to spend a huge amount of money to import these chemical products. By adopting organic farming we can avoid such losses. India has set the ideal example of promoting organic farming by providing subsidy and various kinds of incentives. They have formulated state-wise policy for organic farming. There is a specialised bank for financing organic farming. Currently, India has 50 lakh organic farmers. Bangladesh can learn a lot from the Indian experience. The government has formulated a policy regarding organic farming but its implementation has been very poor.

Mohammad Abdul Kadir Tarafder, Managing Director, Sharnalata Agro Fisheries Ltd

Over the years fish production in the country has increased manifold. Currently, we produce 60 lakh tonnes of fish every year which is far above total fish consumption in the country. We need to seriously think about fish export. Otherwise fish cultivators will face huge losses and gradually leave the business. We also need to train our fish cultivators on quality issues so that they can meet export requirements.

Currently, we have to pay electricity bills and land taxes at the commercial rate that seriously hinder growth of the sector. The government should provide incentives for fish cultivation as it does to other export-oriented sectors.

Reaz Ahmed, Executive Editor, United News of Bangladesh, and Moderator of the Session

Policy always follows practice. When we formulate a policy it should be maintained that the policy encourages innovation and supports business growth.

Every year 20-22 lakh people are added to the total population which means we need 5 lakh tonnes of extra rice each year. So far Bangladesh has successfully met the food demand of its huge population. We have tripled our rice production over the last few decades. To make this production growth sustainable we need to adopt advanced technologies in the agriculture sector. Therefore, we need to invest a lot in research and development of new technologies. The public and private sector should work together in this regard.

Liaquat Ali Chowdhury, Director, Bangladesh Shrimp and Fish Foundation

Apart from crop sector there are important sub-sectors such as livestock and fisheries where inclusive agri-business practices need to be promoted. Under the Katalyst project we have tried some business models in these sub-sectors, some of which worked really well. We should apply these models on a large scale.

Private sector can't work for inclusive business practice if the policy framework is not supportive. The fiscal policy and monetary policy of the government should be aligned with the need of the agriculture sector, particularly small farmers and small agri-business enterprises.

Brig Gen (Retd) Shahedul Anam Khan, Associate Editor, The Daily Star

There is a lot to learn through this discussion about the opportunities and challenges regarding inclusive growth in our agri-business sector. This knowledge needs to be disseminated on a wider scale. Media can play a big role in this regard. The Daily Star is fully committed to the issue of agriculture. We would ensure extensive coverage of the issues discussed in today's roundtable.

GB Banjara, General Manager, Katalyst

Bangladesh has proved that inclusive growth is possible in agri-business. The credit goes to every stakeholder involved in this sector including farmers, the government, private sector, media, academia, development partners, and implementing organisations such as Swisscontact. It has also been proved that inclusion can be a win-win situation for both farmers and companies. Through our work we have found that an appropriate business model is the key to make a business inclusive.

In the last 15 years, Katalyst has worked with more than 150 such companies in Bangladesh with 300 inclusive business models. But it is not always the case that you have a right model and companies will adopt the model immediately. It takes time and effort to pursue companies in new ventures such as contract farming. But when the benefits are visible to them they accept and invest in the project vigorously and that is really rewarding.

I must thank the Bangladesh government for its enormous support to our project. There is still a lot to do to make agri-business more inclusive and the government can help in this regard. I also would like to thank the media in Bangladesh, particularly The Daily Star, for covering agriculture-related news extensively.