

Marketing for Sustainable Development

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ABSTRACT

Agricultural marketing is one of the major difficulties of many developing countries like Bangladesh where most of the farmers are small and marginal and have limited access to price. So to become competitive in world economies robust change must be taken place in the supply chain and ultimately it will be turned into value chain as it is a development approach that fosters economic growth in a sustainable way.

Keywords: Agricultural Marketing, Supply Chain, Value Chain, Sustainable Development

INTRODUCTION

Agriculture has played a key role in the development of human civilization. Until the industrial revolution, the vast majority of the human population labored in agriculture. The type of agriculture they developed was typically subsistence agriculture¹. After that, the agricultural revolution occurred and agricultural productivity has steadily increased² that creates scope for marketing of agricultural products not only at the national and regional levels but also on an international level.

Marketing of agricultural products mainly involves a decision to produce a saleable farm commodity. It includes pre- and post-harvest operations, assembling, grading, storage, transportation, and distribution³. The agricultural marketing system is a link between the farm and the non-farm sectors.

Today, the food production and marketing process is very different. And obviously the future of food production

and marketing system will be different from the one we have today (Kohls and Uhi, 2002). So, a robust change will occur on the supply chain⁴ and it will ultimately turn into a value chain⁵. The value chain is particularly useful for poor producers and low-income countries that are trying to create domestic market and preparing to enter the international market (Gibbon et al., 2008). It is a developmental approach that fosters economic growth in a sustainable way by making sure that the additional income generated actually benefits poor and marginalized groups (GTZ, 2007).

Today agricultural commodities receive considerable attention globally. In the agriculture sector, marketing is one of the major obstacles faced by developing countries. Bangladesh is a good example. Most of the producers here are small farmers who have limited access to market prices and are vulnerable to price shocks. So it is essential to develop an efficient marketing system that can help farmers to ensure a fair return, adequate financing and trading requirements and help make the country's economic development sustainable (Habib and Pandit,

1 **Subsistence agriculture** is self-sufficiency farming in which the farmers focus on growing enough food to feed themselves and their families. The typical subsistence farm has a range of crops and animals needed by the family to eat and clothe themselves during the year. Planting decisions are made with an eye toward what the family will need during the coming year, rather than market prices. In subsistence agriculture, cropping decisions are made with an eye to what the family needs for food, and to make clothing, and not the world marketplace, (<http://en.wikipedia.org>).

2 <http://en.wikipedia.org>

3 <http://www.rsmeena.com> & <http://www.isrj.net>

4 A food supply is a system of organization where people, activities, information, and resources are involved in producing and/or moving a food product to the consumer (GMA, 2008).

5 A value chain “describes the full range of activities that are required to bring a product or service from conception, through the intermediary phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use.” (Kaplinsky, 2004, cited from Herr and Muzira, 2009)

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2009). In this situation, the main focus of the study should be: what is the current condition of agricultural produce marketing in Bangladesh? Is there scope for improvement? How can farmers benefit from the value chain? Are banks interested in this sector?

In response to the above mentioned research queries, this paper attempts to attain the following objectives: *one*, to understand the present status of the agricultural commodity marketing system in Bangladesh; *two*, to identify the scope for improvement in the existing supply chain; *three*, to explore potential bank-financing opportunities in the value chain for sustainable economic development.

In this study both the primary and secondary data have been used. The author received primary data from different areas of the country by conducting interviews (face-to-face and over phone) and a case study method involving 20 Farmers, 8 *Farias*, 20 *Baparies*, 10 *Aratdars*, 8 Wholesalers, 10 Retailers and 20 Bankers. Primary data was also collected from Departmental Store/Super Shop namely *Swopno* and *Meena Bazar*. The author also received valuable information from Agro Processing Firms like *Pran and Square Consumers Goods Ltd*. Literary sources like books, journals, articles, seminar & workshop papers, newspapers etc. were also used. The author also received inputs from online sources.

The paper is divided into four sections. After the introductory notes of section 1, it moves on to a discussion on some basic concepts and literature on agricultural products marketing in section 2. Section 3 covers the present status of the chain in Bangladesh and its role in economic development. Section 4 discusses how banks can get involved in value chain development and generate profit in a sustainable way for the greater benefit of the economy. The last section deals with concluding remarks.

AGRICULTURAL PRODUCT MARKETING: CONCEPTUAL ISSUES AND LITERATURE REVIEW

Agricultural Marketing System

The agricultural marketing⁶ system is not static. It has evolved

⁶ Agricultural marketing/Food marketing is the performance of all business activities involved in the flow of food products and services from the point of production to the point of consumption. That is in agricultural products marketing dif-

ferent product channels, middlemen, and business activities are involved in the form of physical or economic transfer of food from producers to consumers (Kohls and Uhi, 2002).

over time. Agricultural marketing is closely associated with the overall socio-economic conditions of a country that is dependent on agriculture. This is why it is essential to develop a dynamic marketing system for agricultural products in order to maximize the welfare of the consumers as well as producers and other parties involved (Juneja, 1997).

The marketing system could be efficient if the movement of goods is undertaken at the lowest cost that consumers desire and are able to pay. In the system, producers look for favorable prices at the right time to expand production activity and the end users desire the commodity at affordable prices to satisfy their want and participate in the gamut of economic activities. Therefore, marketing functions help different parties earn enough by the way of good profits which, in turn, enable them to continue partaking in economic activity.

In a food supply chain, the collection of relationships among the various participants is known as the “supply chain”; but when the relationship among the participants are explicitly based on a predefined set of values, they are known as “value chains”. In a supply chain, both the undifferentiated (commodity) and “value added” food products can be handled. That is why both the forward and backward flows of the product are considered⁷. Along with these, the value chain is concerned with explaining the whole process of value creation from conception, primary processing of a commodity to consumption (Altenburg, 2007) and beyond to firms that need to do a full range of activities including research, design, production, marketing, distribution, support services, post-consumption disposal etc. (Herr and Muzira, 2009). It is required because today, markets in rich countries are usually accessed via value chains.

The value chain is different from the supply chain in the sense that the supply chain refers to the product’s requirement and the chain partners collaborate to serve the manufacturer’s consumer whereas the value chain focuses on creating value in the eyes of end-consumers so it is often referred to as the demand chain (Sahoo, 2010). The relationship between these two types of chain is often described as ‘push-pull’⁸.

⁷ <http://www.agofthemiddle.org>

⁸ A push–pull system in business describes the movement of a

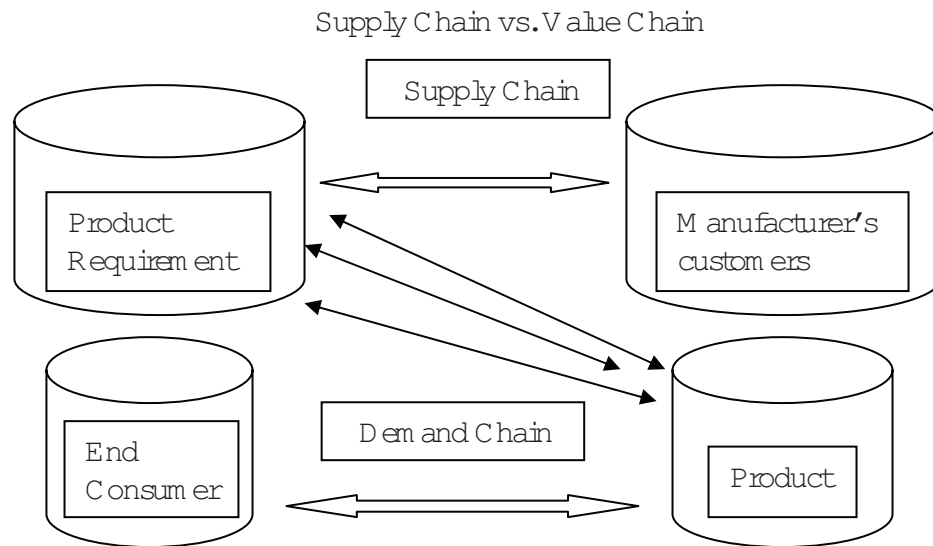


Figure 1: Difference between supply chain and value chain (Sahoo, 2010).

Globalization does not only patch up market gaps and bring producers and consumers closer together, but also bring regional and international competition into local markets. For instance, any agricultural produce not consumed by the farmers' families is a product in the global market and instantly part of a value chain (SDC, 2007). In this competitive situation, developing country producers do not automatically gain access to developed country markets. However, it is widely accepted that value chains shape market access (Gereffi, 1999; Keesing and Lall, 1992). To avoid the market failure, producers in developing countries are focus on the value chain (Fries and Banu, 2004) to enter into the global market.

2.2 Value Chain Development: A Pre-requisite

A value chain intends to create or strengthen the existing linkages among different actors. According to Shrestha (2010), the value chain approach contains several features that are consistent with a new view of agricultural development. So the whole chain goes beyond a narrow view of agricultural development as based only on production. That's why the approach is broad enough⁹.

product or information between two subjects. On markets the consumers usually "pull" the goods or information they demand for their needs, while the offerers or suppliers "push" them toward the consumers (<http://en.wikipedia.org>).

⁹ The value chain approach is broad enough because it not only focuses on producers and smallholder rural households, but also on business enterprises, service providers, and con-

The approach mainly links producers to the consumers through the market. And the linkage maximizes value of both the parties involved. This is why it is essential to develop the value chain market.

To develop an effective agricultural products market, formulation of suitable policies, rules, regulations by the government are essential. The objective is to develop a legal, policy and regulatory environment that promotes a vibrant, efficient and safe market (Jayaprakash et al., 2007). Besides policy formulation, the government will play the role of facilitator by developing infrastructure, investing in R&D, partnering with private sector, extending credit facilities, encouraging commercialization of agriculture etc (Sahoo, 2010). Without government intervention, efficient and effective market structure development is impossible.

To bring a product from the design stage to transforming inputs and to the final market, finance is required on a series of transactions rather than a given stage in the chain. Without access to finance, value chain development will be impossible. According to Johnston and Meyer (2007), financial instruments such as supplier credit, trader credit, warehouse receipts, and in-kind lending are referred to as value chain finance. Finance may also involve short-

sumers. At the same time, the approach is not too broad to include everything that a government or development agency could or should do to promote commercial agriculture. It seems to strike the right balance between comprehensiveness and focus (Shrestha, 2010).

term or seasonal loans, long term project loans, working capital loans, export financing, import financing, letter of credit financing etc. (Habib and Shah, 2011).

Research and Development activities in agriculture are gaining in popularity. For example, in most OECD countries, the role of private investments in agricultural R&D has been growing, as opposed to ten years ago, when the idea was that R&D activities would remain in the highest income countries (Ministry of Agriculture of Chile, 2011). So to remain competitive in the context of globalizing value chains and the increasing reliance on science and technology for improving productivity, investment in research & development has become much more important for the producing countries.

To make better decisions, producers and entrepreneurs need timely accurate information regarding market conditions and ruling prices. Lack of information may impede them from becoming more efficient, productive or competitive in the global market. This is why they need a Marketing Information System¹⁰ and the main purpose of MIS is to support the decision making of farmers, traders and entrepreneurs. The information is also useful for government and development organizations (Binayee, B. S., 2005).

Agricultural Marketing and Value Chain Development: Global Perspectives

Globally development agencies, donors and donor-funded government programs, NGOs are helping different countries like Kenya, Ghana, Nicaragua, Burkina Faso, Ethiopia, Cambodia, Uganda, Honduras, India etc. to identify strategies and tactics which will improve access for commercially oriented agricultural value chains and reach out beyond their respective national contexts (Coon, et al., 2010, and GIZ, 2011).

At each stage of the value chain, players require credit from either formal sources and/or informal sources (Sahoo, 2010). This is why different countries in the world are investing in the value chain (Box 1).

¹⁰ Marketing information system (MIS) consists of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers. (Kotler & Keller, 2006).

Box 1. Direct Finance of the Nicaraguan Dairy Value Chain.

The dairy value chain in Nicaragua includes both direct and indirect value chain finance. This is an exception to the other value chains studied by the author in the two Central American countries (Honduras and Nicaragua). This is partly due to the heavy involvement of El Salvadorian buyers. It is also related to the perishable nature of the dairy and the high volumes demanded daily. The author found that the dairy producers had access to indirect finance from financial institutions, as well as direct finance from cooperatives. This access to finance basically facilitates trade within the local, regional and international markets.

Source: Coon, et al., 2010.

Besides finance, the initial step toward creating a value chain is forming producer cooperatives. Through cooperatives, small farmers form a group which helps them satisfy buyers' volume requirements. According to the World Development Report (2008), if small farmers perform the job alone, they cannot produce the volumes required to satisfy buyers as buyers always look to reduce transaction costs, increase economies of scale and obtain a reliable supply. Small farmers can only provide the required quantities for domestic and international markets by forming large associations (Box 2).

Box 2. Guatemala: Cooperative Cuatro Pinos

The Guatemalan Cooperative Cuatro Pinos has 120 associations specializing in thirteen fruit and vegetable product. The cooperative represents more than 4,000 small farmers. It functions as a purchasing, packing and refrigeration station to supply buyers. To supply buyers the cooperative imposes rigorous quality standards on its suppliers. For this reason it is possible for such large cooperatives to comply with SPS and other standards and can reliably provide produce to export markets.

Source: World Development Report, 2008

According to World Development Report (2008), in Colombia, partnerships¹¹ between small producers and

¹¹ In this partnership the commercial partner agrees to purchase the produce of small farmer organizations at a certain reference price and in accordance with agreed specifications (World Development Report, 2008).

agro-businesses or commodity wholesalers are promoted (Box 3). For the success of the project many other LAC countries and Asia: Panama, Peru, Bolivia, Honduras, Guatemala, and Vietnam are following the concept.

Box 3. Colombia: Rural Productive Partnerships Project

From 2002 Productive Partnerships have been promoted in Colombia. To adapt production technology to market demand the Colombian Government provides grants to farmer associations. More than 150 partnerships have been created in different sectors and over the next five years another 300 partnerships are to be created. Such partnerships have increased the revenue and the employment of the farmer families. Moreover, the project shows important multiplier effects on non participating farmers in nearby area.

Source: World Development Report, 2008

To become competitive in global markets, complying with market standards and supermarket requirements is very much essential because it helps farmers form with the market. According to the World Development Report (2008), supermarket or distribution center procurement systems differ from country to country and product types having specific standards regarding size, quality and product safety. To comply with market standards and supermarket requirements, several countries (e.g., Colombia, Panama, Honduras, Guatemala, Dominican Republic, and Peru) have introduced or are in the process of implementing grant programs to finance small farmers, so that they can invest in different sectors to facilitate their entry into the value chain. Such programs become more successful if they are combined with technical assistance.

Technical knowhow helps the different parties involved in the chain in becoming more sustainable. That is why private sector companies all over the world are currently providing this kind of technical services to smallholders globally (Box 4).

Value chain developments could make some form of contract production a necessity for many producers. Sometimes, producers who sell undifferentiated

commodities could find that today's spot markets for their commodities simply do not exist tomorrow (Cowan, 2002). That's why contract farming is being promoted so that the arrangement could facilitate the poor and marginal farmers to secure their position in the chain and strengthen farmers' linkages to the market (Box 5).

Box 4. Technical Assistance with an Exit Strategy: Chestnut Hill Farms

In 2000, Fintrac started to implement its farm-to-market value chain approach in Honduras through programs funded by the United States Agency for International Development (USAID) and the Millennium Challenge Corporation (MCC). One of the initiatives of the value chain approach is providing technical assistance to farmers.

Through the USAID-funded CDA program, in late 2000, Fintrac set up an independent grower outsourcing program for Chestnut Hill Farms, a major Honduran processor of jalapeños. Through the program, participating growers implemented the required production technologies to grow jalapeños profitably, develop commercial relationships and confidence between the buyer and the growers to ensure continuity. In June 2004, Fintrac transferred the program to Chestnut Hill Farms, where the growers are now graduated from Fintrac and is providing all of the services previously handled by Fintrac. Now, the growers earn sustainably more income after graduating from Fintrac technical assistance programs than before their work with Fintrac.

Source: Painter, 2009.

According to the World Bank (2008), in South Asia, particularly India, wider access to the Internet, declining costs of computer technology and affordable alternative sources of electricity have made it easy to set up rural kiosks operated by private companies and nongovernmental organizations (NGOs). A well-known example of this initiative is the e-choupal (e-luosk) operated by the ITC Ltd (Box 6).

Box 5. Vegetable Production in Xishuangbanna District, Yunnan Province, China

Yunnan provincial government invests US\$4.5 million in Xishuangbanna Hailong Business & Trade Company, Jinghong, Yunnan. It is a fruit & vegetable marketing and distribution enterprise. Here 200-300 producers organized by Xishuangbanna District agricultural office by contract farming arrangement. The project responds to demand for high value fruit & vegetable crops in Thai markets; potatoes & tomatoes for value-added processing in Thailand; cauliflower & broccoli for Thai supermarkets. Products are transported via the Mekong River from Jinghong & Guanleito Chiang Saen, Chiangrai Province, Thailand. The program supports upland crop diversification among ethnic minority groups; contributes to poverty alleviation.

Source: Zola, 2006.

Box 6: Direct marketing through the e-choupal

The agribusiness division of ITC Limited set up 6,400 Internet kiosks (e-Choupals) in nine Indian states between 2000 and 2007. The e-Choupal reaches about 38,000 villages and 4 million farmers. To do this, ITC establishes an Internet facility in every village. Then it appoints and train an operator (sanchalak) from among the farmers in the village. The sanchalak operates the computer to get free information on local and global market prices, weather, and farming practices and provides it to farmers. The e-Choupal also allows farmers to buy a range of consumer goods and agricultural inputs and services (sourced from other companies) and serves as a purchase center for ITC for 13 agricultural commodities. Here, the sanchalak acts as the commission agent to purchase the produce and organize its delivery to ITC. In the process, ITC purchased about 2 million tons of wheat, soybeans, coffee, shrimp, and pulses valued at \$400 million in 2006/07. This direct purchasing cuts marketing costs for both farmers and ITC, improves price transparency and allows better grading of produce. It also allows farmers to maximize the share of the final price.

Source: World Bank, 2008

2.3.8 Financing against warehouse receipts is an integral part to linking financial systems with agricultural products marketing in most industrial countries. The warehouse

receipts system, also known as inventory credits, can facilitate credit for inventory or products held in storage (Habib and Pandit, 2009). *The warehouse receipts system helps in lowering post-harvest losses and getting the farmers remunerative price for their produce (Sahoo, 2010).* Also, the warehouse Receipts system provides a way to reduce the need of government agencies in procurement of agricultural commodities (Reserve Bank of India, 2005).

AGRICULTURAL MARKETING AND ITS ROLE IN ECONOMIC DEVELOPMENT: BANGLADESH PERSPECTIVE

Bangladesh is an agro based developing country. About 85% of the total population of the country is directly or indirectly dependent on agriculture. According to Khan and Khanam, (2011) the contribution of agriculture to the GDP is about 20.24% in 2009-10. Although the economy of Bangladesh is dominated by agriculture, it is not as developed as other advanced countries. Bangladesh still lags behind in crop production and marketing. To boost up the sector and enhance economic development, it is necessary to develop both agriculture and the industrial sector. This is because these two sectors of the economy are closely related to each other and one cannot be developed ignoring the other.

Present Status of Agricultural Marketing in Bangladesh

In Bangladesh agriculture is carried on a primitive basis. As a result, production is not increasing compared to other developing countries. Along with this, formulation of adequate agricultural policy, facilities for research, credit, storage, transport, and other agricultural assistance for development of the sector are also limited (World Bank, 2008; Minten, et al., 2010 & Agrico Limited, 2004).

In Bangladesh there is absence of formulation of adequate agricultural policy regarding price for giving protection of small and marginal farmers. Sometimes, Government procurement policy (time frame) is not right and the failure of taking initiatives at the right time is responsible for fewer buyers and lesser gains for the parties involved. Side by side, there is a lack of coordination among government and private procurement¹². There is also a

¹² The Daily Prothom Alo, July 13, 14, & 15, 2012.

lack of research and information in input as well as output markets in Bangladesh (Minten, et al., 2010).

In the rural areas, a majority of the people depend on agriculture for their livelihood. But they do not get the right price for their produce. It is observed that due to lack of adequate storage facilities, poor farmers cannot store or preserve their products (World Bank, 2008) throughout the year which is why they are compelled to sell the commodity at lower rates immediately after harvest. As a result, every year, a large volume of agricultural produce in Bangladesh is wasted (Box 7).

Box 7

Khorshed Matabbar, a potato producer, lives in the village Choto Hatkhan, Post: Hatkhan, Thana: Tangibari, Dist: Munshigonj. To produce potato in the year 2011, he sold his land and had taken Tk. 500000 loan from bank. He invested a total of Tk. 1100000 for potato production. But after cultivating the potatoes, he observed that the market was not giving him right price. That's why he sold some produce to the Bapari at Tk. 250 per mon (though it was arrangement for Tk. 265 per mon) and kept the rest of the potatoes in storage. But there was insufficient space to store these, and he managed to store 200 bosta of potatoes to cold storage at Tk. 300 per bosta. The rest of the amount he took to his home for storage and to the field so that he would be able to sell it to Mujibur Bapari-who normally collects potatoes from this area. But he was not able to sell it immediately to the Bapari. After a few days, their loss of freshness compelled him to sell it at Tk. 240 per month.

Source: Survey

Transportation systems are also undeveloped in the rural areas and inhibit the producing districts from distributing the surplus amount to different parts of the country (see also World Bank, 2008). For farmers who produce small quantities, it is easy to carry the products in the market. But for those who produce larger amounts, it is difficult to move the products in the market. Inadequate of the facility forces the producers to sell their surplus commodities even at low prices. Besides, adequate care is not taken in distribution process. As a result, when traders deal, a notable portion of agricultural commodities are spoiled during the marketing process. This wastage leads to higher prices for consumers but lower return to producers.

When the amount of investment in agriculture is low, it results in lower growth (Agrico Limited, 2004). After meeting the basic needs, farmers invest the surplus amount in agriculture. Sometimes they cannot afford the minimum cost of cultivation. So, they need agricultural credit for quality production. But there is a serious problem of agricultural credit in the villages, (see also Agrico Limited, 2004). In most cases, small farmers do not agree to go to the bank because of the hassle involved in the sanctioning and disbursement process, lengthy procedure, mortgaging of home assets etc. Sometimes, the farmers have to pay money up front for getting the desired amount in the right time (Box 8) from banks, (see also Agrico Limited, 2004). In some cases, it was seen that bankers do not talk to the farmers if they do not come through *dalals*. Through this process, bankers take commissions from *dalals* and *dalals* take commission from farmers.

Box 8

Abu Taleb Haldar is a potato producer. He lives in the village Choto Keoar, post: Hatkhan, Thana: Tangibari, Dist: Munshigonj. He is a large scale producer, which is why, to produce the commodity he needs credit, as it is not possible for him at all times to maintain the cost with his own capital. He invested Tk. 500000 in the year 2011 by taking a loan from the bank. To avail the loan, he goes to the bank almost every day but the officials were reluctant to talk to him. When the loan was finally sanctioned, he did not receive it immediately. Finally, the farmer agreed to give Tk. 10000 per lac to avail it immediately. Sometimes, bank officials do not agree, even to this amount.

Source: Survey

The amount of loan advanced by the commercial banks under government initiatives is not adequate enough to meet the requirement. The farmers sometimes do not get the loan. Sometimes they collect credit from different NGOs, cooperatives, *Baparies*, *Mahajans* etc. and even some farmers who have an alternative income source. These farmers are the casual or irregular moneylenders and lending is their subsidiary business.

It is observed that most producers generally sold their produce to the intermediaries either in the market or at the farmyard. Farmers usually sold their commodities

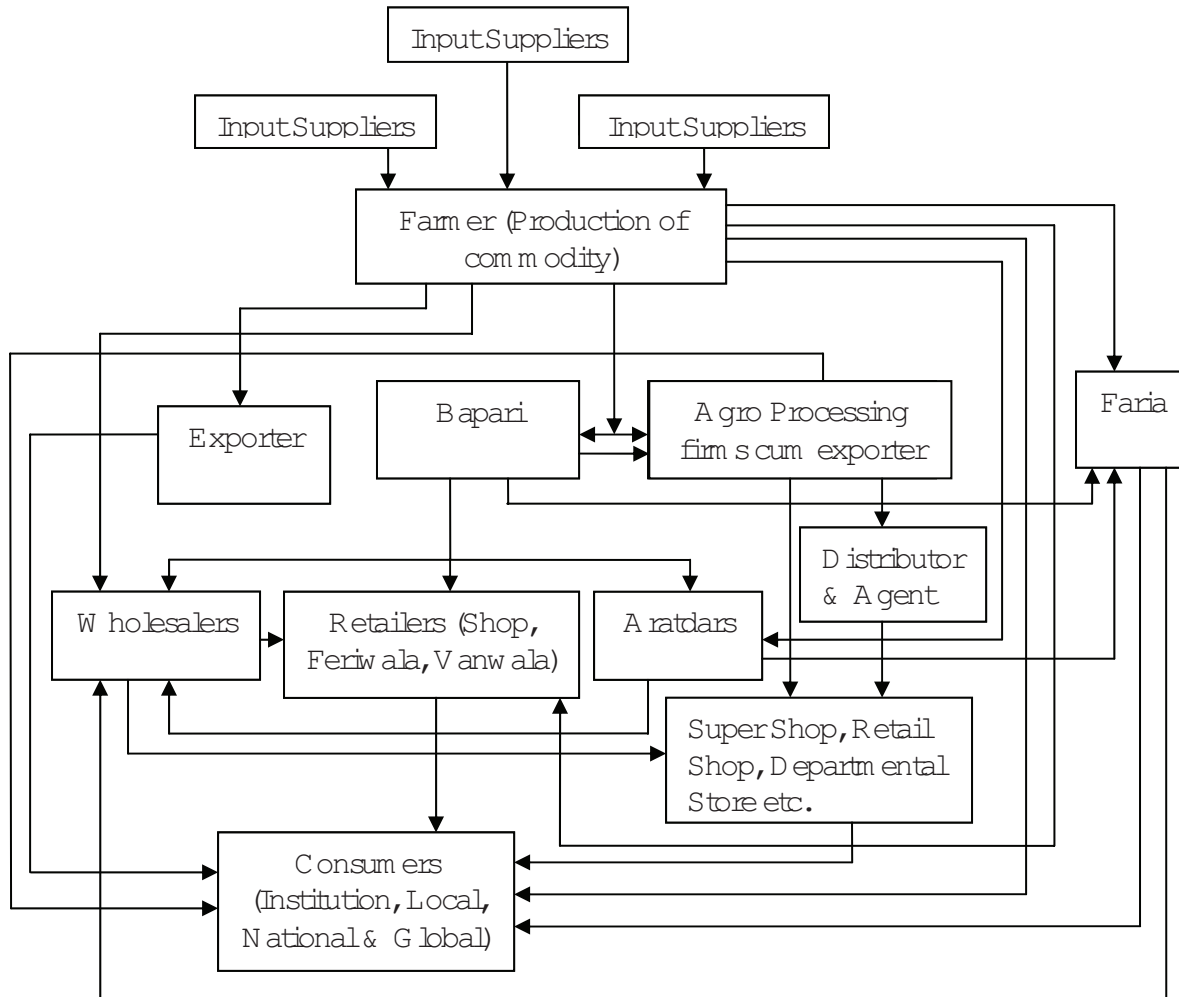


Figure 2: Generalized Supply chain of agricultural products in Bangladesh (Survey)

to the Beparies¹³, Aratdars¹⁴, Agro Processing Firms, Wholesalers¹⁵ and Retailers¹⁶ in the primary markets like farmyards, cross road points etc. After purchasing commodities from the producers, some Baparies carry it from the primary market by vans or small trucks for

13 Baparies are non-licensed traders in the study area who have no storage facility. They may be from local or nearby districts. They buy the produce and sell it to the Wholesalers and Retailers through local and other districts Aratdars. Here they act as a commission agents.

14 Aratdars own permanent establishment in the market and adequate storage facilities. They help the Baparies to sell the produce on receipt of Aratdari commission. Sometimes they purchase from Baparies for his own business.

15 Wholesalers are those traders who buy from Baparies, Aratdars, Faria, Farmers and sell it to Retailers.

16 Retailers are those people who buy mainly from Wholesalers (Sometimes from Beparies) and sell it to ultimate consumers.

selling through the Aratdars of the rural secondary markets. Side by side, some Baparies carry the products through medium and large trucks to the Aratdars in the urban wholesale market for selling through the Aratdars of the urban markets. Here, an Aratdar acts as a commission (6-10 percent) agent. It is also observed in some cases that some Baparies purchase the field before or after harvest and provide credit to the producers in favor of Aratdars during the growing season. After procuring the commodities, the Baparies deliver it to the Aratdars. Here, the Bapari acts as a commission agent. From these secondary markets, most of the commodities move toward various city markets through Wholesalers and Retailers and finally, on to the consumers. It is also not uncommon that small farmers sold directly to the consumers both in the rural and urban market (Figure 2).

There are different layers involved in the agricultural

marketing system of Bangladesh (Agrico Limited, 2004) that are increasing the price for the ultimate consumers and farmers are not getting their due (Box 9). So the majority of the profit is going into the middleman's pocket as they are working as a supply chain. But if all parties agree to work jointly, then the value chain will be formed and agribusiness will develop (see also Agrico Limited, 2004) (without effective value chain linkages agribusiness development is impossible). The benefits of value chain formation will go to all the members of the chain and consumers will ultimately get value added products with reasonable price.

Box 9

Mr. Aminur Islam is a Bapari of Bagura though it is his subsidiary business. He lives in the village Buzuruk Majhi Ria, Upazilla: Chandihara. He buys banana from the field of farmers and the hut of Mokamtala, Fashitala etc. During the time of interview he had bought green banana per kadi Tk. 120 i.e., one piece one taka. After buying the produce he normally carries it to the Aratdar of Sylhet by truck. He gets Tk. 2000 commission per truck. Aratdar sale it to other parties, they sale it to another and ultimately consumers get it at Tk. 4, 5 or 6 per piece depending on time.

Source: Survey

It is also observed in most cases, farmers feel that if they unite and form cooperatives, then it will be easier for them to bargain with *Baparies* and traders involved in the distribution process and ensure a fair return as most of the producers in Bangladesh are small enough to bargain individually with *Baparies* and traders and thereby become deprived (see also World Bank, 2008 & FAO, 2007).

In some cases, farmers do get the right price as some large processing firms in Bangladesh are conducting contract farming though it is not in large scale (Box 10). They are forming cooperatives and providing seeds, fertilizers, pesticides and offering technical assistance to farmers. After harvest they are buying the quality produce. After that the firms are sorting, processing and packaging these commodities. And finally distributing the value added products to the global and national consumers by different Departmental Stores, Super Shops, Retail Chains, Retail shops, etc.

Box 10

Pran, a large agro-processing firm in Bangladesh, is initiating contract farming for agricultural commodities in different areas within the country. Under this program, they have 30-40000 farmers involved through cooperatives. In a cooperative, there is one leader and 10 farmers under him. In this arrangement, Pran gives seed, fertilizer, pesticides and technical support to farmers so that they can cultivate quality produce. Also, Pran guarantees the cooperatives that they will buy the produce at market rate. With this arrangement, farmers get the right price at the right time along with sales assurance.

Source: Survey

Potential Scope for Value Chain Development in Bangladesh

To boost up the agriculture sector in Bangladesh, there is a need for developing value chain and success in this regard depends on diversifying the market not only in national or regional markets but in international markets also. So to expand the market, the need is to identify the potential market opportunities and capitalize on these opportunities in order to promote agriculture and stimulate economic growth.

As Bangladesh is mainly an agriculture dependent country, forming the value chain in agriculture should be its first priority. To do this, formation of cooperatives should be the first step. For example, some agro-based companies are practicing contract farming in the form of cooperatives, although in small quantities. That's why, throughout the year, consumers, both national and global are getting high quality products. In this way, they are contributing to the GDP. Not only are finished goods' (processed goods) contributing to the GDP, but input supply businesses (seed, fertilizer, pesticides etc.) are also contributing and thereby helping the country in becoming economically strong. This proves that there is a vast scope for value chain development.

The opportunity for developing the value chain is also prominent in Bangladesh because in most cases, while producing agricultural commodities, we do not consider

the needs, wants and demands of the market, though some firms and individual entrepreneurs are doing this successfully. So by considering the demands of the national and global market, if we are able to supply value added products consistently, then our economy may develop in a sustainable way.

FINANCING OPPORTUNITIES IN THE AGRICULTURAL MARKETING SYSTEM: THE WAY FORWARD

Bangladesh is a developing country. Here, the banking system as a whole plays a vital role in the progress of its economic development. As mentioned earlier, the economy of Bangladesh is mainly dominated by agriculture; this is why if financial assistance is not provided to the agricultural and agro-related industrial sector, the growth of the economy will be slow down¹⁷.

To give a boost to the agricultural sector, the Bangladesh Bank (the country's central bank) formulates policies every year, though it does not directly advance any loan to farmers. The commercial banks more or less advance loans for the development of the agricultural sector. Some banks directly distribute loans to farmers. Others provide the necessary funds to NGOs, MFIs, government programs, and thus participate in the distribution of loans.

Many local and international NGOs and MFIs have been providing financial assistance to poor farmers in the name of rural development. But there is no mentionable increase. If all the stakeholders including the government work together in developing policies, rules, regulations, strategies for value chain development and implement these properly, then farmers will be interlinked with the market (at the first stage, banks can help form, promote and strengthen farmers cooperatives that will be upgraded within the chain). And they will be benefit directly and indirectly when products quality improves; access to storage, markets and post harvest practices will be better and perhaps better prices will also be ensured. It will improve and lift their income troubles. Side by side, all the actors in the value chain will benefit in the same way. Besides, an avenue will be open to the financial institutions for safer and sustainable investment. For example, banks can design and develop loan products to meet better, the need of the clients and the particularities

of the commodities and the value chain. Besides, through investment in the value chain participant gaps in the chain will be identified (in the second stage when gaps have been identified, banks can strengthen the weak links in the chain by investing in R & D; improving information systems by funding for the creation of different facilities like cold storage, warehouse etc.) and thereby, a further opportunity for investment will exist to develop the economy. Banks can also create the value chain (at the last stage banks can make business partnership models for farmers through continuous learning and innovation in markets, products, delivery mechanisms, empowerment etc.) where none exists. In this circumstance, where Bangladesh has a mostly informal agricultural commodity market and some OTC market, the first stage, which involves working with existing supply chain that could also be used as value chain (Figure: 3) and financing each and every stage are very important. The formation of farmers' cooperatives is one way of ensuring the sustainability of Bangladesh's economy.

While procuring finance for farmers a noteworthy step is the one taken by the BRAC bank. This bank has introduced specialized debit card for farmers, Krishak Card. With this card, farmers can buy inputs in the farming season and repay after the harvest when they sell the crops. They can withdraw money anytime as per their requirements. They can also obtain revolving credit with the same card. They can also avail easy loan facilities as agricultural finance guidelines of BB¹⁸.

CONCLUDING REMARKS

For sustainable economic development, the agricultural marketing system of developing countries like Bangladesh should be interlinked with profitable businesses and needs to avail the emerging market opportunities. To avail these opportunities, robust change must take place in the agricultural marketing system as agri commodities have gained considerable attention all over the world. For this to make and facilitate efficient agri-marketing system, the formulation of suitable policies, rules and regulations are essential so that all the parties involved in the agricultural marketing system can get valuable information through MIS, proper financial support, technical assistance, better infrastructural facilities etc. These facilities will help the marketing system become a value based chain rather

17 <http://www.blurtit.com>

18 The Daily Star, October 6, 2011

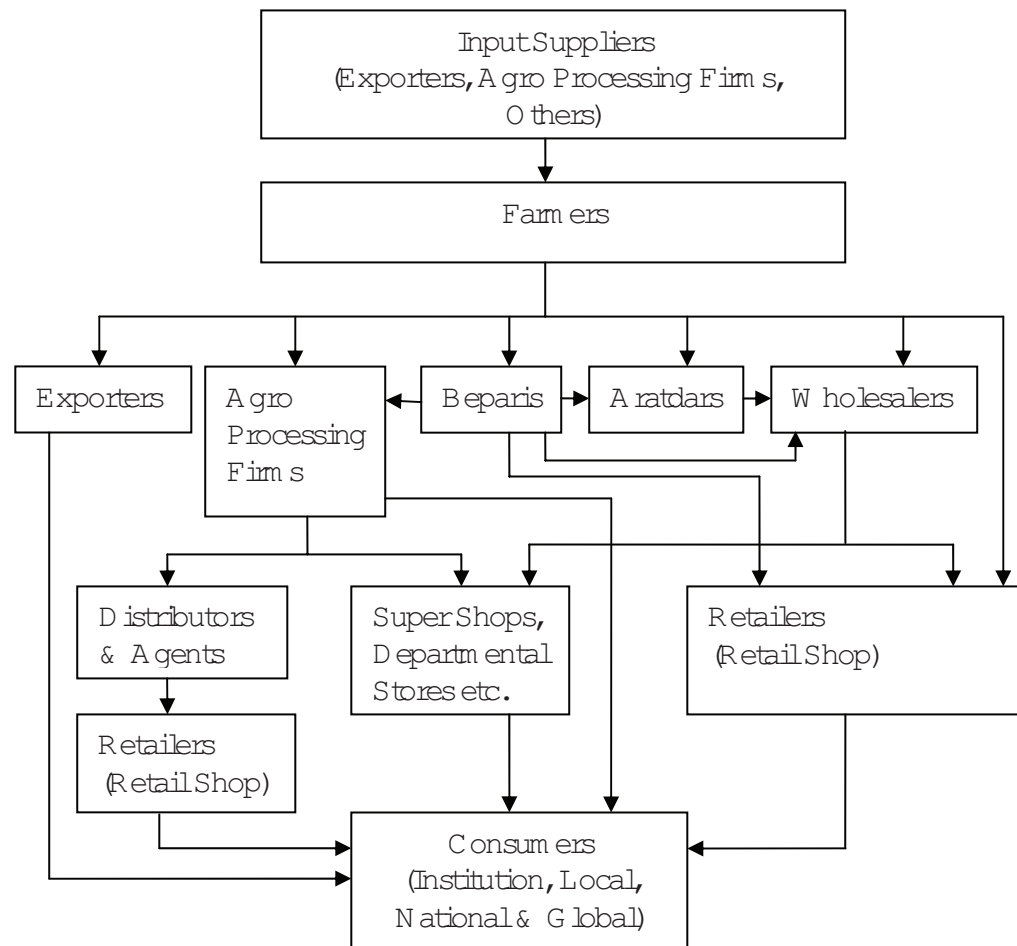


Figure 3: Generalized Value chain of agricultural products in Bangladesh (Survey)

being only supply oriented. Thus, it creates a direct link between farmers, consumers and all the important actors within the chain. As a whole, the value chain approach to agriculture shapes market access and goes beyond local and national markets to gain maximum benefits thereby helps a country's economic development become sustainable.

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