



Constraints and Opportunities Facing the Horticultural Sector in Bangladesh

Prepared for the World Bank

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November, 2006

I. Executive Summary

Although its role as a percentage of GDP has declined over the past 25 years, agriculture continues to occupy an important place in the Bangladeshi economy. If it occupies only 7.27% of Bangladesh's agricultural land, horticultural production generates more than 18 % of its agricultural GDP. In addition to its disproportionate contributions to agricultural growth and agricultural GDP, the horticultural sector also provides differentially higher net returns per hectare than do the conventional paddy crops which occupy primacy of place within the context of agricultural land use. Grower profitability is significantly higher on a per-hectare basis for each of the six focus commodities – mango, pineapple, okra, green chilli, bitter melon and potato -- than for Boro rice. Rice production in Bangladesh is rooted in historical food scarcity, in domestic consumption patterns, and in the knowledge base of the farming population. It is not a recommendation of this study that there be any wholesale abandonment of rice production in favor of horticultural crops. Still, as the value chain calculations presented in this study demonstrate, the conversion of a greater portion of Bangladesh's limited arable land from cereal crops to horticultural products would appear to be a promising vehicle for the improvement of farmer income.

Our objective throughout the course of this study has been to identify ways to improve farmer incomes and consumer welfare through improvements in the environment in which Bangladeshi horticulture operates. In the course of the study, we began with a broad review of the entire horticulture sub-sector, with particular emphasis on production, fresh and processed transformation of fruits and vegetables, and the marketing channels – both domestic and export – which this product follows. We then turned our attention to the major cross-cutting issues which encourage or impede the growth and prosperity of the sub-sector, primarily seen from the viewpoint of the farmer, but also with consideration to the participation of the intermediaries, processors, transporters, sellers, retailers and consumers and exporters of Bangladesh's fresh fruits and vegetables. In the course of this review we developed an extensive list of preliminary recommendations designed to improve farmer incomes and consumer welfare.

We then proceeded to a review of six specific commodities which make up our focus commodities. Our objective here was in part to evaluate the export suitability of each of these commodities, pursuant to the recommendation of commodity-specific recommendations to stimulate export activity where appropriate. At the same time, we also used these six commodities as our "field trials", to evaluate the impact which our broad-based recommendations would have on each of these specific product groups. In the process of this review, we discovered that some – but not all – of our focus commodities possessed the basic advantages needed to compete successfully on the global stage. At the same time, we were led to the conclusion that any commodity-specific recommendations designed to favor any particular commodity's global competitiveness were premature, given the urgent need for systemic improvements in the general environment in Bangladesh which would influence – if not determine – the success or failure of all such commodities in the export arena.

As a result of this realization, we returned our focus to the broad recommendations whose adoption would, we believe, dramatically improve farmer incomes and consumer welfare in terms of the production, commercialization and consumption of fresh fruits and vegetables in Bangladesh. There are 29 recommendations in all:

- 1. Make better use of existing cold storage capacity for domestic distribution**
- 2. Develop specific solutions to insure cold-chain integrity for export cargo**
- 3. The SIP currently granted by Biman should be gradually phased out and replaced by an increase in the incentives paid by the GoB on potato and vegetable exports**
- 4. Modify the system of subsidy payments to minimize delays and exporter uncertainty**
- 5. Exporters and BFVAPEA logistics and negotiation capacities should be strengthened**
- 6. Encourage export sector to establish a separate and private company to negotiate air freight rates, organize air charters, and develop time/volume contracts with liner carriers**
- 7. The Government of Bangladesh should assist exporters in securing credit facilities to fund short-term financing required to fund charter cargo flights**
- 8. The Government of Bangladesh should reduce the high costs of operations for airlines serving Zia International Airport**
- 9. In exchange for reduced costs of operation, the Government of Bangladesh should require all carriers to provide horticultural exporters with improved and secure access to cargo space**
- 10. Identify currently exported commodities which are compatible with ocean carriage.**
- 11. Establish handling and transit temperature guidelines for each commodity, based on the specific operating conditions within Bangladesh**
- 12. Develop tariffs, initiate trial shipments, compile the results, and proceed to incorporate ocean freight as basic element of export distribution for Bangladeshi horticultural products**
- 13. Provide farmers, service providers and agro-processors with the energy they require at rates that are affordable**
- 14. BADC and other agencies charged with overseeing the supply of reliable seed in Bangladesh should be given the resources necessary to meet their responsibilities**
- 15. Upgrade testing laboratories in Bangladesh**
- 16. Develop national quality management systems to train, and ultimately to accredit, growers and packers in the major international certification regimes such as HACCP, ISO, GAP, GMP, EurepGap and BRC**
- 17. Develop agricultural research projects specifically targeted to address problems with horticultural yields and adaptability, as well as post-harvest losses and quality declines**

- 18. The horticultural processing sector requires a like level of research support to assist it in addressing challenges in the areas of processing techniques, equipment application and manufacture, and new product development**
- 19. Establish an Expert Committee to strengthen and develop agricultural marketing in Bangladesh**
- 20. Restructure DAM providing additional facilities and trained manpower for promotion of agricultural marketing, agricultural market research, intelligence and certification (compliance with all international standards).**
- 21. Amend the 1996 Market Management and Leasing Policy of 1996 and also amend the Agricultural Markets Produce Regulation Act of 1964 to cover all aspects of marketing including re-structuring of Market Management Committee and necessary legal reforms for effective and efficient marketing.**
- 22. Increase investment in market infrastructure, arrange technical assistance and credit for improving market infrastructures including post-harvest management and processing facilities to reduce the wastage and more value addition for enhancing marketing margin and increasing return to farmers.**
- 23. The Government of Bangladesh should work to normalize trade patterns and standards with India**
- 24. The Export Promotion Board, and other official agencies, should dedicate resources to the horticultural sector in support of its efforts to develop new markets in Southeast and East Asia**
- 25. The Ministry of Agriculture needs to develop the ability to conduct Pest Risk Analyses, and to negotiate and implement work plans, as part of the process of gaining horticultural access to promising markets in East Asia**
- 26. Contract farming arrangements should be officially encouraged and facilitated as a means of reducing the costs of intermediation and integrating horticultural producers into the fresh produce supply chain.**
- 27. Direct farm-to-market programs, such as that fostered by the Northwest Crop Diversification Project (NCDP), should also receive official endorsement and encouragement**
- 28. The government should continue to assist farmers to reduce the added costs of informal tolls levied against fresh produce as it is carried from farm-gate to market**
- 29. Efforts should also continue toward the reduction of informal payments for routine handling of export shipments through the Port of Chittagong and Zia International Airport**

The remainder of this report contains more in-depth information as to the findings, recommendations and next steps which we believe to be indicated.