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To : Project Committee (See Distribution)

From : Phillip Church, PRO *CSG*  
Robert Gonsalves, CLO *RG*  
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Subject : Fertilizer Distribution Chittagong Division Pilot Area ---  
Implementation Assessment

Ref : (A) Fertilizer Distribution Improvement Project  
(B) BADC Directive No. BADC/MSS/Sales  
18/78-79/8524 (6), August 14, 1978

Background :

One purpose of the Fertilizer Distribution Improvement Project is to broaden participation of private wholesalers and retailers in distribution of chemical fertilizer from BADC Primary Distribution Points (formerly Intermediate Godowns). On August 14, 1978, BADC issued to its Chittagong Division and five district managers a Directive for introduction of the new system not later than 1st December 1978 (see Annex 1).

To assess progress in implementation of the BADC's Directive we visited each of the five districts in Chittagong Division, between September 18 and 24, 1978, one month after the BADC Directive was issued. Data was collected and compiled into "District Profiles" covering:

1. Current fertilizer situation
2. Present fertilizer distribution system
3. Attitudes regarding the BADC Directive:
  - 3.1 among BADC Personnel
  - 3.2 " IRDI Personnel
  - 3.3 " Private Dealers
4. Procedures for implementing the Directive
  - 4.1 Publicity
  - 4.2 BADC restaffing
5. Potential problem areas

In preparing the assessment information was collected from interviews conducted with all participants in the new system :

1. BADC District Managers (all)
2. BADC Sub-divisional Managers (some)
3. BADC Thana Inspectors (some)
4. IRLD Thana TCCA godown managers (some)
5. Village dealers (some)

A list of those persons contacted is contained in Annex 2.

### Chittagong District Profile

#### Current Fertilizer Supply Situation

1. According to District Manager Bari there is adequate stock on hand. It consists of

|       |   |            |
|-------|---|------------|
| Urea  | - | 7,759 tons |
| TSP   | - | 5,255 "    |
| MF    | - | 1,302 "    |
| Other | - | 45 "       |
| Total | - | 14,361 "   |

2. This plus the fertilizer which was being dispatched from the six ships currently discharging at the port would be enough to meet demand for the next two months.

3. When asked whether Chittagong had a fertilizer crisis at any time during the last few months, Mr. Bari said, no. However, he referred to a recent temporary shortage in certain thanas (Kutubdia, Chokoria, Rangunia, Sandip, etc.) in which the fertilizer warehouses were suddenly emptied in two/three days. Naturally, these warehouses could not be restocked instantly. However, the sale in August was unexpectedly low (Target: 6,600 M/Ts, Sold: 4,571, equal to 69.26%). This, suggested Mr. Bari, was due to drought in certain areas and flood in others. (BADC has established a fact-finding mission for ascertaining the cause for these low sales.)

4. Mr. Bari reported that the Aus was selling @ Tk. 60/- per maund of paddy which was below the support price. Dohazari fertilizer dealers were asked about the prevailing market price of paddy. They said it was: Paddy Tk. 65/- per maund, Rice (Coarse) Tk. 3 to 3.25 and Paijam rice 4.25 per seer. When asked why the sellers weren't going to Local Supply Depot (LSD) to sell the paddy at Tk. 84/- the guaranteed price, they replied that LSD were not buying.

5. The people connected with fertilizer sales did not feel that the new higher fertilizer prices (Urea - Tk. 70/-; TSP Tk. 55/-; and MP Tk. 45/- per maund) had disturbed the sales of fertilizer. Mr. Bari said that the sale of fertilizer in Chittagong district in FY 78 was above that of FY 77 by 1,500 tons. Regarding adequacy stocks of fertilizer, there was brisk movement at all the godowns visited. The quantity of purchase by dealers was now larger than before. We also found roadside fertilizer sellers with sufficient stock on hand and selling at the official prices.

#### Private Sector Directive Implementation

1. We learned that at the BADC District Manager's meeting on September 2, which was attended by BADC Subdivisional Managers, BADC Thana Inspectors, and some BADC Store Keepers, the new system was explicitly delineated, and its objective explained as greater participation in fertilizer distribution/sales by individuals in the private sector.

2. The BADC District Manager had arranged printing of 10,000 copies of Dealer Registration Forms (sample copies of which were supplied to us)-- for distribution in Chittagong District alone. Although publicity has been planned via cinema slides, newspaper ads., radio spots, and personal contacts, etc., Mr. Bari pointed out that funds are yet to be budgeted by the BADC head quarters of Dacca for use by the District Manager to implement the publicity. Also, he felt a green light from the Dacca Office was required to release the publicity of the new system.

3. Many BADC staff members apparently fear that under the new system they may be declared surplus and lose jobs. Mr. Bari said that he was under pressure from members of his staff who have been asking questions about their jobs, and were forming groups and conspiring to defeat the experiment of the system in Chittagong.

4. Mr. Bari thought that the Directive was not as clear as it could have been. It did not clearly say which godowns were to be closed and which will continue sales operations. According to the Directive, as he interpreted it, all thana godowns in his district will be closed.

5. We were told that the members of Chittagong Chamber of Commerce had already started to inquire about various aspects of the new system. Big merchants of Khatunganj Street were getting to know about their prospects in entering the fertilizer business. Mr. Bari reported that he was receiving quite a few telephone calls from them.

6. We interviewed 13 fertilizer dealers of Rangunia thana. Table 1 summarizes the total amount of fertilizer each bought from the TCCA godown.

Table 1: Fertilizer Sales of Selected Dealers, Rangunia Thana  
Chittagong

| <u>Name of Dealer</u>    | <u>Amount (in maunds) of fertilizer</u><br><u>lifted during FY 78</u> |
|--------------------------|---|
| 1. Aliuzzaman            | 2,000 maunds  |
| 2. Abdul Wahid Choudhury | 1,200 "   |
| 3. Md. Fazlul Karim      | 2,000 "   |
| 4. Mojibur Rahman        | 500 "   |
| 5. Fani Bhuran Barua     | 2,000 "   |
| 6. Habibur Rahman        | 1,200 "   |
| 7. Rezaul Alam           | 3,000 "   |
| 8. Abdur Rahman          | 3,000 "   |
| 9. Amal Kanti Das        | 3,000 "   |
| 10. Delwar Hossain       | 4,000 "   |
| 11. Talukdar             | 1,800 "   |

7. We asked about the size of their agriculture lands. Two had 2 acres each, two had 3 acres each, three had 4 acres each and for six of them, their lands ranged from 10 to 15 acres and above each.

8. Many of them were not aware of the introduction of the new system. Those who had come to know expressed incapability of arranging funds to purchase the minimum quantities offered at PDP's. Also, they did not like the idea of becoming retailer agents of the wholesalers. When an indication that financial credit might be available was given, without giving a second thought all expressed the desire of becoming wholesalers.

9. There are 105 dealers in Dohazari Thana. The warehouse is under the TCCA. We interviewed 7 dealers who were on hand at the time of our visit. Table 2 summarizes the characteristics of each.

Table 2: Fertilizer Dealers Interviewed in Dohazari Thana, Chittagong

| <u>Name of Dealer/<br/>(Union)</u> | <u>Main Occupa-<br/>tion</u>           | <u>Owned Land<br/>(in acres)</u> | <u>Total<br/>(approx)<br/>Fert. lifted<br/>(maunds)</u> | <u>Fert. lifted<br/>each trip<br/>(Bags of<br/>50 kg)</u> | <u>Distance,<br/>Mode of<br/>Transport<br/>(miles)</u> |
|------------------------------------|--|----------------------------------|---|---|--|
| 1. Abdul Khalek<br>(Nazirhat)      | Grocery                                | 4                                | 1,500   | 800-100   | 11, Boat   |
| 2. Mozammel Huq<br>(Satbaria)      | Grocery                                | 8                                | 2,000   | 40-100  | 10, Truck<br>Rickshaw &<br>Push-cart                   |
| 3. Md. Naziruddin<br>(Satbaria)    | Pesticides & 10<br>Fertilizer          |                                  | 2,000   | 75-100  | 9, Truck   |
| 4. Abdul Jabbar<br>(Boiltoli)      | Grocery                                | 6                                | 1,600   | 80-120  | 12, Boats  |
| 5. Akbar Ali<br>(Joara)            | Pesticides & 10<br>Fertilizer<br>Agent |                                  | 2,500   | 80-100  |  |
| 6. Md. Kalam<br>(Satbaria)         | Grocery                                | 12                               | 3,000   | 100-150   | 8, Trucks  |
| 7. Jasimuddin<br>(Dohazari)        | Construc-<br>tion                      | 20                               | 3,200   | 200-250   | 2, Truck<br>Push-cart                                  |

Chittagong Hill Tracts District Profile

The Current Fertilizer Situation

1. Fertilizer stock on hand was found to be low. It consisted of :

|       |   |        |
|-------|---|--------|
| Urea  | - | 409 MT |
| TSP   | - | 811 "  |
| MP    | - | 177 "  |
| HF    | - | 228 "  |
| Total | - | 1625 " |

However, Mr. Kisha indicated that if the shipping office at Chittagong provided him with 1,000 MT of Urea and 500 MT of TSP, then the enhanced stock was expected to meet with the demand for the next two months.

2. The Hill Tracts never had a crisis before, but recently Ramgarh, Banderban and Lama Thanas had been experiencing shortages. These thanas could only be supplied by trucks, and the trucking contractors had failed to honor their delivery contracts.

3. Mr. Kisha said that in the first week of September there was not enough urea in the intermediary godown at Chittagong, the resupply point, which was another reason for the recent shortage. We have learned from Mr. Kisha that BADC Ctg. Hill Tracts had one truck under the District Manager's command which was used when the contractors failed to carry out their orders.

4. Few Hill Tract farmers were fertilizer users. Mr. M.S. Joha, District Extension Officer, whom we met in his office on the same day, gave the following reasons for such low interest in the use of fertilizer : (1) the people were nomadic ; (2) the three tribal chiefs had never encouraged education for their subjects ; (3) only a few of the 28 thanas in this district had Village Extension Agents (VEA)

5. When asked about the Tk. 100 Crore Agriculture Credit Program, he replied that 9,200,000 Taka was given out in his district, but recovery of loans was very poor. So far only 2,000,000 Taka had been recovered according to his knowledge. The main problem was that if the authorities exerted pressure for recovery, farmers simply disappeared and lived in the inaccessible hills or outside the country.

6. Mr. Kisha told us that the new fertilizer prices had not adversely affected fertilizer sales and BADC had fixed the FY 79 target at 4,500 MT (Urea 3,000; TSP 1,000 and MF 500), an increase of approximately 10% over last year's sale.

### The Private Sector Directive Implementation

1. The Hill Tracts received the Directive only on September 9, ten days later than Chittagong District but only two hours away by road. However, considering the importance and urgency of dissemination of this Directive, District Manager Kisha forwarded copies of the circular to all Subdivisional Managers, Thana Inspectors and Store Keepers, Deputy Commissioner and Subdivisional Officers.

2. Though this district was not originally included in the scheme, Mr. Kisha had received briefing on the system at a Sept. 2 monthly meeting and later discussed the system with his Subdivisional Managers, Thana Inspectors and Store Keepers. The Directive, as Mr. Kisha interprets it, requires shut down of Rangamati thana godown since a FDI will operate there.

3. The Hill Tracts face problems under the new system. While the district had two FDI's twelve remote thana selling centers, it was difficult to get contractors to transport fertilizer to the thana Warehouses. Demand for fertilizer was still limited because it had not yet become popular. As a result: (1) dealers seldom took as much as 30 maunds of fertilizer at a time from Thana Godowns and consequently would be discouraged by the new minimums; (2) the special discounts in the Hill Tracts of Tk. 7 vs. Tk 5/maund elsewhere in Chittagong Division might probably attract some outsiders to come to the Hill Tracts to buy fertilizer for sale outside the Hill Tracts.

4. We interviewed one Mr. Idress Mia, a fertilizer dealer of Rangamati Thana. He was one of the fifteen active dealers in Rangamati. We learned from him that he sold approximately 900 maunds of fertilizer last year; 700 mds were used on the pineapple farms and the remaining 200 mds on paddy fields. The quantity he purchased each trip from the thana godowns varied from 20 to 100 mds. Large purchases were always backed by prior orders from the pineapple farms. Idrees Mia knew three other dealers fairly well. They are - Abul Kalam (Grocer),

Mr. Lech (owner of a medicine shop and food ration shop) of Rangamati Town, and Fazal Karim (a food ration dealer) of Tabalshri. Their liftings were also backed by confirmed orders from the pineapple gardens.

5. Idrees Mia wanted to register himself as a wholesaler dealer under the new system, but he feared that the new method and prices of selling of fertilizer would discourage anybody from becoming a wholesaler. Also he believed nobody would invest so much money if the immediate return was not guaranteed.

6. Asked if he could get credit from the bank for the purchase of fertilizer would he become a wholesaler, his response was affirmative. However, it was possible that he would invest only small portion of the loan money in the fertilizer business and the major portion would go into his other businesses. Idrees Mia has a timber business as well.

7. Regarding the new system Mr. Kisha recommended a dealer discount minimum purchase limit of five maunds from the thana godowns in the Hill Tracts instead of the 30 maunds minimum requirement under the new directive. In addition he suggested that the existing sales commission structure must prevail in the Hill Tracts; otherwise retailers, he felt, would hesitate to take so much trouble in carrying the loads on their heads and walk distances to sell fertilizers to remote farmers.

### Noakhali District Profile

#### Current Fertilizer Situation

1. Stock on hand consisted of :

|       |   |      |    |
|-------|---|------|----|
| Urea  | - | 1416 | MT |
| TSP   | - | 593  | "  |
| MF    | - | 310  | "  |
| HP    | - | 10   | "  |
| NFK   | - | 680  | "  |
| Total | - | 3009 | "  |

2. BADC District Manager Mr. Chowdhury said that this stock would meet demand for the next ten days only. The September movement program projected shipping from Chittagong - Urea 4,500 MT, TSP 2,000 MT (1000 MT Chittagong and 1000 MT imported) and 500 MT TSP, against which only

500 MT of Urea and 500 MT TSP had been received as of September 22. The Chittagong Office has been trucking only 40 tons a day against requirements of 200 tons a day since the middle of August.

3. Mr. Chowdhury further said that Noakhali had an acute shortage of urea during the last ten days of August. In order to avoid this kind of shortage in the future he suggested three months stock on hand; Intermediary Godown - one month; Intermediary godown to Thana godown in transit - one month and thana sales stock - one month, total three months stock. He said, this is needed because the peak selling period depends on weather conditions and cannot be predicted well in advance; the entire stock of fertilizer at the sales centers may be sold out very quickly. Stock equilibrium in all thanas would be possible only if the transportation problems were eliminated.

4. The new higher fertilizer prices had little adverse influence on sales. Day by day more and more farmers are becoming aware of the increasing benefits of the fertilizer use. However, the selling price of the produce is probably the main factor determining whether the farmer will grow more food at more expense, commented Mr. Chowdhury. He said that the current price of aus in the char (island) area was approximately Tk. 55 which was below the cost of production.

#### Private Sector Directive Implementation

1. According to the District Manager a request for advertisement in the local as well as national newspapers was sent to the Public Relations Officer on September 21st. Copies of the directive were forwarded to Subdivisional Managers, Thana Inspectors, TCCAs, and local administrative officials on August 31st.

2. Existing retail dealers reportedly did not like the new system. They reasoned that they have worked so long and hard in popularizing fertilizer among the farmers and now the fruit of their efforts would be enjoyed by wealthy merchants who have made no contribution in the field of agriculture development. Six retailers interviewed at Feni, were forming a group in order to obtain a wholesale dealership. Their names and other data follow in Table 3.

Table 3 : Fertilizer Dealers Interviewed in Noakhali

| <u>Dealer Name<br/>(and Location)</u>    | <u>Principal<br/>Occupation</u>             | <u>Quantity and<br/>Mode of<br/>Transport</u> | <u>Distance to<br/>Sales-Godown</u> | <u>Agriculture<br/>Land-Owned</u> |
|--|---|---|-------------------------------------|-----------------------------------|
| Md. Rafiq<br>(Faurasava)                 | Farming and<br>Contracting<br>Business      | 8 Mds.  | 2 miles                             | 3 acres                           |
| Md. Idrees<br>(Baraipur<br>Union # 2)    | Fertilizer &<br>Pesticides<br>Selling Agent | 150-200 mds.<br>Push-cart/<br>Truck           | 3 miles                             | 1 acre                            |
| Abdul Khalek<br>(Baraipur<br>Union # 10) | Fertilizer &<br>Pesticides<br>Selling Agent | 100-200 mds.<br>Push-cart/<br>Truck           | 3 miles                             | 1 acre                            |
| Nuruzzaman<br>(Dhatmapur<br>Union # 12)  | Construction<br>Contractor<br>Rickshaw      | 100-150 mds.<br>Push-cart                     | 4 miles                             | 2 acres                           |
| Syed Abdul<br>Mannan<br>(Union # 22)     | Small<br>Business<br>Rickshaw               | 150-mds.<br>Push-cart                         | 3 miles                             | 2 acres                           |
| Jamul Amin<br>(Faurasava<br>Union # 22)  | Tyre-tube<br>Shop                           | 150 mds.<br>Push-cart                         | 3 miles                             | 4 acres                           |

3. Each respondent feared he would have financial problems under the new system if no credit to finance sales and inventories were available.

4. BADC staff members are obviously afraid of losing power and jobs under the new directive. Mr. Awal reported that the staff members have already started mobilizing themselves against the new system.

5. Under the new system the TCCA's will have to take delivery of fertilizer from the PDP and make arrangements for movement to sales centers at their own cost. TCCA's have no trucks or other means of transportation. Thus they face a problem if they wish to continue to sell fertilizer.

6. In Noakhali District there are fourteen thanas; in eight fertilizer sales are exclusively controlled by TCCAs and in five by BADC alone and in one, by both. TCCA Thanas are Ramgati, Laxmipur (partly), Raipur, Ramgonj, Chatki, Sudharam, Begumgonj and Sonagazi. BADC Thanas are: Laxmipur (partly), Senbagh, Feni, Chagalnaiya (and Munshirhat), Porshuram, Hatia and Afazia (Begumgonj and Chatkail are private TCCAs, others are IRDP managed TCCAs).

7. The volume of offtakes was expected to remain the same under the new system. However, fears have developed that remote areas may not be served well. The commission under the new system appeared extremely inadequate to meet transportation costs alone, (e. g. from PDP to Hatia - Tk. 10 per maund; to Afazia - Tk. 11; to Char Alexander - Tk. 6; to Ramgati - Tk. 6. 50; to Ramgonj - Tk. 4. 50; to Raipur - Tk. 4. 50; to Sonagazi - Tk. 5; and to Porshuram - Tk. 5). In addition to the cartage the wholesaler has other expenditures, (e. g., storage and establishment costs, interest on capital, etc.). Thus fertilizer may not reach village markets (hats and bazars) in the remote corners of the country. Under the new system, supply to only the nearest and communicable places was guaranteed.

8. Mr. Chowdhury further said that dealers' registration shouldn't be so open as it is under the new system; some restriction as always desirable. He felt fertilizer was not a commercial item, and therefore, should not go into the hands of commercial people so openly. Wholesellers should have been selected on market location basis, he added.

9. In regard to PDP staffing, Mr. Chowdhury said that he would assign the SDM as PDM Manager to be assisted by three thana inspectors: one to look after receipts; one to take care of dispatch and the other to look after sales. Thana Inspectors would be assisted by three Tally Clerks who would be drawn out of the thanas which cease operation under the new system.

### Comilla District Profile

#### Current Fertilizer Situation:

1. Fertilizer stock position in Comilla District on September 16, 1978 was:

|       |   |       |      |
|-------|---|-------|------|
| Urea  | - | 5447  | tons |
| TSP   | - | 4242  | "    |
| MP    | - | 637   | "    |
| NPK   | - | 975   | "    |
| Total | - | 11301 | "    |

2. Supply of fertilizer was adequate over the last three months and there has been no shortages. The present stock was enough for the next two months. However, there exists a problem with storage, as the present storage capacity is only 9000 tons, more storage space was required in peak seasons.

3. In December, fertilizer requirement will be large and storage space for about 20,000 tons will be required. To minimize storage problems at that time, prompt supply and service should be ensured.

4. The target of sales during July - August, 1978 was 11,180 tons, and only 8,333 tons were sold. 10,117 tons of fertilizer was sold during July - August, 1977. The shortfall is noticed both to meet the target and as compared to last year's sales. Main reasons for this shortfall in sales were less credit disbursement as compared to last year, and irregular rainfall during the months of July and August.

5. According to Mr. Razzak, there was no significant impact of new higher fertilizer prices on sales.

Private Sector Directive:

1. Under the present system of fertilizer distribution in Comilla, Thana Central Cooperative Associations (TCCA) are wholesalers, and private fertilizer dealers, who usually come from Krishak Shamabaya Shamity (KSS) are the retailers. TCCAs hired 13 of the BADC's thana godowns, and in addition to these godowns, they have their own constructed and some hired godowns. BADC dispatches fertilizer to BADC's thana godowns hired by TCCAs. TCCAs sell fertilizer to the BADC's licensed dealers. At present there are 4688 licensed dealers in Comilla District.
2. Under the new system of fertilizer distribution, the clients would be private wholesalers, some big private fertilizer dealers are also likely to be the wholesalers. Present small village fertilizer dealers are likely to be the retailers under the new system, who would buy fertilizer from the wholesalers and sell to the farmers in village markets. In most of the thanas, TCCAs might withdraw themselves from fertilizer business, because they fear that they might not be able to compete with the private wholesalers.
3. Under the new system, there will be uniform commission, i. e. Tk. 230/ton margin, irrespective of distance. Therefore it can be predicted that wholesalers close to Primary Distribution Points (PDP) will purchase more fertilizer than wholesalers from distance places, since transport cost is involved. As such, availability of fertilizer may be less in distance places from godowns.
4. Volume offtakes may be more before peak seasons, particularly if wholesalers speculate that there might be inadequate supply in future. However, if the godowns maintain adequate stock, there should be no scope for black market sales.
5. Tk. 230/ton margin is quite lucrative for the wholesalers close to PDPs. So the operation of free market of sellers and buyers would equate supply and demand, and the resultant prices are expected to be low, might even be lower than the retail prices. There might be bigger mark-ups at distant markets.
6. The District Manager reported that copies of the Directive have been distributed among all concerned district, sub-divisional and thana level officials. There were insertions of the directive in the local weekly news papers, namely, "Rupashi Bangla" and "Amoda". Concerned BADC staff have been directed to publicize the new system of fertilizer marketing.

7. The District Manager of BADC is quite enthusiastic about the new system. To him, the main constraint is supply. He believes the system would run smoothly if timely and adequate supply could be ensured. He thinks remote-area thana godowns should maintain sufficient stocks. These thanas are: 1. Homna, 2. Matlab, 3. Bancharampur, 4. Faridganj, 5. Nasirnagar, 6. Part of Daudkandi, and 7. Part of Burichong.

8. About the new dealers registration system, he thinks, since this system is easier and there is no limitation, number of dealers would increase; there would be more and frequent offtakes which would minimize the storage problem. However, he suggests that there should be a point in the registration form mentioning the maximum retail prices of fertilizers. He also thinks that the new registration system has little scope for monitoring the sales activities.

9. The DM fears that TCCA's might quit from fertilizer business in most of the thanas because it would be difficult for them to continue the business profitably in the free competitive market. If TCCA's leave thana godowns then BADC has to maintain these godowns as thana sales centers, because private wholesalers might not rent them at the early stage of the new system.

10. IRDP Project Officers and TCCA Chairmen fear that under the new system, TCCA's might not be able to compete with the private wholesalers and run the business profitably due to their high overhead expenses. It will also be difficult for them to make prompt and spot decisions (which is very important in competitive market) due to their bureaucratic system. Moreover, the TCCAs will have to carry their stock from PDPs to their godowns on their own arrangements. (Mr. Fazlur Rahman, Project-Director, IRDP, Comilla, who thinks that the new system comes as a challenge to TCCAs. He reported that in FY 1977-78 IRDP/TCCAs made a net profit Tk. 1,526,047 in 18 thanas of Comilla District, which came entirely from fertilizer business (marketing). If TCCAs have to quit from this business, cooperative farmers will be deprived of this type of benefit).

11. I met many fertilizer dealers at IRDP/TCCA office premises and at village markets. In general, they welcome the new system. They think Tk. 230/ton margin is lucrative, specially for those who are close to PDPs. New registration system will be convenient for them. Small dealers, not having enough capital to purchase 3 tons of fertilizer might form groups and then buy and share the stock among themselves.

12. Dealers at distant places from PDP apprehend that transportation cost would be high in peak seasons, availability of trucks would be less and charges would be too high. As such they suggest, BADC should maintain stock at thana godowns from where wholesalers as well as retailers can buy.

13. Big wholesalers might appoint present village fertilizer dealers as their retailers. Present dealers also apprehend that rich businessmen may buy entire stock from PDP and then control the market according to their wish, create artificial crises during peak seasons; if adequate and prompt supplies are not ensured at the PDPs and thana godowns.

### Sylhet District Profile

#### Current Fertilizer Situation:

1. Fertilizer stock position in Sylhet District on September 15, 1978 was:

|       |   |      |      |
|-------|---|------|------|
| Urea  | - | 2391 | tons |
| TSP   | - | 1682 | "    |
| MP    | - | 549  | "    |
| NPK   | - | 224  | "    |
| Total | - | 4846 | "    |

2. The supply of fertilizer has been quite adequate over the last two months. Present stocks are adequate for next two months, but more supplies will be required in December.

3. The recent fertilizer price increase has had no noticeable impact on sales.

#### Private Sector Directive:

4. Under the present system, fertilizer dealers are retailers and there are no wholesalers.

5. Under the new system, some financially solvent retail dealers are likely to be the wholesalers. However, some other businessmen might enter after observation of the market. Retailers would mainly come from present small dealers, some village grocery shopkeepers are also likely to be retailers.

6. In Sylhet District, demand for fertilizer being comparatively less than in Comilla, 3 tons offtake at a time from PDP may not be feasible. It should be reduced to 40 maunds. There should not be any scope for black marketing if supply is adequate. Mark-ups will be smaller in markets close to fertilizer sales godowns and obviously, bigger in distant places.

7. The DM reported that copies of the Directive have been distributed among concerned district, sub-divisional and thana level official; but there was no insertion of the directive in local news paper (there are two weeklies in Sylhet, "Jugoveri" and "Sylhet Shamachar"). Mr. Mannan thinks that it should come in the national dailies first.

8. In order to know public reaction, I visited Sylhet Kotwall, Golapganj, Moulvibazar, Sreemangal, and some village 'hats' where I met some fertilizer dealers as well as some other businessmen. Fertilizer dealers in Sylhet Sadar are small in number and are less enterprising than in Comilla. They reported that demand for fertilizer in Sylhet Sadar sub-division is so small that it is quite difficult for a single dealer to sell 100 maunds of fertilizer in a whole year. So, 3 tons offtake at a time may not be feasible. It should be 40 maunds from PDPs and 10 maunds from thana godowns. Other businessmen do not have clear idea about fertilizer marketing, so they would wait to observe the situation first before entering into this business.

9. The picture is quite different in Moulvibazar sub-division, specially under Sreemangal thana. The sub-Divisional Manager, BADC, Maulvibazar, reported that demand for fertilizer is more in this sub-division. Supply of fertilizer was not adequate in the last 5 months to meet the demand. Stock position at Sreemangal Intermediary Godown, on September 23, 1978 was:

|       |   |             |
|-------|---|-------------|
| Urea  | - | 308 tons    |
| TSP   | - | 0.21 tons   |
| MP    | - | 203 tons    |
| Total | - | 511.21 tons |

There is shortage in supply, especially in TSP. However, the SDM expects new supplies to arrive in a short time.

10. Dealers at Sreemangal are enthusiastic about the new system. 3 tons offtake would not be a problem for most of them. They predict that Tk. 230/ton margin is quite lucrative to attract new traders to enter into fertilizer business. There exist good transportation facilities, and in the new system there should not be any problem with transportation.

11. However, it appeared that dealers in Sreemangal preferred to sell fertilizer to tea gardens, and as a result, small farmers might be affected, since tea gardens are likely to buy in large quantities, wholesalers might care less to sell to the village retailers from whom farmers buy fertilizer.

**BANGLADESH AGRICULTURAL DEVELOPMENT CORPORATION**  
**"KRISHI BHABAN"**  
**49-51, DILKUSHA COMMERCIAL AREA, DACCA-2**

Memo.No.BADC/MSS/Sales-18/78-79/8524(6)

Dated:- 14-8-78

To: Divisional Manager,  
Chittagong  
  
District Manager,  
Chittagong  
  
District Manager,  
Noakhali  
  
District Manager,  
Comilla  
  
District Manager,  
Sylhet  
  
District Manager  
Chittagong Hill Tracts

**Sub:- Fertilizer Distribution Improvement - Directive Number 1**

1. As a result of a project agreement between the Govt. of Bangladesh and the Govt. of the United States, entitled Fertilizer Distribution Improvement I dated July 28, 1978 it has been agreed to introduce a wider private sector role in fertilizer distribution and marketing in Bangladesh. As first step, it has been agreed to introduce a number of experimental measures during the first year in Chittagong Division.

2. The major elements of the new system are as follows:

1. Primary Distribution Points roughly corresponding to the present intermediary godowns will be established. Private wholesalers (customers) including Co-operatives will be allowed to buy a minimum of 3 tons of fertilizer at the PDPs.
2. The minimum purchase of three tons may consist of any combination of fertilizer available.
3. Rate of discount at the PDPs will be Tk. 230/- (Two hundred and thirty) per ton.
4. If and when the entire thana is adequately served by wholesalers from PDP the thana godown may no longer be required

and may be closed down. The thana godown situated in the same location or in close proximity with the PDP will be closed down with effect from the date of introduction of the new system.

5. Even with the introduction of the new system it may be necessary to continue sale from thana warehouses. The minimum quantity to be sold from thana warehouse would be thirty maunds. The discount rate will be taka five per maund (excepting Chittagong Hill Tracts where a discount of Tk. 7/- per maund will be paid), irrespective of distance. However, smaller quantity, but not less than a 25 Kg. bag, may be sold at the fixed retail price.
6. Dealer licencing requirement will be completely eliminated and will be replaced by customer registration. This provision is equally applicable to PDPs as well as the thana warehouses. Any customer may register at as many PDPs and thana warehouses as he wishes. The entire purpose of the registration is to collect information. No restriction or or qualifications will be placed on any customer who furnishes the information by completing the registration form.
7. All private sector entities shall qualify as customers at the PDPs and thana warehouses. This shall include, but not necessarily be limited to individuals, associations, co-operatives, companies and Corporations. No limit shall be placed on the number of customers registering at any warehouse. A customer identification card with customer number shall be issued to each customer who registers at the warehouse and this ID card shall be used for each purchase. No registration or ID card shall be required for purchase at fixed retail price without any discount.
8. Complete freedom of private sector movement of fertilizer will be established excepting the five mile border area.
9. The customer, if he has any complaint may prefer an appeal with the District Manager. If this fails, he may prefer a second appeal to the Divisional Manager.
10. Payment for fertilizer at PDP and thana warehouse will be through pay order. Net amount after deducting discount at Tk. 230/- per ton or Tk. 5/- or Tk. 7/- per maund as the case may be will be paid. The maximum retail price will

be Tk. 70/- for Urea, Tk. 55/- for TSP and Tk. 45/- for MP as already announced by the Government.

3. The new system will be introduced not later than 1st December, 1978.

4. You, are, therefore, directed to give wide publicity to the planned new system in your district. Advertisement and news items should be inserted in local journals. Copies of circulars containing detailed information should be available at all fertilizer offices for distribution amongst interested people.

5. The circular, interalia, should contain the following information:-

- a) List of PDPs
- b) Discount rate both at PDP and thana warehouses.
- c) The minimum quantity which can be lifted at one time.
- d) Absence of dealer's licencing.
- e) Freedom of movement of fertilizer except in 5 miles border belt.
- f) Abolition of distance category.
- g) List of thana godowns to be closed down.

6. Please adequately advise Sub-Divisional Managers, Thana Inspectors and Store-Keepers in the new system. Also make available copies of the circular to them for distribution amongst interested parties.

7. From time to time additional directives as may be required will be issued. The first directive shall remain in full effect until amended or revoked.

8. The following papers are attached herewith for your use and guidance:

- i) A list of Primary Distribution Points
- ii) A model customer Registration form
- iii) A list of thana godowns to be closed down
- iv) A draft circular on the planned new system.

(Signed)

14/8/78

(M.I.M. Howlader)  
General Manager (Supply),  
B.A.D.C., Dacca

**LIST OF PRIMARY DISTRIBUTION POINTS  
IN CHITTAGONG DIVISION**

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| <u>Name of districts</u>      | <u>Location of P. D. P.</u>  |
|-------------------------------|--|
| <b>Chittagong</b>             | 1. Dewanhat Intermediary godown, Chittagong<br>2. Haliashahar Intermediary godown, Chittagong<br>3. Dohazari Intermediary godown, Chittagong<br>4. Cox's Bazar Intermediary godown, Chittagong |
| <b>Comilla</b>                | 5. Comilla Intermediary godown<br>6. B. Baria Intermediary godown<br>7. Chandpur Intermediary godown<br>8. Laksham Intermediary godown(Daulatganj)<br>9. Hajiganj Intermediary godown          |
| <b>Noakhali</b>               | 10. Feni Intermediary godown<br>11. Choumohoni Intermediary godown   |
| <b>Sylhet</b>                 | 12. Sylhet Intermediary godown<br>13. Sreemangal Intermediary godown<br>14. Habiganj Intermediary godown<br>15. Maizgaon Intermediary godown<br>16. Chattak Intermediary godown                |
| <b>Chittagong Hill Tracts</b> | 17. Rangamati Intermediary godown<br>18. Strand Road Chittagong.   |

LIST OF THANA GODOWNS WHERE SALE WILL CEASE  
AS SOON AS P.D.P. WILL OPERATE

| <u>Name of districts</u>      | <u>Location of P. D. P.</u> |
|-------------------------------|-----------------------------|
| <b>Chittagong</b>             | 1. Kotwali                  |
|                               | 2. Panchlaish               |
|                               | 3. Doublemooring            |
|                               | 4. Chandanaish (Dohazari)   |
|                               | 5. Cox's Bazar              |
| <b>Noakhali</b>               | 6. Begumganj                |
|                               | 7. Feni                     |
| <b>Comilla</b>                | 8. Kotwali                  |
|                               | 9. B. Baria                 |
|                               | 10. Hajiganj                |
|                               | 11. Chandpur                |
|                               | 12. Lakeham                 |
| <b>Sylhet</b>                 | 13. Kotwali                 |
|                               | 14. Sreemongal              |
|                               | 15. Habiganj                |
|                               | 16. Chattak                 |
| <b>Chittagong Hill Tracts</b> | 17. Rangamati               |

PERSONS CONTACTED

Chittagong District

Mr. Obaidul Bari, District Manager, BADC, Chittagong  
Mr. A. Sattar, Subdivisional Manager, BADC, Chittagong Sadar  
Mr. Fazlul Huq, Sr. Store Keeper, BADC Inter Godown, Dewanhat  
Mr. Shamsul Huq, Project Director, IRDP  
Mr. Kamaluddin Chowdhury, Dy. Project Director, IRDP  
Mr. Siddique Ahmed, Chairman, TCCA, Rangunia  
13 Fertilizer Dealers, Rangunia  
7 Fertilizer Dealers, Dohazari

Chittagong Hill Tracts District

Mr. P. Ranjan Kisha, District Manager, BADC, Rangamati  
1 Fertilizer Dealer, Rangamati

Noakhali District

Mr. Anisuzzaman Chowdhury, District Manager, BADC, Noakhali  
Mr. B. Karim, Subdivisional Manager, BADC, Noakhali Sadar  
Mr. A. Awal, Subdivisional Manager, BADC, Feni  
6 Fertilizer Dealers, Feni

Comilla District

Mr. A. Razzak, District Manager, BADC, Comilla  
Mr. Fazlul Rahman, Project Director, IRDP, Comilla  
Mr. Shwapan K. Guha, Project Officer, IRDP, Chouddagram  
Mr. A.K. Majumdar, Chairman, TCCA, Chouddagram  
Mr. Mustafizur Rahman, Project Officer, IRDP, Laksham  
Mr. Mizanur Rahman, Chairman, TCCA, Nabinagar  
Selected Fertilizer Dealers

Sylhet District

Mr. A. Mannan, District Manager, BADC, Sylhet  
Sub-Divisional Managers, BADC, Brahmanbaria, Sylhet Sadar  
and Moulvibazar  
Selected Fertilizer Dealers.