

**AGRICULTURAL MARKETING
IN BANGLADESH**
A Consultant's Report

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February 1990

Preface

Bangladesh is predominantly an agricultural economy. Agriculture contributes nearly a third of the Gross Domestic Product (GDP). Within the agriculture sector, crops constitute the major share of agricultural GDP (31.5%).

In terms of gross production, rice constitutes by far the largest component with an annual production of over 15.5 million tons, followed by wheat with 1.2-1.1 million tons, and potato with 1.0-1.2 million. Other major food crops are oilseeds (100-150 thousand tons) and pulses (500-550 thousand tons). Important cash crops are: sugarcane, with a total production of over 7.0 million tons; and jute with over 800,000 tons. The total production of all agricultural crops is estimated at 25-26 million tons.

While a considerable amount of agricultural produce is consumed at the farm level, huge volumes of these products are sold and purchased at the market place every day. The marketing of such magnitude is a gigantic task involving a complex network of government agencies, private companies, wholesalers and retailers, and small producers-sellers. The major share of marketing of agricultural produce is, however, comprised of a myriad of small operations.

In recognition of the complex nature of agricultural marketing system in Bangladesh and needed improvements, BARC (with resource support under the auspices of ARF-II Supplement) has completed a major study. The major objective of this study was to review the present agricultural marketing system in the country and make appropriate recommendations for improvement. The specific Terms of Reference (TOR) for this study were:

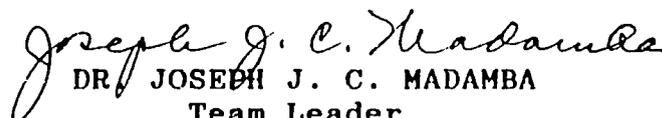
1. To review existing marketing policies for agricultural produce;
2. To review the present marketing network for major agricultural products;
3. To review the existing institutional systems dealing with agricultural marketing;
4. To identify constraints encountered in agricultural marketing.

This report provides useful information about agricultural marketing in our country. We hope that the NARS' professional staff as well as other professionals in the agriculture sector will benefit from this report.


M.S.U. CHOWDHURY
Executive Vice-Chairman
BARC

A Letter from ARP-II Supplement

The Executive Vice-Chairman has given an excellent introduction regarding the objectives and TOR for the study of the Agricultural marketing in Bangladesh, ARP-II Supplement is pleased to submit a number of copies of this report to the BARC for distribution to the professionals in the NARS. This report was prepared by Mr. Kazi Maziruddin under the supervision and guidance of Dr. Ali Mohammad, Deputy Team Leader and Agricultural Economist for ARP-II (S). The result is a useful and informative work. We hope that this report will provide useful information to the readers. We are also looking forward to comments and feedback from our reviewers.


DR. JOSEPH J. C. MADAMBA
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Abbreviations and local terms used

ADE	=	Agriculture Development Estate under BADC
AEC	=	Atomic Energy Commission
AMD	=	Agricultural Marketing Department
Aman	=	Winter paddy crop
Arathdar	=	Commission agent who also operates as trader
BADC	=	Bangladesh Agricultural Development Corporation
BAPMR Act	=	Bangladesh Agricultural Produce Markets Regulation Act, 1964.
BARI	=	Bangladesh Agricultural Research Institute
BARC	=	Bangladesh Agriculture Research Council
BASWAP	=	Bangladesh Swiss Agriculture Project.
BCSIR	=	Bangladesh Council of Scientific and Industrial Research.
'Bepari'	=	Itinerant trader operating in primary/secondary/terminal markets
BJC	=	Bangladesh Jute Corporation.
BJMC	=	Bangladesh Jute Mills Corporation.
BRDB	=	Bangladesh Rural Development Board.
BRRI	=	Bangladesh Rice Research Institute
BSCIC	=	Bangladesh Small and Cottage Industries Corporation.
BSFIC	=	Bangladesh Sugar and Food Industries Corporation.
BTC	=	Bangladesh Tobacco Company
CD	=	Canal Digging
CSD	=	Central Supply Depot
DAE	=	Department of Agricultural Extension
Dept.	=	Department
EP	=	Essential Priority viz Army/Police etc.
'Faria'	=	Small itinerant trader operating in primary markets.
FFW	=	Food for Work.
FM	=	Fleur Mills.
Govt.	=	Government
GOB	=	Government of Bangladesh
GR	=	Gratuitious Relief.
Gur	=	Brown sugar made from sugarcane under cottage industry.
HYV	=	High Yielding Variety.
'Ijaradar'	=	Lease holder of markets
Kg.	=	Kilogram
LE	=	Large Establishment
LGEB	=	Local Government Engineering Bureau under the Ministry of Local Government.
LSD	=	Local Supply Depot.
'Maund'	=	Local weight equivalent to 37.34 kg.
MI	=	Market Investigator under AMD.
MO	=	Marketing Officer under AMD.
MO	=	Market Operation under PFDS.

MOA	=	Ministry of Agriculture.
MR	=	Modified Rationing, a distribution channel under PFDS.
OMS	=	Open Market Sale under PFDS.
OP	=	Other Priorities - a distribution channel under PFDS.
PFDS	=	Public Food Distribution System.
Scer	=	a local weight equivalent to 933 grams.
SR	=	Statutory rationing - a distribution channel under PFDS.
'Thana'	=	Police Station/Upazila.
TR	=	Test Relief.
UCCA	=	Upazila Central Cooperative Association.
UMCS	=	Union Multipurpose Cooperative Society.
UMO	=	Upazila Marketing Officer.
Upazila	=	Sub-District
Union	=	Lowest tier of local Government with jurisdiction over around 15 villages.
VGF	=	Vulnerable Group Feeding - a distribution channel under PFDS.

EXECUTIVE SUMMARY

The Agricultural Marketing Department was created during the thirties in British India at federal and state levels in pursuance of the recommendations of the Royal Commission on Agriculture, 1928, for conducting marketing research, establishing regulated markets, promoting cooperatives, and providing facilitating services especially, market information, grading and transportation to improve performance of the marketing system and ensure fair price/deals to the grower-sellers. Both in India and Pakistan the functions of the Department have expanded over time. At present, in India the Directorate of Agricultural Marketing and Inspection at federal level is headed by the Agricultural Marketing Adviser under the Ministry of Rural Development and by the Director of Marketing at state level generally under the Ministry of Agriculture; in West Bengal the Directorate of Agricultural Marketing under the Department of Agriculture is headed by the Director of Marketing who is ex-officio Additional Director of Agriculture (Marketing). Besides, the West Bengal State Marketing Board is responsible for providing funds for improvement of market infrastructure and marketing facilities in regulated markets. In Pakistan the Department of Agricultural, Livestock Products Marketing and Grading under the Ministry of Agriculture is headed by the Agricultural and Livestock Marketing Adviser; in the province of Punjab the Directorate of Economics and Marketing is headed by the Director of Agriculture (Economics and Marketing).

2) In Bangladesh the Agricultural Marketing Directorate under the Agriculture Department has been in operation since late thirties when it was set up in Undivided Bengal. Its present functions include (i) collection and dissemination of market information, (ii) conducting marketing research, (iii) enforcement of the Agricultural Produce Markets Regulation Act, 1964, (iv) assisting movement, particularly of perishable crops in collaboration with transport agencies, (v) advising govt. on marketing, pricing and procurement policies and export and import of farm products and (vi) providing demonstrations on egg grading, hides and skins flaying and curing, and sheep shearing. There is a general lack of appreciation in govt. on the advisory, facilitating and regulatory role of a govt. Agricultural Marketing Department without involvement in actual marketing. Pay scale of the district level staff of the Department is too low to attract qualified personnel; market regulation work suffers for lack of field staff - only one staff is available at district level; the quantity and quality of output of HQs personnel have not been satisfactory. As a result, the performance of the Department has not been upto mark.

3) However, there is an impelling need for an effective govt. Agricultural Marketing Department to assist the growers in obtaining fair price for their crops. At present the growers,

particularly the small growers are deprived of a fair price for their crops for lack of sustaining power and access to credit and storage facilities, unsatisfactory condition of rural markets and unregulated market charges and practices, non-availability of market information, multiplicity of weights and measures and manipulation of scales and weighment. Prices of some crops are depressed on account of uncoordinated production, import and distribution policies of government. Govt. regulations on storage/ movement/export of foodgrains/sugarcane/jute create market distortion. Non-availability and delay in the availability of bank credit to traders also depress the price during early part of the season when small farmers sell their crops. Unsatisfactory transportation condition and transportation bottlenecks increase marketing cost, lower farmer level price and may lead to imperfect market structure. Wide temporal price variation of most crops reflects inefficiency of the marketing system due to structural defects which needs to be remedied.

4) Small growers have not been directly/effectively benefitted from govt price support operations because of limitations/ inadequacies of such program though considerable losses are suffered every year by these agencies. Two hundred fifty ton capacity godowns built in 832 so-called growth centres (assembly markets) by LGEB without involvement of users have remained unused/are being used for unproductive purposes reflecting wastage of scarce resource. On the other hand, BASWAP providing storage-cum-credit facilities which involved user-growers from inception of the project in the construction and management of godowns have been successful in generating adequate response from growers and offering considerable profits to user-farmers after realizing operating expenses of the godowns within 2/3 years of commencement. Coldstorages which have developed during last 30 years have greatly contributed to improvement of production and marketing of potatoes in the country; there has, however, been over-expansion of coldstorage capacity leading to large scale default of repayment of loans to DFIs. Banks prefer to provide loans to large parties/coldstorage owners for procurement and storage of potatoes rather than to growers; growers also complain about shortage, pilferage and rottage of potatoes stored in the coldstorage due to negligence of coldstorage owners.

5) Planning Commission of India in successive Five Year plans laid great emphasis on regulated markets for orderly marketing of the crops and recommended for bringing all wholesale markets as well as rural markets under regulation and for strengthening Agricultural Marketing Agency for strict enforcement of regulations. In Bangladesh management, improvement and regulation of markets have been splintered to different agencies - Land Ministry owns them, local authorities manage them and AMD regulates market charges and practices. Local authorities are interested only in the incomes from the markets and do not spend

even the prescribed 25% of bid money for upkeep and development of markets. Because of limited staff AMD's role has remained restricted to issuance of licenses only. There is no agency to ensure basic amenities and proper upkeep of the markets not to speak of their planned development matching increased production/supply and demand.

6) All advisory, facilitating and regulatory functions on agricultural marketing including development and management of markets should be assigned to AMD instead of splintering them to different agencies, and, in order to enable it to perform its functions effectively, govt. should clearly define its role and its relationship with other concerned govt. agencies, and provide necessary support and resources. Its functions should include (i) advising on planning production according to effective demand and promoting contract production of crops, (ii) conducting marketing research including study and improvement of post-harvest technologies, (iii) collection and analysis of market information and operation of market intelligence service, (iv) development of market facilities and proper management of markets, regulation of market charges and introduction of improved market practices, (v) advising on price policies and effective implementation of price support measures - providing required inputs to the proposed Agricultural Price Commission, (vi) advising transport agencies on the movement of farm products particularly perishable items, (vii) organizing movement of fruits and vegetables in case of emergency, (viii) advising govt on import, distribution, storage and processing policies, (ix) advising growers, traders and processors in obtaining marketing loans from banks, (x) advising govt. on development of export and (xi) organizing training and extension programs on marketing. It should be particularly appreciated that collection, examination and analysis of market information is a specialized full-time job and needs proper training of the personnel engaged in the task. In order to ensure objectivity of the information the task must be assigned to an agency which is not connected with price support and price regulation work. The reporting agency must also be fully conversant with the operation of the marketing system to appreciate the behavior of the price in proper perspective.

7) Two cells on Post-harvest Technology and Export Development should be set up in the Research Division in the HQs by rearranging existing staff. Personnel working in Market Information Service, Marketing Research and Support Services to pricing, procurement, export and import policies will require specialized training for upgrading their quality. In order to ensure adequate output of desired quality the Research and Development Division should be headed by a senior professional economist for which a post of Additional Director should be created. The Department should be provided with required equipment for proper performance of its functions.

8) Present pay scale of the district level staff of the Department is too low to attract persons of desired qualification and competence. To work effectively as the district level officer in charge of Agricultural Economics and Marketing such posts should be filled up by Assistant Directors having Master's degree in Agricultural Economics/ Economics/Commerce with Marketing/Statistics with Economics. The posts may be filled up in phases - in Phase I 20 posts may be created with jurisdiction over former districts (before creation of Upazila) which may, later on, be increased to 64 after due evaluation of the performance.

9) Regulated markets should be treated as the focal point for introduction of improved marketing program. Full-time officials will be needed in the markets for effective implementation of the program. At the I phase the program may be implemented in two markets in each district - the district HQs and one important assembly/secondary market of the district which may be covered by the existing MO/MI of the AMD. Active cooperation and support of the concerned Upazila/Municipality will be required for successful implementation of the program which may be sought by including representative of the Upazila/Municipality in the Market Advisory Committees. With the availability of the Assistant Director in charge of district it may be possible to cover more markets.

10) The need and time-frame for posting marketing staff at Upazila level may be decided after evaluation of the performance of UMO appointed under Kurigram Project.

11) Because of their ineffective role the Egg Grading and Sheep Shearing Demonstration Parties may be phased out. Hide Flaying and Curing Demonstration Parties may be retained/ expanded in consultation with the tannery/leather industry and Export Promotion Bureau/BSCIC.

12) AMD may organize, in case of emergency, movement of fruits and vegetables in peak-harvesting season when the price drops to rock bottom in hired trucks/boats. Such program will provide to AMD practical insight into real problems of marketing and may constitute an integral part of the research program of the Department.

13) While actual construction of market facilities will be taken up by the Upazila/Municipality/Land Ministry the local staff of the AMD would be in a position to provide objective guidance for development of market facilities based on expected supply and demand of the produces to be handled in the markets and the felt-needs of the market-users thereby avoiding costly investment and construction of unused facilities like the LGEB godowns in growth centres.

I. AGRICULTURAL MARKETING SYSTEM AND MARKETING PROBLEMS IN BANGLADESH

A. Importance of Marketing

In Bangladesh, though agriculture is considered largely of subsistence nature because of the predominance of small farmers but in actuality marketing plays a more vital role affecting all types of farmers--large, medium and small than the apparent aggregate situation. Cash crops, like, jute, sugarcane, cigarette tobacco, American cotton are grown mostly for marketing. In case of food crops, like, paddy and wheat small and deficit growers sell part of their crop immediately after harvest to meet the pressing need for cash and buy back the same crops in later part of the season. HYVs of foodgrains which are gradually covering more areas are generating larger marketable surplus/marketed quantity. Because of local preference for rice and availability of wheat under public food distribution system (PFDS) larger proportion, about two-thirds, of the local wheat crop is marketed against one-third of the rice crops.* Quasem's study** showed that 31% of the total sales of paddy in the markets came from small farms (with cultivated holding upto 2.5 acres) which marketed 26% of their production. Another study by the AMD showed that in Munshiganj area, where potato is grown as a cash crop, only 1% of production is consumed by the growers and the remaining quantity is sold though some quantity is retained for seed purpose. Hence an efficient marketing system would naturally play a vital role in determining the income of all types of farmers. With further commercialization of agriculture in coming years and govt. policy on larger participation of the private sector by liberalizing trade, marketing system will play more effective role in promoting agriculture and determining the income and quality of life, particularly of small and marginal farmers.

B. Crop Marketing System

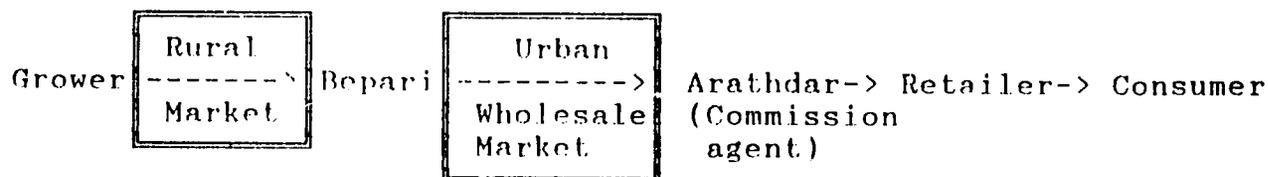
Farmers generally sell their crops from homes or in the nearest rural markets. Some crops may be sold from the field after harvest/to be harvested by the traders. Superior mango trees may be sold more than once before harvest by the last buyer-traders. Crops under price support may be sold to the government procurement centers;

* The World Bank: Report No. 7105-BD, 1988

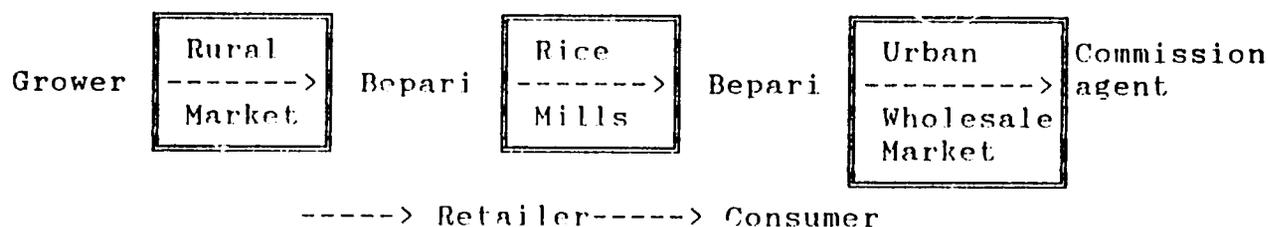
** M.A. Quasem: Farmer's Participation in Paddy Markets etc The Bangladesh Development Studies, March, 1987

cigarette tobacco and sugarcane may be carried to longer distance and sold to the buying centers of the cigarette manufacturers/sugar mills. Dominant marketing channels are as follows for processed and unprocessed/fresh crops:

(1) Unprocessed crops like fresh fruits and vegetables:



(2) Processed crops like rice:



According to a study made by AMD in 1984/85 there were 4,950 rural primary markets, 2,635 rural/semi-urban assembly markets, 41 secondary markets, 55 urban wholesale markets, 182 urban retail markets and 40 urban wholesale-cum-retail markets in Bangladesh. Rural primary markets are operated by growers, local traders like 'Farias', 'Paikars', 'Beparis' and retailers. These markets generally sit twice a week and have few permanent structures. In the rural/semi-urban assembly markets traders come from outside to procure local surplus. Because of availability of large number of traders commercial/big growers bring their crops to these markets for sale. Permanent structures as well as processors, wholesalers, banks and communication facilities are available in these markets. These are served by better transportation facilities. These also sit on market days (generally once or twice a week) but the permanent traders operate on all the days of the week.

Farias, Paikars and Beparis who constitute the first link in the market channel procure the crops from innumerable growers from farmers' homes/fields/rural markets, transport the same to urban wholesale markets and sell to retailers through arathdars (commission agents). Paddy may be sold by the beparis to the mills or be milled on custom basis and rice sold to urban retailers through arathdars operating in the wholesale markets. Arathdars who generally operate as functional middlemen in assembly,

secondary and urban wholesale markets wield considerable market powers by providing advance to beparis and allowing credit sale to retailers. They also operate as processors and wholesalers. Present marketing system of major crops-- paddy/rice, wheat, jute, sugarcane and potato is discussed in some details in Appendix I.

C. Marketing Problems/Inefficiency of the Marketing System

(i) Lack of sustaining power of farmers and access to storage and credit facilities:

Farmers, particularly small farmers of Bangladesh suffer from serious limitations/inabilities in marketing their crops at a fair price. Because of resource constraint and lack of access to storage and credit facilities the small farmer has either already made advance sale of his crops to the traders/money-lenders generally at a much lower price than the prevailing market rate or sells immediately after harvest when prices remain at the lowest level due to post-harvest glut condition in the market.

In case of food crops despite overall deficit the small farmer is forced to sell part of his crop immediately after harvest at the lowest price which he buys back during later part of the season at a much higher price. Such a situation inflicts severe welfare loss on small farmers.

In case of jute, the most important cash crop of the country which is mostly exported in raw and manufactured conditions, the growers sometimes face absolute lack of buyers, particularly in the early part of the season and are forced to sell the crop to the local traders at a very low price, that too for credit. The local traders sell the crop to balers/millers/shippers and pay back to growers at a much later date on receipt of the price from their buyers. The growers feel extremely helpless in such circumstances and continuously run after the local traders for the price of their crop.

(ii) Unsatisfactory conditions of the rural markets and unregulated market practices.

The farmers may sell their crops from the homes or in the nearest rural markets. The condition of rural markets are unsatisfactory and market practices are unregulated; as a result the farmers do not get a fair deal in the markets.

The "Ijaradars" (Lease-holders) of the markets realize market toll much in excess of the prescribed rates taking advantage of the absence of any agency in the markets to enforce the rates.

The traders/arathdars realize deductions/excess weight/quantity from the sale proceeds of the grower-sellers on some plea or other in the name of local custom and tradition.

Arathdari charges are realized at different rates in different markets from both sellers and buyers which increase the marketing cost to the detriment of the interest of growers and consumers. Some arathdars realize "arathdari" even in respect of the quantity purchased by themselves.

Arathdars and other traders like coldstorage owners who have their own Associations generally fix the rates of their charges annually through the general meeting of the Associations thus halting operation of market forces.

Fixation of the price through mutual bargaining between individual buyers and sellers in arathdar's premises in place of auction system helps in distortion of pricing particularly because of the control of the buyers and sellers by arathdars through payment of advance (to beparis) and credit sale (to retailers). Introduction of the auction system through the auction yard of the market would eliminate the captive condition of the market.

Basic facilities and amenities are lacking in most of the markets which practically assemble on a strip of land under the sky on the scheduled days (usually twice a week). Drainage, public facilities, like, toilet, drinking water, adequate space for carts and bullocks/buffaloes carrying the crops, paved lanes and by-lanes within the market are absent in most cases. The crops assembled under the open sky are damaged by the sun and rains. Some markets go under water during rainy season when transactions take place in the boats. Because of inadequate space many markets sit on/by the side of the roads which blocks the movement of the produces into and from the markets apart from creating traffic congestion on the roads and highways.

Inadequate space also prevents entry of newcomers in the market which may lead to imperfect market condition providing scope for excess profit to the existing traders operating in the market.

(iii) Lack of market information

In the markets there is no arrangement for dissemination of market information to the market participants. While big traders have their own information system through telephone and other means and can take correct marketing decisions to maximize their profits, the

farmers and small traders suffer for lack of information on the prevailing price of their crops to bargain with the buyers. Experience has shown that the traders in their own interest do not reveal the correct price to their sellers; they are generally very prompt to pass on any information which may depress the price but withhold any information which will increase the price. The responsibility for supplying correct, unbiased and timely market information to all market participants naturally devolves on government.

(iv) Multiplicity of weights and measures

Multiplicity of weights and measures and manipulation of weightment offer mechanism for cheating the illiterate growers and disorganized consumers. With the introduction of metric system of weightment some unscrupulous traders are buying in "kg" (1000 grams) weight from farmers and selling in "seer" (933 grams) weight to consumers thus making an illegal margin; some buy in 40 kg 'maund' from farmers but sell in 37.32 kg maund to consumers. Defective scales and weights/stone and manipulation of the scales provide some extra margin to the traders at the expense of the farmers and consumers. When both local i.e. "seer" and "kg" weights are prevalent in the market the consumers are generally charged proportionately higher price for the kg weight than seer weight.

(v) Uncoordinated import, distribution and crop production policies

Import, distribution and crop production policies of the government play important role in influencing the market price of the crops and thus promoting or inhibiting production of such crops.

(a) Import policy

The price and marketing of local American cotton is affected by liberal import policy of cotton (abolition of import duty and taxes and withdrawal of the obligation to purchase local cotton by the mills for getting import licence) particularly when the world price drops during a year on account of increased production/heavy stock (which is followed by lower production and higher prices in the following year). Such uncertainty of price and marketing naturally affects the production of local cotton crop which the government is keen to increase to reduce dependence on import. Increased local production of oilseeds and pulses also face lower price in view of the import policy suited to the interest of consumers. Government, however, follows a firm policy to protect local production of sugarcane and sugar by imposing heavy import duty and regulating import.

(Average world price of sugar is around 40% of the cost of local sugar).

(b) Distribution policy

Distribution of large quantity of wheat as wages to the labourers under the Food for Work Program particularly during February-March-April also affects the price and production of local wheat which is harvested and marketed during the period.

(c) Production policy

Increased local production of fruits and vegetables often results in plummeting of price mainly due to lack of effective demand on account of income constraint.

In the peak harvesting season all over the country bulky vegetables of small value like radish, cabbage, brinjal market price may sometimes drop so low that the growers may abandon the crops in the market rather than carrying the same back home.

Planning production according to effective demand backed by rational import, tariff and distribution policies without causing undue hardship to consumers is the precondition to promote local production at a remunerative price. Contract production ensures marketing of the crops at a remunerative price by avoiding surplus production.

(vi) Regulatory measures creating distortions

Some regulatory measures - official or unofficial instituted by local officials/administration-distort the marketing system, increase the marketing cost and reduce return to growers.

(a) Paddy/rice/wheat

Sometimes local officials/administration impose restriction on the movement of paddy/rice in order to achieve the procurement target fixed by the Food Dept. Such measure naturally depresses the market price in post-harvest period when small farmers sell their crops.

Government limits the maximum quantity of foodgrains stock that may be kept by the traders and also restricts the period of storage of any consignment (upto 20 days in all from the date of purchase to the date of sale). This year (1989-90) in view of a record Aman paddy crop government has raised the limits and also allowed bank credit for

procurement and storage of foodgrains (paddy/rice) in the interest of growers.

Foodgrain dealers are required to take out licence from the Food Dept. to carry on the foodgrain trade as per terms and conditions of the licence and are also obliged to submit stock reports and other returns to Food Dept. officials. It is needless to mention that such regulations increase traders' expenses and enhance the marketing cost of foodgrains.

(b) Sugarcane

In order to ensure supply of sugarcane to the sugar mills which are in the public sector govt. may prohibit manufacture of gur, use of/seize cane crushers in the mill zones and restrict movement of cane gur from mill zones to outside. These measures were effectively enforced this year (1989-90). These measures are strongly resented by growers as they face serious difficulties in selling their cane to the mills and receive lower price than from alternative use of the cane i.e. manufacture of gur.

(c) Jute

According to the jute traders/shippers they suffered severe losses on account of government decisions to (i) encourage traders to purchase jute by providing liberal bank credit in 1979-80 when a bumper crop was harvested with the assurance to repurchase the stock by government to build up a buffer stock of 1 million bales which was not honored by government and (ii) sudden prohibition of jute export in 1984-85. While the losses suffered by price support agencies were subsidized by government the private traders' losses resulted in piling up of bank loan and interest severely eroding their financial position. Shahadatullah Committee appointed by government recommended for granting a number of concessions to the jute traders to meet the prevailing situation. These facts reveal that government decisions are not always taken after considering the conflicting interests of different sub-sectors.

(vii) Non-availability of credit to traders

(a) Jute

Jute is the main cash and export crop earning over half the foreign exchange. Jute traders/shippers and manufacturers are financed by bank credit. Delay in the placement of credit by banks results in delay in the purchase of jute by the traders/shippers and mills. As a result, as already mentioned, every year in the early part of

the season when growers, especially the small growers, sell bulk of their crop experience difficulties in marketing their crop for lack of buyers. They are forced to sell their crop to local traders at a low price generally on credit. Later on when bank credit is made available to traders/mills the market price increases with adequate purchase by the shippers and jute mills but growers do not share in such price increase.

(b) Potato

Coldstorage owners are also provided with bank loan for purchase and preservation of potatoes in the coldstorage. They either use the loan for procurement of potatoes for storage on their own account or provide loan/advance to the growers/traders who have stored potatoes in their coldstorages. Potato storers sell their potatoes towards later part of the season after repayment of loan and payment of coldstorage charge. The loans are fully secured for the coldstorage owners as they remain in possession of the potatoes stored in their coldstorages. Banks have been found reluctant to provide loan directly to growers against their potatoes stored in the coldstorage as it is easier and cheaper to handle large amount of loan to one coldstorage owner in place of small loans to innumerable growers.

(c) Foodgrains

As mentioned earlier provision of bank credit to grain dealers is prohibited as an anti-hoarding measure which was relaxed this season (1989-90) because of a bumper aman crop. Financing under normal condition is managed by the traders themselves which may be partly responsible for wide seasonal price variation of foodgrains.

(viii) High marketing cost and imperfect market structure

An efficient marketing system is reflected in (1) reasonable marketing cost commensurate with the services rendered and absence of excess profits to the traders (which can be ensured by a competitive market structure free of government regulations distorting price formation), (2) elimination of wastage in the process of storage, transportation, handling, processing and marketing (3) limiting temporal price variation to the cost of inventory and spatial price variation to transportation cost.

(a) Grower share and marketing cost

According to a study made by the AMD in 1982 total marketing cost and traders' margin in respect of Aman (winter) rice between Dinajpur and Dhaka city was 25.4% of

the consumer price while grower's share stood at 74.6%. Item wise breakdown of the cost and margin is shown in Appendix II. Based on case study method it did not capture the storage cost or the parties who made the storage and shared the benefits (in seasonal price increase). Another study by BRRI/AMD in 1982-83 which covered all areas of the country, included all rice crops and tabulated the price data on monthly basis estimated the grower share at 71.2% and marketing and processing cost including trader's margin at 28.7%.

Transportation, packing and handling charge and margin of the traders were the main elements of cost constituting 10.89% and 7.84% respectively of the consumer price; institutional charges constituted the third biggest item accounting for 3.44% (Appendix II).

(b) Transportation facility and grower level price

The Report on Socio-Economic Impact of Roads in Rural Areas by Bangladesh Unnayan Parishad, 1984 showed that farmers of interior villages (Bogra district) received lower price for their paddy by Tk.14.00 - Tk.17.00 per maund than that received by the farmers of the village near the trunk road. Availability of roads linking rural markets with arterial roads thus greatly helps in increasing grower level price and income.

Growers use different modes of transport which include head/shoulder load, animal back, bullock cart, horse cart, boat (in riverine areas), rickshaw and rickshaw van for carrying their crops to the market. According to the above study in dry season transportation cost per maund varied from Tk.2.03 for head/shoulder load, Tk.1.84 for animal back, Tk.1.17 for bullock cart to 50 paise for rickshaw van; use of rickshaw van may reduce the cost to 25% compared to head load/animal back. This may, however, be possible only with the availability of feeder roads linking the villages with the rural markets.

Rail transportation

Rail transportation is comparatively cheaper for long haulage but the same is plagued by (1) non-availability of wagons, (2) placement of defective wagons resulting in the damage of the produces, (3) inordinate delay in transit, (4) loss of consignments, (5) pilferage and rottage in transit and (6) difficulties in realizing claims for loss from the Railway Authority. These factors increase the cost for which the traders generally avoid rail transportation.

Road transportation

Road transportation by truck is emerging as the most important mode particularly for perishable items like fruits and vegetables and foodgrains. Rice of Dinajpur, Rangpur, Bogra and Rajshahi, pulses from Jessore and Kushtia, mango and litchi from Rajshahi, banana from Jessore and vegetables from Kushtia, Jessore and Rajshahi move by truck to the Dhaka city and eastern consuming centres. However, truck transportation often suffers inordinate delay at the time of crossing the Jamuna river; this naturally increases the truck hire charge; perishable items like fruits and vegetables are damaged by the delay which results in rotting and physical loss and enhancement of the marketing cost. Truck owners/drivers also complain about routine payments to law enforcing agencies at different points for uninterrupted movement of trucks. Restriction on the movement of trucks in Dhaka city in some areas/during busy hours to avoid traffic congestion also contributes to enhancement of trucking charge.

River transportation

Transportation cost by river (in country boats, mechanized boats and service launches) is the cheapest of all the modes. About 5,250 miles are navigable in Bangladesh out of which 2,000 miles become serviceable during the rainy season of higher water flow. Transportation during the rainy season is, however, hazardous due to heavy rains and storm when lots of boats capsize. During monsoon it becomes difficult to move upstream in major rivers against strong current. In the dry season many routes dry up and some year-round routes become unserviceable due to formation of shoals.

Water transportation is the only/chief means in some regions, particularly Barisal, Patuakhali, Khulna and some parts of Noakhali, Comilla and Sylhet districts. Maintenance of these routes round the year by regular excavation and river training will facilitate movement of the produces of these districts at the lowest cost. Country boats fitted with the engines of shallow tubewell for irrigation have emerged as the important mode in recent years which will play a vital role in future in the movement of crops, particularly by growers and small traders.

(c) Handling cost

Traders strongly resent careless/rough handling of the consignments by the porters at the rail/river/road terminals/transshipment points which damages the produces resulting in losses to traders and enhancement of marketing

cost. In some cases the traders have to pay portorage to the authorized handling agents/labour unions though they use their own laborers for handling the consignments. Unloading of the produces at the city terminals as required by law enforcing agency to avoid traffic congestions and carrying the same to the wholesale markets by engaging another transport naturally increases the cost.

(d) Traders' margin

Large number of traders viz farias, paikers and beparis generally operate in the rural markets and hence market structure at the primary level is considered competitive eliminating scope for realizing excess profits by them. Similar is the condition at the retail stage when large number of small traders operate under competitive condition.

At the secondary/terminal levels limited number of buyers viz wholesalers, arathdars, millers, coldstorage owners, balers, shippers operate; as a result they may be in a position to realize excess profit occasionally. One study has shown that in the monsoon season in isolated areas market structure may not be competitive for lack of transportation facilities and limited number of operating traders in these areas.

In case of jute, market structure is pyramidal; number of traders generally decreases at the upper levels; the number of active shippers was around 100 only against 100,000 farias and beparis operating at the primarily level. The shippers may be in a position to realize excess profit because of their limited number and considerable market power.

(e) Institutional charges

It is possible to reduce institutional charges like arathdari commission and market toll by rationalizing and strict enforcement of the rates through an agency available in the market. It is also possible to increase return to growers by eliminating unauthorized deductions and realization of excess quantity on some plea or other from the grower-sellers or beparis.

(ix) Wide seasonal price variation

In Bangladesh prices of almost all crops vary widely from peak to lean supply season far exceeding the cost of storage which reflects inefficiency of the marketing system. As mentioned earlier, prices drop to a rock bottom during the peak harvesting season when small farmers sell their crops. It has been rightly concluded that the facts that a

large number of small and marginal farmers market small quantity of their crops during the harvesting time when prices are depressed and a minority of large farmers sell large quantities when prices are favorable suggest that the prevailing marketing system aggravates income inequalities. Lack of sustaining power of small farmers and access to credit and storage facilities largely account for the malady.

To a certain extent government regulations on storage of foodgrains by traders may contribute to wider seasonal price variation.

II. OPERATION OF GOVERNMENT PROGRAMS AND AGENCIES ON AGRICULTURAL MARKETING

A. Agricultural Marketing Policies of GOB

Agricultural marketing policy of the government of Bangladesh generally seeks to promote the free play of the market forces in determining prices, abolish price controls, encourage larger participation of the private sector and provide all reasonable facilities for its proper performance. Side by side with the private sector government operates public sector agencies and policies with the following objectives:

- (1) operating price support measures to ensure fair price to growers to sustain the tempo of increased production;
- (2) maintaining security food reserve and buffer stock of fertilizers to stabilize prices;
- (3) operating the public sector food distribution system (PFDS) to maintain prices within the reach of common man;
- (4) operating relief measures to generate income and alleviate poverty;
- (5) providing market infrastructures, transportation, communication, storage and processing facilities;
- (6) improving bargaining power of growers through promotion of cooperatives/group action, provision of credit, collection and dissemination of market information etc.

B. Implementation of Government Policies

A number of government departments/agencies/parastatals are engaged in advisory, promotional, facilitating, regulatory and trading functions in respect of marketing of agricultural inputs and outputs including forest, fisheries and livestock products. In all 38 government agencies are engaged in some kind of marketing functions including financing, storage and transportation. The names of these agencies with their brief functions are shown in Appendix III.

C. Review of Government Price Support Operations:

Government agencies viz Food Department, Jute Trading Corporation (JTC), Bangladesh Jute Mills Corporation (BJMC) and Bangladesh Sugar and Food Industries Corporation (BSFIC)

are engaged in the procurement of paddy/rice and wheat, jute and sugarcane respectively to ensure an incentive/fair/stable price to the growers by eliminating distress sale. Price support operations, however, suffer from the following limitations/inadequacies as a result of which the growers, particularly small growers have not been directly/effectively benefitted from such programs:

- (1) Support/procurement prices of foodgrains i.e. paddy/rice and wheat have not been fixed at an incentive level as a result of which procurement has been quite low in most years since market price had prevailed at a higher level.
- (2) The market prices of jute in many years had remained much lower than the cost of production depending on the world price (around 90% of the local production of jute is exported in raw or manufactured conditions). It has not been possible for the price support agencies to stabilize the price of jute; as a result the local production of jute fluctuated with the world price of the previous year.
- (3) The procurement price of sugarcane fixed by Government to be paid by the sugar mills have been lower in most years than the price the farmers would have received by using them for manufacture of gur. The farmers were forced to supply their canes to the mills by regulatory measures discussed earlier.
- (4) Government agencies make the procurement through limited number of purchasing centres which are located far away from farmers' homes/nearest rural markets as a result of which the farmers are forced to sell their crops to the traders who sell to the government procurement centres.
- (5) It is not mandatory to procure from growers only; in fact, government agencies prefer to procure large quantity from traders.
- (6) Quality regulations and payment system are not suited to the interest of small growers.
- (7) Procurement is sometimes stopped for lack of storage space, fund and logistic facilities.
- (8) Farmers often complain about downgrading of quality and delay in payment of price, particularly in case of jute.

- (9) Sugarcane growers widely complain about harassment by mill staff through the mechanism of "purji" (cane procurement permit), non-lifting of cane, manipulation of weighment, deduction on the plea of excess leaves, roots etc.
- (10) Lack of sincere and honest procurement staff: in case of a good harvest the traders/growers are paid the market price which may be much lower than the support price though in the books and records purchases are shown at the official rate; this was particularly true in case of jute as a result of which government have been forced to abandon the statutory minimum price of jute from 1980-81 season.

Despite ineffectiveness of their operations the price support agencies have suffered heavy losses every year draining the public exchequer.

D. Storage and Warehousing Facilities

(i) Foodgrains

(a) Public sector

In the public sector under the Food Department there is storage space of over 1.9 million tons for storage of security food reserve of 1 million tons as well as procurement of local foodgrains under the price support program and handling of public sector foodgrains distribution for price stabilization and catering to the needs of the target groups. According to a study the effective storage space for foodgrains was about 1.3 million tons; the rest of the space was unsuitable for foodgrain storage or was used for storage of other products, like, salt. Local procurement of rice is made mostly in the form of paddy which needs 50% higher space than rice. Besides, storage facilities are not tuned to local procurement but to distribution of imported foodgrains; as a result procurement is sometimes stopped for lack of storage space in surplus producing areas with a good harvest while in deficit areas storage space may remain unfilled. Sometimes storage facilities might be filled with the foodgrains of the previous season imported to meet emergency situation which might hamper local procurement as has happened in 1989-90. The situation calls for expansion of effective public storage for foodgrains to 2 million tons to meet similar eventualities.

(b) Private sector

In the private sector the storage facilities are inadequate and unsatisfactory. But because of government policy on the restriction on stock and storage period there is no urge from the private parties to improve their storage facilities. In the wholesale market in Dhaka the stock of rice may be kept on the veranda, passage or road blocking the movement. There is also chance for damage of the stock by rains and sun. But as the stock is generally owned by the beparis and is disposed of quickly, within 1-3 days, the arathdars (commission agents)/wholesalers are not very eager to improve storage facilities. A World Bank loan of Tk.10 crores for construction of foodgrain storage by the private grain dealers remained unutilized for a long period confirming lack of demand for such loan by the private sector under the existing government policies.

(ii) Storage facilities in growth centres constructed by Local Government Engineering Bureau (LGEB) under the Ministry of Local Government.

Under a development project 832 godowns of 250 tons each were constructed by the LGEB in 1980-81 in 832 assembly markets possibly to be used as storage by traders or as warehouse by traders/farmers. These are either lying unused or being used for unproductive purposes. Two hundred fifty of these godowns have been handed over to the Food Department, for use as procurement centre. Food Department however, found them unsuitable for foodgrain storage as the plinth was low, ventilation absent and drying yard and even access roads were lacking; the quality of construction was far from satisfactory. Some of them could be used for foodgrain storage only after necessary renovation.

(iii) Storage facilities in Cooperative Sector

In the sixties 672 small godowns were set up mostly at union level for use by the Union Multipurpose Cooperative Societies (UMCS) under the Credit and Marketing Scheme of the Cooperative Department. UMCSs were to buy the crops of the members during harvesting time, store them in the godowns and sell during off season at a high price and pass on the profits to growers after deducting expenses. Unfortunately these godowns could not provide desired assistance to growers for lack of leadership and response from growers as well as operational problems. At present (early eighties) some were leased out to private parties (136), some lying unused (89), some partly or fully damaged (281) and 166 were reportedly being used for the own business of the societies.

After independence bigger sized (200/250 tons) pucca godowns have been set up/taken over from BADC at Upazila level for handling the agricultural inputs business by the Upazila Central Cooperative Association (UCCA). With the privatization of fertilizer trade UCCAs have lost their business to the private sector; one UCCA (Muktagacha in Mymensingh district) which made remarkable progress in processing and marketing of paddy/rice in early eighties has failed to keep up the trend in recent years.

(iv) Coldstorage

There was no coldstorage in Bangladesh upto fifties. The first unit was set up in 1959 in the potato producing area of Munshiganj with the object of preservation of potatoes for use for seed and table purposes. Since then the number of coldstorages has increased steadily, and stood at 170 with a capacity to store 382,560 tons of potatoes (1989). Government sanctioned the coldstorage units and provided necessary foreign exchange for import of plants and machineries while the local banks provided the fixed and working capital. These coldstorages are preserving seed and table potatoes only. Ten (10) units preserving only seed potatoes are in public sector (BADC), 6 units are cooperatives and the remaining 154 are in the private sector.

The growth of the coldstorage industry is a remarkable development in the marketing sector. Before the availability of coldstorages local potatoes seeds were mostly imported from India and Burma. Potatoes are now available round the year, the seasonal price variation has been narrowed and the potato price has been comparatively cheaper than other vegetables. Thanks to timely availability of locally grown seed potatoes from coldstorages in good condition there has been tremendous expansion of potato production in the seventies which has been aided by import and distribution of HYV potato seeds from Holland. Coldstorages have benefitted both the consumers and growers.

Unfortunately there has been overexpansion of coldstorage facilities in the country compared to the local demand for table and seed potatoes. As a result considerable coldstorage space remains unutilized. In 1989 only 232,000 tons of potatoes were stored in the coldstorages. Many coldstorage owners suffered losses and failed to repay their dues to the lending bankers. Present situation demands very careful study before allowing further expansion of coldstorage units on special consideration.

Growers experience the following difficulties in the storage and preservation of their potatoes in the coldstorage:

- (1) Coldstorage owners do not take proper care in preserving the potatoes as a result of which the growers/depositors suffer losses on account of shortage, pilferage and rottage of potatoes. In some cases there was complete rottage of the stock due to lack of care by coldstorage owner, disconnection of electricity by the Power Development Board for non-payment of electric bills and closure of coldstorage by the banks for nonpayment of dues. Damage by rats is also reported.
- (2) Growers do not get bank loan against potatoes stored in the coldstorage.
- (3) Growers, particularly in the areas with limited number of coldstorage units in the northern districts find difficulties in storing their potatoes and are forced to pay higher coldstorage charge.
- (4) Growers, particularly small growers, do not ordinarily get space in the coldstorage for preservation of their potatoes as the coldstorage owners generally prefer to store large quantity of potatoes of big parties or preserve their own potatoes.
- (v) Public warehousing project - BASWAP

Above facts reveal that farmers are not getting direct/effective benefit of government price support operations, cooperatives and coldstorages, and the LGEB godowns have been a waste. The experience of these godowns has shown that mere availability of storage facility does not contribute anything; there must be a conscious effort to involve the user-farmers in the location, construction and management of the godowns right from preinvestment survey if they are to be properly utilized for the benefit of farmers.

Such a model is being followed under the Bangladesh Swiss Agriculture Project (BASWAP) which is an experimental project funded mostly by Swiss assistance. Under the project small godowns have been constructed at village level for the use of small farmers. They can store their crops in these godowns and borrow from banks against stored crops to meet the urgent need for cash and thus avoid post-harvest distress sale. They can wait and sell the crops after post-harvest glut situation at the most opportune time at the highest price after repaying bank loan with interest and

storage charge. The godowns are managed and operated with the assistance of godown committees consisting of farmers' representatives under the overall supervision and guidance of the Project Authority.

The operation of the godowns has shown that it is possible to recover the operating expenses within 2 to 3 years. The farmers have shown keen interest in using the storage facility as they generally make a good profit. It will, however, take a long time to recover the capital cost of the godowns. In 1989-90, 17 godowns were operated under the project including 6 taken over from LGEB.

The present project expires in June, 1990. The Swiss Development Cooperation has expressed its willingness to expand the program in 1990-1995 to a manageable limit provided an appropriate institutional set up and management structure are defined by government to take up operation of the godowns from the project authority. GOB (MOA) is working in this direction.

The project facility really offers to help small farmers in getting a fair price for their crops. Banks may also have the opportunity to extend secured loans to farmers through these godowns as against production loans which can be recovered only about one third. Food Department may also make direct procurement from farmers, particularly small farmers through these godowns. These facilities may be readily extended to new areas by using suitable LGEB godowns after necessary renovation thus avoiding the need for capital investment.

E. Development and Management of Markets

Under the Estate Acquisition and Tenancy Act, 1951 all markets are owned by government (in the Ministry of Land) except the ones which are dedicated to religious/charitable purpose. The markets have two parts - open/covered space where the produces are assembled by the growers/traders on the market days (generally twice a week)/during market hours and the permanent shops. The market space is owned by government while the permanent shops may be owned by private parties or leased out by government to the private parties on monthly rent; market toll is collected from the users of open/covered space.

Before independence markets were leased out by the Land Ministry (Revenue Department) annually to the highest bidder after public auction. The leaseholders ("Ijaradars") were responsible for proper upkeep of the markets and realization of market toll from the users of the market space at the prescribed rates which were approved by government

(Divisional Commissioner) and notified in the official gazette for public information.

Management of the market has passed through a number of changes since independence. Under Hats and Bazars (Management) Order, 1972 the system of auctioning of markets was discontinued on the ground of malpractices by the "Ijaradar" and the management of the markets were vested in Committees (one for each market) consisting of non-officials nominated by the local officer of the Land Ministry with the approval of the Sub-Divisional Officer. Net income of the markets after deduction of expenses was to be disbursed as follows: (1) one-third to be credited to Thana Development Fund, (2) one-third to be kept for upkeep and management of the markets and (3) remaining one third to be credited to public exchequer.

This arrangement did not work satisfactorily; while the condition of the markets deteriorated the funds were mismanaged and misused.

Government reverted to the old system of market management through annual leaseholders (Ijaradar) in 1976. However, in 1978 the management of all markets was leased out to the local bodies viz Union Parishad (Council), Pourashava (Municipality) or Corporation on a token payment of only 1% of the annual income (bid money) to government. The fund continued to be misused and market management and development suffered. This was replaced by the present government in 1984.

Under the present system the management of the markets have been transferred to the local authorities. The markets are to be leased out by Upazila/Pourashava/(Municipality)/Corporation annually to the highest bidder after public auction. The bid money (income) is to be used as follows:

- (1) 5% to be deposited to the public exchequer;
- (2) 25% to be used for the upkeep and development of the markets and
- (3) remaining 70% to be merged with the general income of the Upazila/Municipality to be used by them according to their priority.

Discussion with Upazila Authority revealed that rates of market tolls were not prescribed and notified, no market committee was set up under the Order, no machinery/agency was there to advise Upazila Authority on the upkeep and development of markets and there was no in-built mechanism

to ensure that 25% of bid money was actually spent on the maintenance and improvement of the markets. The sordid condition of the rural markets urgently call for setting up proper machinery for maintenance and improvement of the markets. Regulation of market charges and practices, and introduction of improved marketing methods envisioned under the Agricultural Produce Markets Regulation Act, 1964 to ensure fair deal to all market participants could not be enforced satisfactorily which will be reviewed while discussing the functions of the Agricultural Marketing Department.

F. Agricultural Marketing Department

(i) In British India and pre-independence period

The Agricultural Marketing organization was set up in British India in the thirties both at Federal and provincial levels as per recommendations of the Royal Commission on Agriculture in India, 1928 mainly to perform the following functions, adding further to the list as the situation warranted:

- (1) conducting marketing surveys which are essential preliminary to the establishment of an effective policy for the improvement of marketing;
- (2) establishment of regulated markets and their supervision;
- (3) promotion of cooperative marketing;
- (4) introduction/popularization of sale on grade basis to ensure supply of quality and wholesome produces - assisting growers in grading their crops;
- (5) provision of market information, settlement of disputes between buyers and sellers, introduction of auction sale which provides a useful means of securing an adequate premium for superior quality, particularly new varieties, regulation of the activities, particularly of brokers/commission agents from acting both for buyers and sellers, provision of public warehouses through regulated markets;
- (6) advising the transportation agencies like Railway Board, Road Transport Board, of which they (Marketing personnel) should be ex-officio members at different levels, on the movement of farm products.

Over the years both in India and Pakistan Agricultural Marketing Organization has added new functions. At present in India at the national level the organization is known as the Directorate of Marketing and Inspection under the Ministry of Rural Development headed by the Agricultural Marketing Adviser; at state level the organization is generally known as the Directorate of Agricultural Marketing under the Department of Agriculture headed by the Director of Marketing. In West Bengal the Directorate of Agricultural Marketing under the Department of Agriculture is headed by the Director of Marketing who is ex-officio Additional Director of Agriculture (Marketing); there is also a (West Bengal) State Marketing Board, as in many other states of India, to operate the Board Fund for improvement of market infrastructures and marketing facilities in the regulated markets and supervision of the Market Committees.

In Pakistan the national level organization is named as the Department of Agricultural, Livestock Products Marketing and Grading under the Ministry of Food, Agriculture and Cooperatives headed by the Agricultural and Livestock Marketing Adviser. In the Province of Punjab there is a Directorate of Economics and Marketing headed by the Director of Agriculture (Economics and Marketing).

In Bangladesh at the time of independence the Agricultural Marketing Directorate was in operation under the Department of Agriculture under the erstwhile Government of East Pakistan. Small grading staff in two Hide and Skin Test Houses of the erstwhile Government of Pakistan were in position in Chittagong and Khulna. The Test Houses were practically inoperative as compulsory grading of hides and skins was not introduced. After independence Mahboob-uz-Zaman Committee recommended for the merger of these organizations. This was not implemented though the Grading Staff continued to work under the Ministry of Agriculture. In 1979 as per a cabinet decision the grading staff with all establishments were transferred to the Ministry of Commerce. A Department of Agricultural Marketing and Grading was constituted under the Ministry of Commerce with these staff though the Department of Export Grading would have been a more appropriate nomenclature for the organization and in line with the cabinet decision as the subject "Agricultural Marketing" continued to remain with the Ministry of Agriculture.

(ii) Present functions of The Agricultural Marketing Department under the Ministry of Agriculture

Main activities of the Department may be grouped under the following six major heads:

- (1) Market Intelligence;
- (2) Marketing Survey/Research;
- (3) Market Regulation;
- (4) Promotional/Extension Services;
- (5) Advising the government in the formulation of the procurement policies of farm products, fixation of the support prices and monitoring of the price support operations;
- (6) Advising government regarding export and import of agricultural commodities and products.

(a) Market intelligence service:

AMD has developed over the years a Market Intelligence Service which covers all the main agricultural crops/products at selected wholesale, retail and primary markets. Following bulletins/price reports are issued on regular basis:

- (1) The wholesale and retail prices of all essential farm products prevailing in six important urban consuming centres, namely: Dhaka, Chittagong, Rajshahi, Khulna, Rangpur and Sylhet are collected daily and disseminated through radio and press for the benefit of the growers, traders and consumers all over the country. Price of some items are also published in local dailies/periodicals.
- (2) Prices of important crops are collected weekly during the peak supply season from one rural assembly market in each greater district and disseminated from the Dhaka Radio Station under the Farm Broadcast Program on each Thursday.
- (3) Weekly wholesale and retail prices of all important farm products are collected by the field staff of AMD from 68 important markets of the country which include national capital, Divisional and District Headquarters and markets of national importance, and a weekly price

bulletin showing the wholesale prices of major crops/products is issued by the Department.

- (4) Grower level prices of important crops and inputs, like, seeds and chemical fertilizers are collected from selected rural markets and compiled on monthly basis for use by different organisations.

The daily, weekly, monthly and other price reports compiled by AMD are supplied to various Ministries, Departments, Semi-govt. organizations and agencies which include the Ministry of Agriculture, Ministry of Food, Ministry of Commerce, Planning Commission, Export Promotion Bureau, Bangladesh Bank, Customs Authority, Bangladesh Bureau of Statistics, Railway Board, Chambers of Commerce and Industries and international agencies like the World Bank, FAO, USAID, UNDP and other donor agencies.

Besides, the field officers/staff of the Department collect and supply the following reports on regular basis on request from relevant agencies:

- (1) Prices of potato in important producing areas and coldstorage centers are supplied to the commercial banks, Bangladesh Krishi Bank (BKB) and the Coldstorage Association for determination of the rates of loan to be provided by banks to the coldstorage owners for purchase and preservation of potatoes in the coldstorage.
- (2) Information on the current prices and price trend of relevant crops are supplied to BASWAP.
- (3) Prices of essential farm and non-farm products are supplied to local BDR, Army, Jail and Hospital Authorities for determining contractors' rates of supplies.
- (4) Prices and other market information in respect of farm products are supplied to various research organizations, namely, Dhaka University, Bangladesh Institute of Development Studies (BIDS), Bangladesh Agricultural Research Council (BARC), Bangladesh Rice Research Institute (BRRI), Bangladesh Agriculture Research Institute (BARI) etc. to conduct research on marketing and farm management.

The coverage and qualities of the service suffer on account of limited staff and logistic facilities.

(b) Marketing survey and research

There is a Research Section in the Department to conduct survey/research on marketing of major crops/products. Studies are conducted on the supply, demand, marketing system, marketing cost and trader's margin, price trend etc., and commodity marketing/situation reports are issued on major crops identifying inadequacies of the marketing system and recommending improvement measures. Output of the Research Section has not been adequate as the personnel have remained busy with routine price reviews.

(c) Market regulations

Agricultural Marketing Department enforces the Bangladesh Agricultural Produce Markets Regulation (BAPMR) Act, 1964. The Act provides for licensing of market functionaries, fixation of market charges and prohibition of realization of excess weight, unauthorized deduction from the sale proceeds of grower-sellers/small traders and the use of non-standard weights and measures in the markets brought under the jurisdiction of the Act. The Act provides for constitution of a Market Advisory Committee at district level consisting of representatives of growers, traders, consumers and government officials to advise the Director of Agricultural Marketing in the enforcement of the Act. So far 202 important assembly, distributing and wholesale markets have been brought under the jurisdiction of the Act as against 2,700 such markets in the country. It has not been possible for the Department to enforce the Act effectively because of inadequate staff. There is only one staff in each district while the average number of such markets in the district would be over 40.

(d) Promotional/Extension Service

AMD studies regularly the transportation problems of farm products, especially the movement of perishables, like, pineapple, mango, egg and assists in the movement of these items from the producing to consuming centres in co-operation with the Railway Board, Bangladesh Inland Water Transport Authority (BIWTA), Bangladesh Water Transport Corporation (BIWTC), Roads and Highways Department, Bangladesh Road Transport Corporation (BRTC) etc. From time to time AMD holds meetings with the representatives of trade and officials of the concerned agencies to sort out the transportation problems, wherever possible.

AMD closely studies the production and supply position, internal market prices and exportable surplus of important farm products and advises the government, from time to time,

about the export of farm products. It also assists the government in formulating export policies on farm products. AMD closely studies the price position of essential farm products and advises the government in advance, about the extent, time and quantum of essential farm products to be imported. It also sits with the Commerce Ministry to review the supply position and prices of essential items and formulate the import policies to meet the local shortage.

(e) Advising government in the formulation of procurement policies and fixation and monitoring of support price

AMD reviews the supply position, prices, import and export and cost of production of farm products and advises the government on the appropriate policies in respect of procurement and prices of important crops like, paddy and rice, wheat, tobacco, cotton etc. AMD also undertakes monitoring of the prices of these items, and the field officers of AMD advise the procurement/buying agencies in stepping up their activities.

(f) Secretariat of Commodity Boards/Committees

AMD has been working as the Secretariat of the Bangladesh Potato Advisory Board, Agricultural Price Advisory Committee and the Sectoral Task Force for Export of Agricultural Products. As the Secretariat of the Potato Advisory Board the Department has been assisting the government in the formulation of the policies with regard to production, marketing, storage and export of potato. The Agricultural Price Advisory Committee advises the Ministry of Agriculture in fixing the support price for tobacco and cotton. As the convener of the Sectoral Task Force for export of farm products AMD has been assisting the government in identifying exportable surplus of minor farm products, fixation of export targets and taking necessary actions to boost export in cooperation with the exporters and other concerned agencies.

(g) Construction of wholesale markets for farm products

AMD constructed a wholesale market for farm products in Dhaka city and planned to construct similar markets in other cities and towns as well as in important assembly/secondary markets. However, as per latest decision of the government all markets shall henceforth be managed by Local Government Authorities-viz-Upazila Parishad/Pourashava/Corporation. Accordingly the wholesale market constructed by the Department in Dhaka city has been transferred to the Dhaka Municipal Corporation. Future development of the markets

would be taken by the local authorities as per government decisions.

(h) Development Project

Some staff have been working under a development project to attend to all matters connected with the marketing of potato, pulses and oilseeds covered under the Crop Diversification Program.

(i) Demonstration Parties

AMD has 22 Hide Flaying & Curing Demonstration Parties, 4 Egg Grading Parties and 4 Sheep Shearing Demonstration Parties to demonstrate and educate the flayers, traders and farmers on proper methods of flaying and curing of hides and skins, grading of eggs and shearing of sheep.

Unfortunately there is a lack of appreciation in government regarding the role of an Agricultural Marketing Organization providing advisory, facilitating and regulatory services without being engaged in actual trading operations. Some believe that marketing basically plays a passive role and marketing facilities automatically emerge responding to the needs of the situation. Such a view appeared to be wrong and proved costly in many countries where production programs failed for lack of simultaneous development of marketing facilities. Under the present set up AMD has a lone staff at the district level; their pay scale is too low to attract qualified personnel. Government has not clearly defined the role of the AMD in respect of the price support, transportation, financial and trade agencies/organizations. The Department has basically operated by sheer persuasion more often than not resented by these agencies for unwanted but embarrassing advise, particularly at the lower level.

G. F.A.O Recommendations on the Functions of a Government Marketing Department

According to the FAO Agricultural Service Bulletin 58*, Marketing has a strategic role in economic development and is a condition of commercial agriculture. It merits, therefore, continuing specialized attention with the government's structure. The functions of a government marketing department logically cover the following:

* Abbott J.C. "Marketing improvement in the developing world" Rome, 1984.

- (1) *Planning*: advising the government on the planning of production in relation to expected demand, and on problems of supply and surplus;
- (2) *Price and Stocks*: advising on minimum price policies and the maintenance of reserve stock;
- (3) *Market Outlets*: studies of external market opportunities and development of promotional program;
- (4) Surveys of marketing methods and organization and recommendations for their improvement;
- (5) Surveys of market facilities and preparation of development programs;
- (6) *Standardization of quality control*: establishment of grade specification, operation of inspection systems and control laboratories;
- (7) *Standard Contracts*: formulation of terms and assistance in implementation;
- (8) *Market Information*: collection of price and movement data and issuance of information;
- (9) *Government sponsored marketing enterprises*: advising on the establishment, procedures and operations of state, cooperative and mixed enterprises.
- (10) Organization of training and extension programs.

The responsibilities have been grouped under four major heads as shown in the next page with an indication of the kind of staff required to handle them.

Plan for Government Marketing Department

Intelligence and
policy formation

Marketing
Development

Quality control,
packaging, storage

Market information
and extension

Assembles current
supply, price and out-
look data.

Provides prompt
advice to the govern-
ment on current issues
and operations of
government sponsored
marketing enterprises.

Needs marketing
economists with prac-
tical experinece,
good judgement and
realistic perception.

Undertakes research
and assembles infor-
mation on marketing
enterprises, chan-
nels and facilities.

Advises the govern-
ment, enterprises and
individuals on market-
ing conditions, methods,
equipment, costs, and
on investment projects.

Needs economic, marke-
ting and technical
staff with a practical
research and advisory
orientation.

Recommends specifica-
tions for product
quality standards,
packing, transport,
storage for voluntary
and compulsory use.

Needs marketing and
technical staff, ins-
pection personnel,
access to laborato-
ries.

Organises daily &
periodical market
news service, pre-
pares advisory
materials for use
of extension ser-
vices; promotes &
supplements market
ing training
arrangements.

Needs staff able
to present infor-
mation in a conve-
nient, easily
understable form.

III RECOMMENDATIONS FOR STREAMLINING THE FUNCTIONS AND SET-UP OF THE AGRICULTURAL MARKETING DEPARTMENT TO MAKE IT AN EFFECTIVE AGENCY FOR ACCELERATING AGRICULTURAL GROWTH.

A. Recommended Functions of AMD:

It is essential for the government to appreciate the role of an Agricultural Marketing Agency undertaking advisory, facilitating and regulatory services without being involved in actual trading operation, and with that end in view government should clearly define the functions of the agency, its relationship with other concerned government agencies and extend necessary support and resources to perform its functions more effectively. Main functions of the agency should be:

- (1) Advising on planning production according to effective demand;
- (2) Promotion of contract production;
- (3) Conducting marketing research including study and improvement of post harvest technologies;
- (4) Collection and analysis of market information and operation of market intelligence service;
- (5) Development of market facilities and proper management of markets, introduction of improved market practices;
- (6) Advising on price policies and effective implementation of price support measures;
- (7) Providing inputs to the (proposed) Agricultural Price Commission;
- (8) Advising transport agencies on the movement of farm products, particularly perishable items from the producing areas to consuming centres;
- (9) Organizing movement of fruits and vegetable during peak harvesting season in case of emergency;
- (10) Advising government on import, distribution, storage and processing policies;
- (11) Assisting growers, traders and processors in obtaining marketing loans from banks;
- (12) Advising government on development of export of minor crops;

(13) Organizing training and extension programs on marketing.

(i) Production planning

Farmers need advise on the selection of the crops and varieties that will give them optimum return and avoid over production during the period of low price. In order to provide effective advise in this respect AMD must have information on:

- (1) the local and external demand - trend and timing of such demand - demand for home consumption and sale;
- (2) varietal preference in different areas and by different sections of people;
- (3) harvesting periods and market arrival of the crops in different producing areas;
- (4) harvest period price in different areas.

Information will be particularly necessary in respect of fruits and vegetable and nutritious crops like pulses, oilseeds etc. Production of these crops should be guided on the basis of effective demand rather than nutritional per capita requirement, though production for home consumption may also be promoted after discussion with local growers.

Production in different areas may be planned in such a manner that produces of different areas arrive successively to avoid glut condition and low price in case peak harvesting periods of the crops coincide at one time.

Research agencies may help by evolving early and late variety suited to different producing areas.

In this regard AMD should work in close collaboration with On-Farm Research Division, BARI and Farming Systems Research Program, BARC.

There must be close coordination and collaboration between AMD and DAE in drawing up the production program. At present such collaboration exists at national level but lacks at the lower levels.

(ii) Promotion of contract production

Best arrangement for planned production is promotion of contract production under which the buyers enter into a contract with the growers to purchase their crops (of stipulated quality) at a pre-determined price. In Bangladesh there is contract production of:

- (1) Cigarette tobacco by a cigarette manufacturing company i.e. Bangladesh Tobacco Company (BTC).

- (2) Sugarcane by the sugar mills in the sugar mill zones;
- (3) Paddy, wheat, potato, and jute, seeds by BADC

BTC supplies seeds and extension services free of cost, chemical fertilizer on credit and materials for curing of tobacco leaves on loan basis; the dues are realized from the contract growers at the time of purchase of tobacco leaves at the price fixed by government. BTC realizes almost 100% of the loans and has been successfully operating the program.

Sugar mills which are in the public sector also provide inputs viz treated seeds, chemical fertilizers and pesticides on credit; they purchase the canes at the price fixed by government. The mills, however, face difficulties in realizing the loan particularly when the growers can obtain higher price by using canes for gur manufacture. The mills suffer heavy losses for non-realization of loans.

BADC also arranges supply of inputs to their contract growers, supervises the cultural practices and purchases seeds meeting their standards of quality at a price much higher (40% and 60%) than the prevailing market rates. Selling price is subsidized to the extent of 40% to 50% of total cost. (The entire processing, storage, bagging, transportation and distribution cost is subsidized).

BTC's programme which is in the private sector is considered a successful model for contract production. BTC, however, enjoys some unique advantages viz almost sole producer of quality cigarettes sharing around 70% of the total market, and a resourceful multinational company which have contributed to the success of contract production.

There is particular scope for introduction of contract production of:

- (1) Maize for animal feed by the institutional consumers like Livestock Department, private poultry farms;
- (2) Spices particularly ginger, coriander seed, turmeric for export by the exporters individually or through their association;
- (3) Mustard seed by local oil mills.

AMD may continuously study the prospect of contract production in respect of these and other crops in consultation with the processors and exporters. In fact, the services of AMD would be essential in establishing the linkages between the growers and traders/processors in respect of new crops and production in new areas.

(iii) Marketing research

Marketing research including study of post-harvest technology constitutes the basis for marketing improvement programs.

The research shall cover detailed objective survey of the marketing channels from producer to consumer, marketing cost and trader's margin, trend of such costs and margin, reasons for increase over time, defects/wastage/inefficiencies of the marketing system, scope for reduction of marketing cost and margin and removal of the inefficiencies of the marketing system.

Government is committed to a policy of larger participation of the private sector and shrinkage of the role of the public sector. The situation would demand continuous study of the structure, conduct and performance of the marketing system to identify areas of market imperfection and taking up measures to maintain adequate competition in the market.

A particular focus of the study should be the price received by small farmers and the marketing problems faced by them.

Information on harvest price of paddy as compiled by BBS and the World Bank reveal wide divergence. It is essential to explain and reconcile such differences through marketing research.

In this respect AMD should work in close collaboration with the universities, research organizations, user government departments and donor agencies so as to meet their requirements as far as possible.

(iv) Study of post-harvest technology

AMD should also carry on regular study and research on post-harvest technologies covering the following aspects in particular:

- (1) market preparation of the crops including cleaning, assortment and grading to meet consumer demand, relationship between quality and price to promote better market preparation to maximize return particularly to small growers;
- (2) method, cost, efficiency and adequacy of storage facilities at farmer and trader level leading to recommendations for introduction of improved methods and reduction of storage loss;

- (3) comparative cost and efficiency by different means/modes of transport leading to recommendations for elimination/minimization of transportation loss and reduction of cost;
 - (4) comparative methods, cost, and efficiency of bagging/packing/handling of different crops leading to recommendations for introduction of improved packing, particularly for export crops and reduction of handling losses;
 - (5) methods, cost, efficiency and adequacy of processing facilities for paddy, pulses, oilseeds, spices, fruits and vegetables - evaluation of market demand for improved facilities evolved by different research institutes viz BCSIR, AEC, BIRRI, BARI and promotion of the use of economically viable and acceptable improved technologies.
- (v) Collection and dissemination of market information

All parties connected with production, marketing, storage, transportation, processing and consumption/use of agricultural crops and inputs require market information on prices, supply (market arrivals), demand, stock, movement, export, import, crop outlook etc, for arriving at the correct decisions. Farmers need them to decide what crops and varieties to grow and when, where and at what price to sell the crops; traders/exporters/processors need them to decide where, when and at what price to buy try and sell; transport agencies need them to make advance program to organize/provide transport facilities and plan future expansion while consumers need them to decide when and where to buy at the lowest price.

(a) Macro policy formulation

These information are particularly needed by government for formulation of policies on production, pricing, procurement, distribution, import, export, rates of import and export taxes and duties, expansion of market, storage, processing and credit facilities to achieve the national agricultural production targets. AMD must collect, examine, analyze and compile these data for supply to concerned agencies for formulation of the desired policies and programs.

(b) Market information service

It has been mentioned earlier that while big traders and processors may have their own information network the farmers, small traders and consumers would look to the

government for supplying correct, unbiased and timely market information.

Producer oriented market information service:

Dissemination through radio:

Growers and small traders need information in respect of nearest assembly and important distribution and terminal markets. It is not possible (because of resource constraint) nor it is necessary to collect information from all assembly markets. At present AMD is collecting over phone prices of important crops during harvesting time from 20 assembly markets - one in each greater district - and disseminating through Dhaka Radio station on every Thursday under Farm Broadcast Program for information of growers and traders. This is a good beginning; the number of assembly markets to be covered under the service may be increased in future after discussion with growers and traders and objective evaluation of the service.

Prices of all farm products are ultimately determined at the secondary/terminal markets and baparis offer prices to farmers on the basis of the prices prevailing in these markets. There is therefore need for daily collection of prices from these markets and arrange their dissemination through radio for information of traders as well as growers.

Announcement of prices in the markets:

Arrangements may also be made for display in notice boards and announcement by loud speakers of prices and other market information in the markets for information of growers and traders. This is being done in the regulated markets of India and Pakistan and may be taken up in the selected regulated markets of Bangladesh on experimental basis in consultation with the Upazila/Municipal Authority. The prices of the major crops of the area which have been recently harvested and are being assembled and transacted in the market together with the latest price in the nearest assembly and terminal markets may be announced on the market days for information of grower-sellers.

Consumer-oriented market information service

Consumers are interested in retail prices. The knowledge about such prices will save them from the financial and time loss in bargaining with the retailers/hawkers. Daily retail prices of all food items obtaining in important consuming centres are issued by the AMD. Such prices are published in some local dailies for information of consumers. This service should be continued

and expanded by the AMD in consultation with the cross section of consumers, Consumers' Associations and news papers.

Qualities of the market information service

An important limitation of the present market information service is that as the crops are sold in the market in ungraded condition the price of the same crop may differ from market to market depending on the quality of the crop transacted in the market. As such prices may not be comparable in between the markets. In order to remove this limitation quality of the crops must be clearly defined for price reporting.

Collection, examination and analysis of market information is a specialized full-time job and needs proper training of the personnel engaged in price collection, reporting and analysis. In order to ensure objectivity of the information the task must be assigned to an agency which is not connected with price support and price regulation work. The reporting agency must also be fully conversant with the operation of the marketing system to appreciate the behavior of the price in proper perspective.

(vi) Advising on price policies and effective implementation of price support measures

Armed with all market information AMD should be in a position to advise government on the pricing policies on different crops, particularly those with higher production targets.

AMD may provide advance information to the price support agencies to organize procurement operations particularly in new producing areas as well as in the old area with higher marketed quantity due to shift from low-yielding traditional varieties to HYVs.

With the help of the price data collected by the AMD it should be in a position to assess the effectiveness of the price support operations and advise price support agencies to step up procurement in the areas where the price drops below the support level.

AMD may also study the problems experienced by the farmers/traders in selling their crops to the price support agencies and suggest measures for their solution to increase procurement/ensure higher price to growers.

(vii) Providing inputs to the (proposed) Agricultural Price Commission

Government of Bangladesh has decided to set up an Agricultural Price Commission in the lines of similar commission in India and Pakistan to recommend to the government the support/procurement/incentive price of different crops keeping in view the overall national interest promoting a balanced growth of different crops and maximizing return from scarce resources replacing the existing system of fixation of the price of different crops by different agencies protecting their sectoral interest. AMD can provide valuable inputs to the Commission for formulating the price policies for different crops which will include:

- (1) Market price of different crops at different levels-- farmer, wholesale and retail;
 - (2) Periodicity of sale by growers, particularly by small growers;
 - (3) Storage and stock situation in important markets;
 - (4) Cost of production and demand of major crops;
 - (5) Marketing cost and margin of traders and the scope for their reduction;
 - (6) Seasonal and regional variation of prices;
 - (7) Defects and inefficiencies of the present marketing system and the measures needed for improvement of the situation;
 - (8) Review of the operation of the price support measures-- problems experienced by farmers and traders in selling their crops to the price support agencies;
 - (9) Non-price measures needed for effective implementation of price policies.
- (viii) Advising on transportation, particularly of perishable products**

AMD may particularly help in the following directions:

- (1) On the basis of anticipated production, marketed quantity and last year's movement figures it may submit advance movement programs to the Railway Board showing the number of railway wagons to be placed in different railway stations with timing of placement for movement

of the crops, particularly fruits and vegetables from important producing areas to different consuming centres;

- (2) Drawing up timetables of different trains and service launches to facilitate movement;
- (3) Advising relevant agencies viz BIWTC/BIWTA/R&HD/Railway Board in the clearance of trucks/consignments of fruits and vegetables at the ferries on priority basis;
- (4) Assisting the traders in tracing wagons lost in transit and settlement of claims for loss/damage/pilferage in transit.

In order to perform effective role in facilitating transportation the local officials of the AMD should be a member of the Advisory Committees set up by the transportation agencies at different levels.

- (ix) Organizing movement of fruits and vegetable in case of emergency

Mention has been made under marketing problems that in some areas in peak harvesting season the price of bulky vegetables of low value like cabbage, radish and brinjal may drop so low that those may be left in the market by the growers. In such cases AMD may organize movement of these crops to the important consuming centres on emergency basis.

AMD may make arrangement with the arathdars of Dhaka/Khulna/Chittagong for supervised sale of the fruits and vegetables to the local retailers. Similar program was organized and implemented by AMD in seventies when water melon and cabbage grown in Rajshahi ADE of BADC were brought to Dhaka in BADC trucks and sold to local retailers and consumers.

- (x) Advising government on import, distribution, storage and processing policies/programs

Expansion of local production, particularly import substitute crops must be backed by:

- (1) reduction of import to the extent of increase in local production and avoiding import at the time of harvesting of local crops;
- (2) imposition of import duty and taxes to maintain the price of local crops at the desired level (without causing undue hardship to consumers);

- (3) providing incentives/instituting mandatory measures for promoting use of local crops in preference to imported stuff;
- (4) formulating PFDS policies in such a manner that the prices of local crops are not depressed;
- (5) providing required assistance for setting up storage and processing facilities to take care of increased local production.

AMD must provide necessary advice on the above aspects to promote local production by ensuring marketing of the local crops at the desired price level.

- (xi) Advising on provision of marketing loan by banks - promoting storage-cum-credit facilities to small growers

AMD may assist the farmers, traders and processors in obtaining marketing loan from banks in respect of selected crops. ADM may particularly promote storage-cum-credit facilities to small growers as provided under BASWAP.

- (xii) Advising on development of export

AMD is already involved in the work as the convenor of the Sectoral Task Force on export of minor crops. AMD may maintain constant contact with the exporters and hold regular meetings with the exporters' associations to

- (1) review progress of actual export against export targets fixed by EPB;
- (2) identify problems experienced by the exporters in achieving the export targets;
- (3) suggest measures for removal of the problems to achieve the export targets.

AMD may particularly advise on

- (1) fixation/revision of export targets;
- (2) selection of producing areas of export crops considering agro-ecological conditions and transportation linkage with the ports;
- (3) providing special facilities in these areas including concessional rate of interest to growers/exporters, particularly to promote contract production;

(4) introducing improved packaging to reduce loss/damage in transit/promote demand in export markets.

(xiii) Development and proper management of hats and bazars:

(a) Situation in India

In India great importance is assigned to regulated markets in the improvement of agricultural marketing system by providing market infrastructures, regulation of market charges and practices and introduction of improved market services primarily to assist the grower-sellers in obtaining a fair price for their crops transacted in these markets. Main features of regulated markets as provided under different state Acts are:

- (1) establishment of market committees with due representation of farmers, traders, local authorities, public representatives and government;
- (2) licensing of market functionaries by the market committees;
- (3) provision of adequate market facilities and amenities for healthy marketing in the market yard, sale by open auction and negotiation; use of standard weights and measures, provision of common facilities like rest-house for farmers, sheds for carts and bullocks, grading station, warehouse facility etc.;
- (4) levy of fixed market charges on account of commission, brokerage etc, prohibition of realization of unauthorized charges and deduction and regulation of market charges and practices by close supervision and control by the Market Committee;
- (5) maintenance of reliable statistics of market arrivals, prices, and dissemination of market information;
- (6) settlement of disputes between buyers and sellers, prompt payment of the price to sellers etc.

Market Committees are set up in respect of each regulated market which are responsible for development and management of the markets. All incomes from the markets on account of levies and fees are collected, controlled and utilized by the market committees. Studies made on the impact of regulated markets showed that market charges have been considerably reduced after regulation which contributed to increasing return to farmers and expanding production.

The Planning Commission of India stressed the need for establishing regulated markets in successive Five Year Plans to promote orderly marketing of agricultural produces. By 1983, the number of regulated markets in India was 5,459 covering almost all wholesale assembly markets (97%) and some minor markets. In addition there are 22,000 "hats" or "shandies" catering to the needs of the majority of farmers particularly small farmers for disposal of their outputs as well as purchase of inputs. Sixth Plan of India (1980-85) expressed dissatisfaction for uneven enforcement of market regulations "where the department or wing for Agricultural Marketing or the State Agricultural Marketing Board was not equipped with necessary machinery for acquisition of land, planning and supervising the development of markets and for enforcing the market regulations"*. The Sixth Plan accordingly stressed for (a) further expansion of regulated market system, (b) strengthening and streamlining the arrangements for enforcement/inspection and (c) development of rural markets and shandies and establishment of rural markets in areas where such facility is not available within a reasonable distance.

A pamphlet on "Regulated Market - what it is and why" in Bengali issued by the West Bengal State Marketing Board is shown in Appendix IV. The pamphlet reveals the government decision to bring all wholesale markets of farm products under regulation in near future.

(b) Planning for Bangladesh

Unlike India where markets are owned by private parties, in Bangladesh all markets (except few dedicated to religious purpose) are owned by government in the Land Ministry and managed by the Upazila/Municipal Authority through Ijaradars (annual leaseholders). Ijaradars are required to realize market toll from the sellers at the prescribed rates and hang up such rates in the market for information of the public. Upazila/Municipal Authority is expected to maintain and develop the markets with the help of 25% of the bid money of the market which may be considered inadequate for the purpose. Actual situation reveals that there is no prescribed rates of market toll for the markets and Ijaradars realize market tolls arbitrarily. There is no machinery for maintenance of markets not to speak of their development. Twenty-five percent of bid money intended for maintenance and development of markets is not kept separate for the purposes but merges with the general revenue of the Upazila and used for other purposes.

* Sixth Five Years Plan, 1980-85, Government of India, Planning Commission.

Mention has been made earlier about the unsatisfactory conditions of the rural markets. Local people may initiate development/expansion of markets which may run into litigation/create law and order situation.

Regulation of market charges and practices and introduction of improved marketing methods envisioned under the Bangladesh Agricultural Produce Markets Regulation Act in the lines of the regulated markets of India have remained inoperative, except licensing of market functionaries, for inadequate staff of the AMD which is responsible for enforcement of the Act. Traders are found reluctant to take out licence under the Act in the absence of strict enforcement of the Act.

Proper development and management of rural markets should be the building blocks for improvement of marketing conditions and promoting agricultural growth. Present institutional arrangements for the purpose are inadequate, if not chaotic. Under the present government order development and management of markets have been assigned to Upazila/Municipality/Corporation which are under the Ministry of Local Government & Rural Development; the incomes from the markets (95%) have also been placed with them to augment their resources, though the Ministry of Land remains the owner of the markets. Regulation of market charges and improvement of market practices have been assigned to the AMD under the MOA. Licensing of market functionaries by the AMD is resented by traders as they are also required to take out trade licence from the local authorities. Two facts emerge prominently from the present situation:

- (1) there must be active cooperation/involvement of the Upazila/Municipality in the development, management and regulatory functions;
- (2) there must be a whole-time official available in the market to formulate and implement the programs under the overall guidance of the local authority in whose jurisdiction the regulated market is located.

The model of the autonomous market committees working in India and Pakistan would be unsuitable/unacceptable in Bangladesh; the experience of the market committees which worked in seventies was extremely disappointing. The Market Advisory Committee set up at district level under the BAPMR Act for market regulation work with the Deputy Commissioner as the Chairman and the local official of the Agricultural Marketing Department as the Secretary may provide the institutional base for market development and regulatory work. To start with, the program may be implemented in two

markets in each district - the district Headquarters market and one important assembly market of the district where the local official of the AMD may work on whole time basis on the market days. It may be necessary to include the representative of the Upazila/Municipality in the Advisory Committee for their active cooperation. Future policies for extension of the program to other markets may be formulated in the light of the experience gained in course of the first phase.

The Secretary of the Committee shall be responsible for the following work:

- (1) informing the farmers/traders about the prescribed rates of market tolls for different crops and ensuring their compliance by the Ijaradars;
- (2) ensuring proper upkeep and sanitary facilities in the markets;
- (3) advising relevant authorities regarding expansion and development of markets keeping in view the existing and future demand and supply situation;
- (4) enforcing market charges and practices as approved by government under the BAPMR Act;
- (5) prohibiting realization of excess weight and unauthorized deduction from sale proceeds of growers/beparis;
- (6) introducing and enforcing metric system of weights and measures and eliminating manipulation of scales/weightment;
- (7) collection and dissemination of market information on price, arrivals, movement, stock;
- (8) settlement of disputes between buyers and sellers regarding quality, price, payment etc.
- (9) introduction of improved marketing methods like grading, auction sale, improved packing and handling etc.

He shall work under the overall supervision of the Market Advisory Committee.

B. Recommended Set up and Development Projects of AMD

Present staffing pattern of the AMD

The permanent set up of the Department is headed by the Director of Agricultural Marketing with supporting personnel at the Headquarters, supervisory personnel at Divisional office and field staff at district level. There are 3 divisions in the Headquarters viz (1) Research and Development (2) Market Information and Statistics and (3) Market Regulation, Extension, and Coordination Training (plus Administration) handled by Chief (Research and Development) and Deputy Directors respectively assisted by Deputy Chief, Assistant Chiefs, Assistant Directors and Research Officers; divisional office is under a Deputy Director without any technical staff; field level staff consist of one Marketing Officer for larger district and one Market Investigator for smaller districts. There is no staff below district level. There are also Hide Flaying and Curing Demonstration Parties, Egg Grading Parties and Sheep Shearing Demonstration Parties mentioned earlier.

There are also some personnel/staff under the scheme for Support Services for the marketing of oilseeds, potato and pulses under CDP (Crop Diversification Program) as mentioned earlier. Present staffing pattern of the AMD at different levels with staff strength--sanctioned and in position is shown in Appendix-V Total sanctioned staff excluding development staff is 472 as against 417 in position as on 1.7.1989.

(i) Reorganization of the Research and Development Division

This Division has 5 Sections now viz (1) Food Crops (2) Oilseeds and Spices, (3) Cash Crops (4) Fruits and Vegetables and (5) Livestock and Livestock Products. With the creation of the staff under CDP the work relating to these crops (oilseeds, potato and pulses) may be transferred to this Section and two new Sections may be constituted, with rearrangement of existing personnel under the R & D Division, viz (1) Post-Harvest Technology Cell and (2) Export Development Cell. These cells should take up the functions relating to Post-Harvest Technology and Export Development as recommended under A(iv) and A (xii) respectively of this part.

(ii) Research and Development Division to be headed by a professional economist of the rank of Additional Director

End products of the Research Division will constitute the basis for formulating rational policies, projects and programs for development/improvement of the marketing system to accelerate sustained growth in the agriculture sector. In fact, the performance of the AMD will depend on the quantum and quality of the output of the Research Division. Considering the importance of the work the Research Division should be headed by a senior professional economist trained in econometric studies with an attractive pay scale. It is accordingly recommended that a post of Additional Director of Agricultural Marketing with a pay scale of Tk. 4,750-Tk. 5,500 be created for the purpose. He will be responsible for organising, guiding and supervision of the Research work of the Department and training of the research personnel both in HQs and in the field and accountable for producing the desired/targeted output of the Research Division. He will also be responsible for preparation of development projects and programs based on research findings.

(iii) Training for upgrading quality of research personnel

There is urgent need for upgrading the quality of the personnel under the Research and Market Information Divisions. They need specialized training on (1) marketing research methods and techniques and market structure including econometric studies and market integration studies; (2) price analysis and forecasting; (3) supply and demand analysis and forecasting.

In the past some training of the AMD personnel was arranged for a short period in 1985 with the help of an Expatriate Adviser under FAO funded TA Project No. 4401. It was not possible to follow up the training as the savings under the project was diverted to other project by the local FAO Office. It is possible to impart more intensive training at a much lower cost by local institutes. ISRT (Institute of Statistical Research and Training) of the Dhaka University which is staffed by professionals may organize the training. Necessary fund may possibly be arranged out of allocations to BARC for training purpose. AMD must also be provided with computer facilities for training as well as analytical work of the Department in respect of marketing research analysis and forecasting of supplies, demand and price.

(iv) Upgrading of district level staff (Marketing Officer Tk. 900-2,075/Market Investigator Tk. 750-1550)

The pay scale and hence the quality of the present district level staff of the Department is quite low. The existing personnel may be good enough for routine work like collection and dissemination of market information, market regulation, organizing movement of the produces, collection of information on marketing research under the guidance of supervisory personnel etc. But they lack competence to operate effectively as district level personnel in charge of Agricultural Economics and Marketing as expected of them. For proper discharge of their functions the incumbents to the post must have Master's Degree in Agricultural Economics or Economics or Commerce with Marketing or Statistics with Economics with preference to Agricultural Economics. In the PPP (Preliminary Project Proforma) for the Fourth Plan prepared by the AMD it has been proposed to post an Assistant Director in-charge of district. The required qualification for the direct recruit to the post of Asstt. Director is Master's Degree on the above subjects. Apart from competence, the status of the personnel will be equivalent to the district level officers of other Departments which will help coordination and hence facilitate/improve performance. To start with, Asstt. Director with the above qualification may be posted with jurisdiction over former districts (before setting up upazilas). Their functions are shown in Appendix-VI.

(v) Creation of staff at Upazila level

On-going Marginal and Small Farmers Systems Crop Intensification Project under DAE funded mainly by IFAD & GTZ provides for the appointment of 9 Upazila Marketing Offices (UMO) in the scale of Tk. 850-1700 in Kurigram district. It has been hoped in the project document that such posts will be absorbed in the AMD at the end of the project.

In the PPP for the Fourth Plan prepared by the AMD it has been proposed to post one Marketing Officer at Upazila level. Their functions as spelt out in the PPP is shown in Appendix VII. Mention has been made in the Report about the need for a full-time employee in the market for proper development and management of rural market and introduction of improved market practices to ensure fair price/deals to the growers-sellers.

Evaluation of the performance of the UMO under IFAD project will provide an objective insight into their role in improving the agricultural marketing conditions and

assisting the growers in obtaining a fair price for their crops, and bring into focus their limitations and ways and means for improving their performance.

Such evaluation will establish the need and time frame for posting UMO. It may be possible for the MO/MI to cover upto 3 regulated markets under his jurisdiction. Hence till such time as the number of regulated markets in a Upazila exceeds 3 it may not be necessary to post UMO. In case the number of regulated markets in the district exceeds 3 the number of M.I. may be increased with posting at "Circle" level covering more than one Upazila.

Finally, with the increase in the number of regulated markets in each Upazila it would be necessary to shift the focal point to Upazila. The following consequential changes may be necessary for effective implementation of the program:

- (1) Post UMO in each Upazila.
- (2) Amend the BAPMR Act'64 to (a) set up Market Advisory Committees at Upazila level in place of the district level committees and (b) empower Upazila/Municipality to issue licences to the market functionaries and receive the licence fees. This will eliminate the scope for multiple licensing which is resented by traders. These amendments will also be instrumental in enlisting the support of the local authorities in effective implementation of the program.
- (3) As the UMOs will be primarily engaged in the maintenance and development of markets their pay and emoluments and office expenses may be met out of the 25% of the bid money of the markets received by the Upazila/Municipal Authority.

(vi) Retention/abolition of Demonstration Parties

Egg Grading and Sheep Shearing Demonstration Parties are hardly performing any useful work and hence these parties may be phased out.

The tanneries assign great importance to the activities of the Hide Flaying and Curing Demonstration Parties in removing flaying and curing defects in the local hides and skins which are important export items. BSCIC funded intensification of the activities of these parties in 1985 in cooperation with the tanneries to train the flayers working in the municipal slaughter houses and introduce grading of hides and skins paying due premium for better quality. This year govt. has decided to promote export of

finished leather and discourage export of wet blue. This will intensify the need for ensuring quality of the local hides and skins to produce improved quality of leather. These parties may, therefore, be retained/expanded in consultation with the tannery/leather industry and Export Promotion Bureau/BSCIC.

(vii) Movement program of perishables

The PPP for the Fourth Plan prepared by AMD for improvement of Agricultural Marketing System provides for procurement of trucks and mechanized boats for carrying fruits and vegetables from glut areas to the consuming markets as an intervention program. The need for movement program for the mango of Rajshahi district, banana of Jessore district, vegetables of Kushtia district as well of bulky vegetables of small value in peak harvesting season in case of emergency has been highlighted in the Report. Movement programs of consignments may be organised when necessary in hired trucks/boats of BRTC/BWTC/private parties as maintenance and management of departmental trucks/boats will present serious problems apart from higher cost and possibilities for their underutilization. These programs will provide to AMD practical insight into real problems of marketing and may constitute an integral part of the research program of AMD. The possibility of funding such program by creating a revolving fund out of some assistance by donor countries may be exploited by BARC.

(viii) Market construction program

Studies have been made on the need for development of rural market of Bangladesh by the FAO & IFAD which have also identified the facilities to be provided in these markets*. ³ Crop Intensification Project in Kurigram implemented by DAE provides for construction of 9 markets in 9 upazilas funded by IFAD/GTZ. Some rural markets have also been developed by BRDB under RD1 Project in Serajganj district which is funded by Asian Development Bank. While over all general lay out for these markets will be similar but the actual requirements for individual markets will differ with the needs of the markets and the market-users, and their willingness to pay for improved facilities. And in this respect AMD may provide objective guidance for development

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- * (1) FAO: Report on Bangladesh-Rural Roads and Markets
Project Preparation Mission, 1985 (confidential)
- (2) IFAD: Marginal and Small Farm Systems Crop
Intensification Project--Appraisal Report, 1987
(Confidential)

of market facilities based on expected supply and demand of the produces to be handled in the markets and the felt needs of the market-users thereby avoiding costly investment and construction of unused facilities like the godowns of LGEB. This will be a continuous function and can be performed by the full-time official of AMD working at market level as recommended in the Report.

MARKETING SYSTEM OF MAJOR CROPS

A. Rice and Wheat

In Bangladesh marketing of rice and wheat is divided into two sub-sectors-public and private. The public sector handles the quantity procured locally under the price support programme and the imports made under food aid and commercial purchase to meet the food gap. The government generally has a monopoly of food imports, except in 1984-85 and 1987-88 when import of rice by the private sector was allowed as a special case. The government also allowed import of wheat by the wheat and flour mills in 1988 which did not materialize due to restrictions/conditions imposed by government.

All the quantities of paddy/rice and wheat sold by the farmers from their homes/in the markets are handled by the private sector. Most of the quantity of paddy/rice and wheat procured by government under the price support programme is also supplied by the traders. All rice mills are in the private sector. Government paddy procured locally is also milled by private mills on custom basis. All wheat mills and all flour mills, except one, are in the private sector. The private sector is also used as the retail outlet of the Public Food Distribution System (PFDS).

Table 1.1 shows the share of the public and private sector in the marketing of rice and wheat during three years 1984-85 to 1986-87. The marketed quantity of local rice and the wheat was assumed as 38.7% in the case of rice and 62.9 percent in the case of wheat, as per estimates of the World Bank. The table reveals that local procurement by the PFDS was only 1.1 percent of total production and 2.8 percent of marketed quantity in the case of rice; in the case of wheat, the share was 11 percent and 17.5 percent respectively. The share of the PFDS in the market demand was, however, much higher, at seven percent in the case of rice and 72 percent in the case of wheat; correspondingly, the share of the private sector in market demand was 93 percent and 28 percent respectively. The above facts clearly show the preponderant role of the public sector in wheat marketing, and of the private sector in rice marketing.

Rice is produced by innumerable growers all over the country, in small, sub-divided and fragmented holdings. Almost all growers with an area of 0.5 acre and more grow one or two rice crops. The average production per holding would be two tons of rice or three tons of paddy. The growers generally sell the marketable surplus after retaining the quantity required for

Table 1.1 Share of Private and Public Sectors in the Marketing of Rice and Wheat

(000 metric tons)

	RICE				WHEAT			
	84-85	85-86	86-87	3-year average	84-85	85-86	86-87	3-year average
I. Supply								
(1) Local Production	14,622	15,038	15,365	15,008	1,464	1,042	1,091	1,199
(2) Marketed quantity	5,659	5,820	5,946	5,808	921	655	686	754
(i) Private	5,525	5,601	5,809	5,645	706	525	635	622
(ii) PFDS	134	219	137	163	215	130	51	132
(3) Imports	690	37	261	329	1,899	1,164	1,506	1,523
II. Market demand								
(i) Private	5,932	5,974	6,304	6,070	2,879	1,692	2,330	2,300
(ii) PFDS	5,552	5,601	5,809	5,645	706	525	704	645
	407	373	495	425	2,173	1,167	1,626	1,655
III. Share of local procurement by PFDS (%)								
(i) In total production	0.9	1.5	0.9	1.1	14.7	12.5	4.7	11.0
(ii) In marketed quantity	2.4	3.8	2.3	2.8	23.3	19.8	7.4	17.5
IV. Share in market demand (in %)								
(i) Private	93.1	93.8	92.1	93.0	24.5	31.0	30.2	28.0
(ii) PFDS	6.9	6.2	7.9	7.0	75.5	69.0	69.8	72.0
V. Share of import in% of market demand								
	11.6	0.6	4.1	5.4	66.0	68.8	64.4	66.2

Note: Marketed quantity has been assumed as 38.7% in case of rice and 62.9% in case of wheat as per World Bank estimates: WB Report No. 7105-BD, March 1988, Vol. 1, Page 48.

consumption till the next harvest and seed purpose. But small and deficit growers also sell a portion of the crops to meet their immediate cash needs, even though they have to buy back some rice later in the season at a higher price.

The dominant marketing channel of paddy/rice in the private sector consists of: growers-assembly beparis (of paddy)-millers-distributing beparis (of rice) - Arathdars (commission agents)/cum-wholesalers-retailers-consumers. The growers sell their paddy to "kutials", "Farias", "beparis", rural rice mills or government procurement centres. They sell mostly in the nearest rural primary or assembly markets. One study revealed that about 15 percent of the crop was sold from the farms and about 85 percent in the markets; less than one percent was sold to government procurement centres.*¹ The study showed that growers generally shop around and are not constrained to sell to a particular trader, reflecting a low incidence of tied sales. The growers, on an average, contacted four to five different buyers before making a sale. There is no system of grading; growers however, sell in lots of different varieties. The buyers offer the price on the basis of variety and quality vis. moisture content, foreign matter, chaff, shrivelled/damaged grains, milling quality, etc., which are assessed visually and by physical examination.

"Kutials" (professional huskers), who may be known by different names in different areas, buy from growers, parboil and mill the paddy and sell the resultant rice to the local consumers as well as to up-country beparis.

Assembly traders, locally known as "Farias" and "Beparis" are itinerant traders operating in the rural primary and assembly markets. They buy from farmers' homes or rural markets and sell to millers/up-country beparis and also to government procurement centres.

Rice Mills: They may be small hullers operating as custom mills or big rice mills providing parboiling, drying, milling and storage facilities. They usually buy paddy at the mill premises or from assembly markets through their employees/agents and operate as rice wholesalers. They sell the rice from the mills to the distributing beparis or to local/distant arathdars/wholesalers. They also parboil and mill the paddy of government and private traders for a fixed charge.

* BRRRI: A Benchmark study of Rice Marketing in Bangladesh, 1985

assembling, distributing and consuming markets. They have their own premises in the market and act as agents of both buyers and sellers and provide temporary storage for the produce. They sell the produce to local retailers and to wholesalers of distant markets, receiving a commission for their services to the buyers and sellers. Sometimes, they also operate as wholesalers, buying rice from mills and selling to retailers/distributing traders. Some of them also own rice mills and sell their own rice in their premises. They wield considerable market power and leverage because of their strong financial position obtained through advances to beparis and credit sales to retailers.

Retailers: Retailers are the last link in the marketing channel. They are small traders having business premises in the retail markets. They sell rice in small quantity varying from one kg to one bag (83.98 kg)- to consumers. They buy rice from the commission agents-cum-wholesalers/wholesalers either for cash or on credit, and usually keep stocks for a week or so in their shops. Some may occasionally procure rice from milling centers/distributing markets.

The Food Department (FD) purchases paddy/rice/wheat of Fair Average Quality (FAQ) in the 800 permanent and temporary procurement centers set up all over the country. The procurement staff buy from any party though as a policy they are to prefer genuine growers. In the past, procurement through agents - Appointed Government Dealers (AGDs) generated collusion between the procurement staff and AGDs resulting in lower prices to growers as a result of which the system was abandoned. Paddy is milled in the private rice mills before distribution. Foodgrains are stored in the LSDs and CSDs and distributed through different channels to different clients.

Distribution of PFDS foodgrains to the consumers is effected not through the Food Department retail establishments but through appointed ration shops/retail outlets which are owned, financed and operated by the private sector. They sell the rationed articles to the authorized consumers at the price fixed by the government and receive a margin at the prescribed rate.

PFDS may be subdivided into two major groups: Monetized channels, which include SR, MR, EP, OP, LE, FM, MO and OMS; and non-monetized or relief channels, which include FFW, CD, VGF, GR and TR.

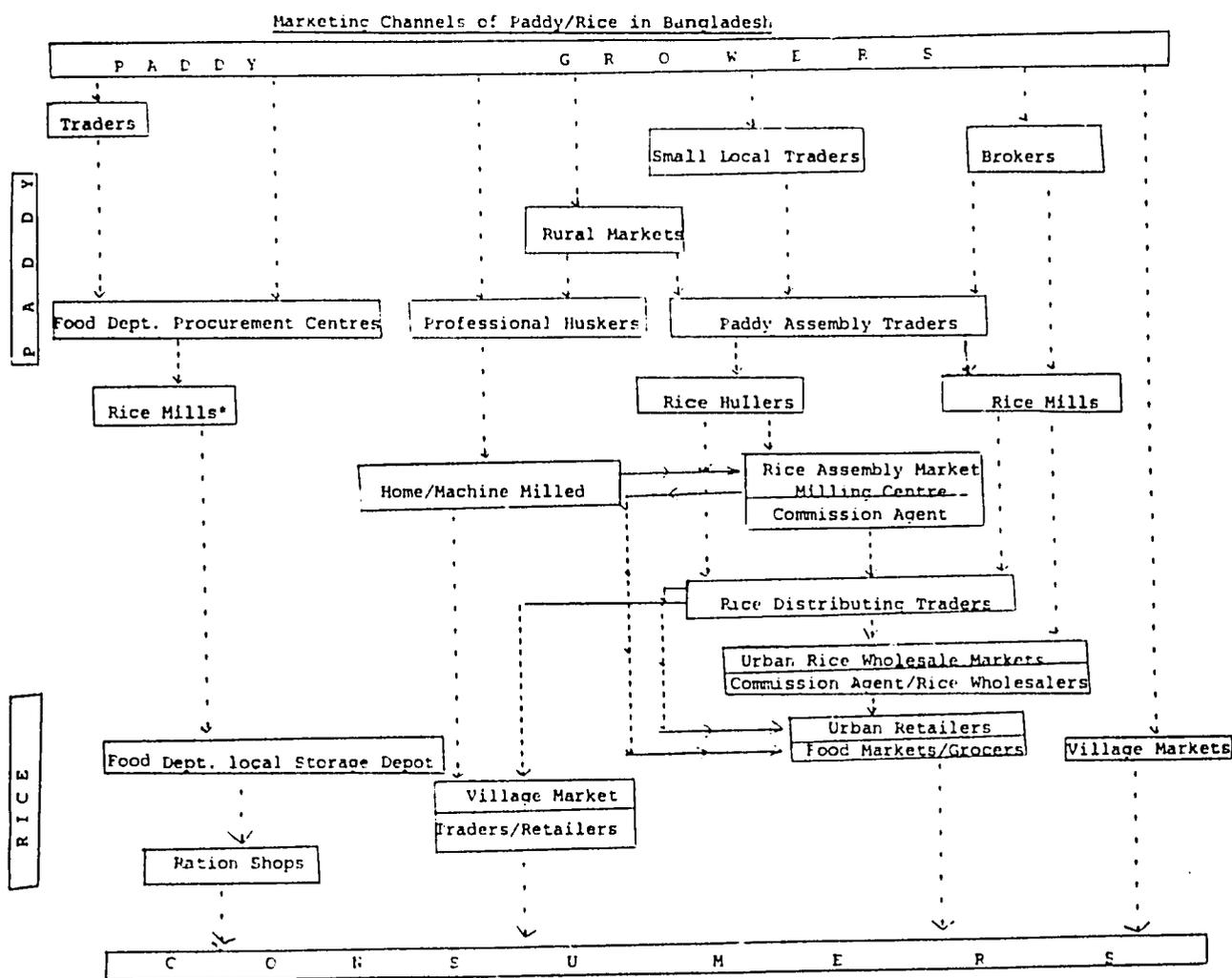
The SR, MR and OP issue price is seven percent higher than the procurement price (PP), while the issue price for LE and FM is 15 percent higher than the PP. MO and OMS are undertaken to contain sudden abnormal increases of price; the OMS issue price is 15 percent higher than PP in MR areas and 20 percent higher in SR areas. The EP issue price is highly subsidized-only 20 percent to 25 percent of PP. Distribution through these channels

SR areas. The EP issue price is highly subsidized-only 20 percent to 25 percent of PP. Distribution through these channels is handled by the Ministry of Food. The share of OMS, which aims at price stabilization, varies with the market price.

The FFW, CD, VGF and TR which are undertaken as welfare measures and directed towards poor people, are handled by the Relief Ministry. The share of these channels during the last three years was about 38 percent of the total quantity.

The much-maligned urban bias of the PFDS has been reduced over time. According to the Director-General, Food, the overall share of the rural people in the PFDS in 1985-86 was 65 percent, of which 53 percent was in rice and 69 percent in wheat.*²

The marketing channels of rice are shown in Chart 1.



* Chowdhury F. A. Food Supply Management-in Proceedings of the Seminar on "Food Security and Food Situation Monitoring; Food Policy Monitoring Unit, MOF and FAO, Dhaka, January, 1987.

B. Jute

According to a study made in 1977* about 60 percent of farmers grew jute on an average area of 0.5 acre, with an average production of 0.35 ton of jute per household. Another study showed that growers sold over 60% of their crop from their homes and the rest in the nearest rural markets.** Growers sell their jute in an ungraded condition, except that "White" and "Tossa" varieties are sold separately. The buyers offer the price after careful inspection of the quality--moisture, color, extent of cutting and fibre quality, i.e. knotty, strength, etc.

As with rice and wheat, the marketing of jute is also handled both in the private and public sectors. Immediately after independence, private dealers and processors were not allowed to operate in the jute market. The Bangladesh Jute Mills Corporation (BJMC) had a monopoly in jute manufacture. The Bangladesh Jute Export Corporation (BJEC) was the sole exporter. The Jute Marketing Corporation (JMC) and Jute Trading Corporation (JTC) were the main buyers of raw jute. Subsequently, the market was liberalized; private trade was allowed to procure and export raw jute in 1976 and some jute mills were transferred to the private sector in 1983. Now, almost all raw jute exports and about half the export of jute goods are conducted through the private sector. The Statutory Minimum Price of jute, fixed under the Jute Act from the 1960s, was suspended from 1980-1981.

Various types of intermediaries are engaged in the marketing of jute which include "Faria", "Bepari", "Kutchha baler", "Pucca balers", "Arathdars", jute mills and shippers. The first link in the marketing channels for jute is the jute dealer, viz; farias and beparis, who are required to take out a licence from government to carry on their business. They purchase raw jute from growers from their homes/rural assembly markets as well as from other small dealers who may not possess any licence. They sell their unassorted loose jute in the secondary markets to the Kutchha baler/pucca balers/shippers/jute mills/Bangladesh Jute Corporation. The number of licensed jute dealers in 1979-80 was about 51,000.

A kutchha baler owns/operates a kutchha baling press which packs jute to a relatively high density - 5.88 to 15.5 cubic feet - by means of power screw press under licence from the Government. He operates both as a functional middleman baling other's jute (for a baling charge) and as a merchant middleman purchasing unassorted jute on his own account from jute growers, dealers and also from BJC/BJMC. He then makes a kutchha

* The World Bank Report No. 3309-BD Vol III, 1981.

** Dhaka University, Social Economic Research Board: Marketing of Jute in East Pakistan, 1961.

assortment according to quality specifications for raw jute and makes kutcha bales grade-wise in his baling press for convenience of storage, movement and sale to the pucca balers or Exporters or their purchasing centres, either direct or through a Commission Agent/Broker. The number of licensed kutcha balers in 1979-80 was about 2,500.

Commission Agents/Arathdars and Brokers mostly operate in baling centers and terminal markets. Their main function is to negotiate the sale/transaction of jute in kutcha bales between a kutcha baler and pucca baler. Unlike the commission agents of other farm products, a commission agent working in the jute trade at the terminal market does not normally possess any godowns/storage space. The numbers of licensed commission agents and brokers in 1979-80 were 336 and 411 respectively.

A pucca baler, who possesses a pucca baling press packs jute by hydraulic press to density of 10.5 cft. weighing 400 lbs. under licence from the government. He also operates as a functional middleman undertaking pucca baling of a shipper's jute according to export grades, and as a merchant middleman buying jute on his own account for sale to a shipper or for export. The number of licensed pucca balers in 1979-80 was 181.

A shipper purchases jute in unsorted condition from jute growers and dealers, from kutcha balers/pucca balers and the BJC in kutcha or pucca bales and exports raw jute after pucca baling where necessary. The number of licensed raw jute exporters/shippers in 1979-80 was 244.

The private sector jute mills purchase their requirement of raw jute mostly from the growers and jute dealers, and also from Bangladesh Jute Corporation (BJC) formed by merging three corporations viz. Jute Marketing Corporation, Jute Trading Corporation and Jute Export Corporation.

The BJMC buys the requirement of raw jute for its mills, while the BJC is engaged in providing buyers support in the market to stabilize the market price of jute. The Statutory Minimum Price (SMP) of jute fixed under the Jute Act was enforced upto 1979-80 but has remained suspended from the 1980-81 season. These corporations purchase jute at the prevailing market price, which is periodically approved by the government. They purchase jute mostly from jute dealers through a network of purchasing centers (over 200) spread all over the jute producing areas. They operate mostly at assembly/secondary level and hence, may influence the price at the assembly/secondary markets. The BJMC mills procure jute mostly from the mill premises and also in selected purchasing centers. The BJC operates as the purchasing agent of BJMC; it also makes border purchases of jute as an anti-smuggling measure and exports raw jute.

C. Sugarcane

Sugarcane is used mainly for the manufacture of centrifugal refined sugar in the mills and for the production of gur (brown sugar) as home activity/cottage industry. Gur is consumed mostly by the rural people and sugar by the urban people. Some quantity (around 10 percent) is consumed directly by chewing or as drinks after crushing. The marketing channels of sugarcane are shown in Chart 3.

There is keen competition between the sugar and gur industry for the cane supply. The following table shows the production of sugarcane, the quantity of cane crushed in the mills and the refined sugar produced in the country during the last eight years;

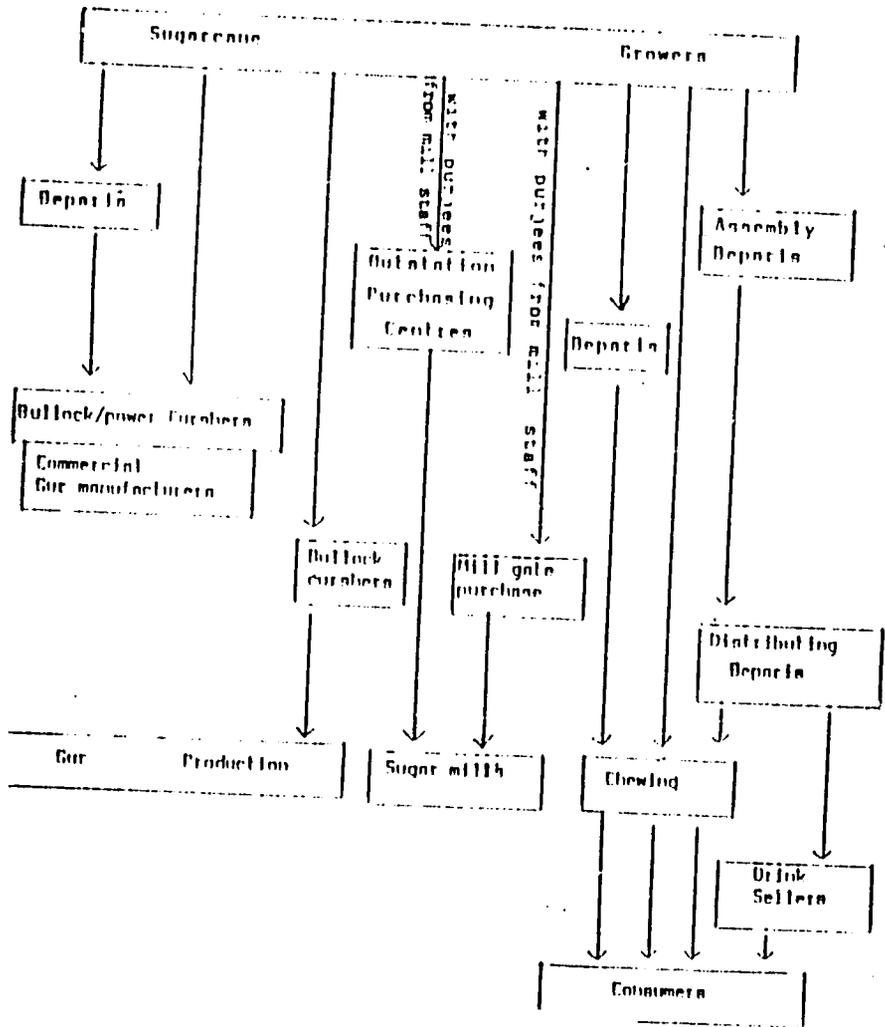
Table 1.2: Production of Sugarcane and Refined Sugar

(000 tons)

Year	Quantity of production of sugarcane	Quantity of cane crushed in the mills	Quantity of sugar manufactured.	% change (col 4) from previous year
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
1980-81	6,559	1,827	145	-
1981-82	7,136	2,473	202	+ 39
1982-83	7,477	2,217	181	- 10
1983-84	7,385	1,900	151	- 17
1984-85	6,990	1,177	88	- 42
1985-86	6,640	1,018	83	- 6
1986-87	6,895	2,287	182	+119
1987-88	-	2,160	177	- 3

Source: BBS for production of sugarcane and BSFIC for production of sugar.

Chart 3 Marketing Channels of Sugarcane.



Note: Crushers mistyped as 'curshers'

The supply of cane to the mills varied widely in different years; from 2.47 million tons in 1981-82 to 1.02 million tons in 1985-86, depending on the local production and the relative price of sugarcane paid by the mills and received from gur production.

The production and marketing of gur is practically free from government control. But there is government intervention in the production, manufacture, marketing and pricing of sugarcane and sugar handled by the sugar mills. The interventions have been more pervasive as the sugar industry is in the public sector under the control of the Bangladesh Sugar and Food Industries Corporation (BSFIC). Government interventions are effective in the following spheres;

- sugarcane areas are zoned to different sugar mills in the mills zones; there is no such control in respect of the sugarcane grown in non-mills zone areas;
- the procurement price of sugarcane to be paid by the sugar mills is fixed by the government every year;
- all canes grown in the mill zones are to be delivered to the sugar mills; the government may prohibit the alternative use of cane in the mill zones or its movement outside such zones so as to ensure cane supply to the mills.
- the distribution system and price of sugar are controlled by the government at different stages;
- the import of sugar is channeled through the public sector and the distribution price is also controlled/determined by the government;
- the manufacture and distribution of sugarcane crushers for production of gur are also controlled by the government through BSFIC.

The supply of cane to the sugar mills is regulated through issue of "purjees" or "cane delivery permits" by the mills on a daily basis. The growers have to run after the mill employers to obtain the purjees for each delivery to the mills; they remain entirely at the mercy of the mill employers. The crop remains in the field from November to February or upto March, since the mills spread out the purchase throughout the operating season.

As is natural, growers severely resent government action to prohibit the use of cane crushers in the mill zones to force them to supply their cane to the sugar mills, leading to a serious law and order situation. This year (1989-90) the government prohibited the use of/seized cane crushers in mill zones and

prohibited movement of gur from mills zones to ensure cane supply to the mills.

D. Potato

Potato is the most important vegetable in Bangladesh. Its production has increased remarkably during 1960s, 1970s and early 1980s due to the introduction of HYVs backed by a net-work of cold storage units all over the country. The availability of cold storage facilities has brought about a structural change in the marketing pattern of the crop.

Potato growers bring their crop to the nearest rural market and sell to the beparis. Growers also sell their crop from the field or premises to visiting traders. Some potatoes grown around the urban centers is also sold direct to consumers through the rural markets. Some big growers located within easy reach of the wholesale markets transport their crops to these wholesale/distributing markets and sell them to the retailers or distributing traders through arathdars (commission agents)

Assembly traders or beparis, who are itinerant traders having no fixed business premises, collect potatoes from rural markets/farmers homes/fields, transport the same to the assembly/consuming centres and sell them to the distributing traders/retailers through "arathdars". They also sell to coldstorage, or procure potatoes from assembly markets and supply the same to the cold storage owners on a commission basis.

Coldstorage owners play the most important role in marketing potatoes. There has been a gradual increase in the number of cold storages in the country; by 1989 there were 170 cold storages with a total capacity of 382,560 tons. They store both table and seed potatoes. The coldstorage owners operate on custom basis, storing the potatoes of farmers/traders for a fixed coldstorage charge per maund per bag for the full season (March-November) as well as on their own account storing their own potatoes. They generally obtain loans from banks for procurement and storage of potatoes and provide loans/advance to the parties storing potatoes in their coldstorages.

As a result of the emergence of coldstorages the marketing season of potato has been extended by about 6 months; prior to the availability of coldstorage home-stored table potatoes were exhausted by July/August. But now potatoes released from the coldstorages are available upto mid December i.e. till the arrival of the new crop.

The present coldstorage capacity exceeds the overall requirement by 25 percent, though there may not be any coldstorage in some districts/producing areas. Many coldstorage owners who borrowed from the DFIs for setting up their

APPENDIX -II

Grower share, marketing cost and traders' margin in respect of Aman (winter) paddy/rice between Dinajpur and Dhaka in 1982.

I. Grower share		74.58%
II. Direct cost:		
a) Transportation, packing and handling	10.89%	
b) Institutional charges market toll, fees to commission agents etc.	3.44%	
c) Losses in transit, handling and temporary storage	0.72%	
d) Milling cost (on custom basis)	2.52%	
Total:	-----	----- 17.57%
III. Margin of traders and processors:		
a) Assembly trader of paddy	0.34%	
b) Rice miller-cum-wholesaler	1.80%	
c) Distributing trader of rice	1.45%	
d) Retailer or rice	4.25%	
Total:	-----	----- 7.84%
Grand-Total:		99.99% =====

Source: Agricultural Marketing Department,
Government of Bangladesh.

Appendix III

List of Government Departments/agencies/parastatal engaged in advisory, promotional, facilitating, regulatory, financing, storage, transportation and trading services/functions in respect of agricultural inputs and outputs in Bangladesh including forest, fisheries and livestock products.

<u>Name</u>	<u>Status</u>	<u>Function</u>
1. Director General of Food, under Ministry of Food	Government Department	(1) Local procurement of paddy/ rice and wheat at the support price fixed by Government; (2) import of foodgrains to meet the food gap; (3) maintaining security reserve of foodgrains to meet crisis situation caused by draught/ flood; (4) operating PFDS in respect of rice, wheat, sugar, salt and edible oils to maintain foodgrain price at a reasonable level; (5) regulation of foodgrain trade; (6) operating one flour and a feed mill.
2. Bangladesh Jute Corporation (BJC) under Ministry of Jute	Parastatal	Procurement, storage, local sale and export of Jute.
3. Bangladesh Jute Mills Corporation (BJMC) under Ministry of Jute	Parastatal	(1) Operation of public sector jute mills; (2) Procurement of raw jute and manufacture, sale and export of jute goods in respect of public sectors mills.
4. Bangladesh Sugar and Food Industries Corporation (BSFIC) under Ministry of Industries	Parastatal	(1) Procurement of sugarcane and manufacture, import and distribution of sugar at the price fixed by Government;

The non-development budget of the Food Department (State Trading Capital Investment (Food), during 1987-88 showed out lay of Tk. 1,603 crores with a total sanctioned manpower of 12,855.

5. Cotton Development Board (CDB) under the Agriculture Ministry	Government Department	<p>(2) Procurement of unrefined soybean and manufacture and distribution of refined soybean oil.</p> <p>(1) Promotion of cotton production in the country; provision of extension services including training of farmers;</p> <p>(2) Production of foundation seed in seed farms for multiplication by farmers;</p> <p>(3) Purchase of seed cotton from selected farmers and distribution of good quality seed;</p> <p>(4) Manufacture of cotton lint from seed cotton procured from farmers and sale to local cotton mills.</p>
6. Bangladesh Textile Mills Corporation (BTMC) under the Ministry of Industries	Parastatal	Import of cotton and local procurement of seed cotton/lint at the support price fixed by Government and manufacture and distribution of textile products of the public sector mills.
7. Consumer Supplies Company (COSCO) under the Ministry of Commerce	A company but operates as a parastatal	Local procurement, import and distribution of consumer goods including sugar, edible oils, pulses, spices, etc.
8. Trading Corporation of Bangladesh (TCB) under Ministry of Commerce	Parastatal	Import and export of different products including agricultural crops/products.
9. Tea Board under Ministry of Commerce	Government Agency	Promotion of production, research and export of tea.
10. Directorate of Jute	Government Department	<p>(1) Licensing and regulation of jute trade including jute goods manufactures;</p> <p>(2) Maintaining all data relating to marketing of jute.</p>

11. Agriculture Marketing Department (AMD) under the Ministry of Agriculture	Government Department	<ul style="list-style-type: none"> (1) Collection and dissemination of market information; (2) Licensing of traders and fixation of market charges; (3) Conducting survey and research on marketing of farm products; (4) Advising Government on agricultural marketing.
12. Department of Market Intelligence under the Ministry of Commerce	Government Department	Monitor supply position of essential items and advise Government for augmenting supplies to maintain the price of essential items at a reasonable level.
13. Department of Agricultural Marketing and Grading under the Ministry of Commerce	Government Department	Enforce grading of farm products for export purpose.
14. Export Promotion Bureau under the Ministry of Commerce	Government Department	Advise Government on all matters connected with development of export of all products including crops and farm products.
15. Bangladesh Standards and Testing Institute	Autonomous Agency	<ul style="list-style-type: none"> (1) Laying down national grades standards for all products; (2) Certification of quality of manufactured products; (3) Introduction of metric weights and measures.
16. Bangladesh-Swiss Agricultural Project under Agricultural Ministry	Government Department	Provision of warehousing facilities at village level - particularly for small farmers.

17. Bangladesh Rural Development Board (BRDB) under the Rural Development and Cooperatives Division (RDCD) of the Ministry of Local Government, Rural Development and Cooperative	Government Department	<ul style="list-style-type: none"> (1) Promotion of two-tier cooperatives KSS at village level and UCCA at Upazilla level; (2) Provision of management inputs to UCCA; (3) Supervision, monitoring and control of cooperatives.
18. Department of Cooperatives (DOC) RDCD	Government Department	Promotion of cooperative in non-BRDB areas in addition to statutory functions of registration and audit of cooperatives.
19. Milk Producers' Cooperative Union (Milk Vita)	A Cooperative under Govt. control	<ul style="list-style-type: none"> (1) Production, collection processing, storage, packaging and sale of milk and milk products; (2) Import of milk powder for production of milk.
20. Bangladesh Fisheries Development Corporation (BFDC) - under the Ministry of Fisheries and Livestock	Parastatal	<ul style="list-style-type: none"> (1) Catching, storage, processing and distribution of fish - particularly from Bay of Bengal; (2) Production and distribution of mechanized fishing boats, nets, etc; (3) Construction and operation of infrastructures like wholesale markets, landing facilities, ice plants.
21. Bangladesh Forest Industries Development Corporation (BFIDC) under the Ministry of Forest	Parastatal	<ul style="list-style-type: none"> (1) Mechanized extraction of forest products from inaccessible areas, their processing and marketing; (2) Plantation, tapping, processing and marketing of rubber.
22. Engineering Bureau under Local Government Rural Development and Cooperative Ministry	Government Department	Provision of rural infrastructures including expansion and improvement of rural roads, markets and construction of godowns.

Input Supply

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| 23. Bangladesh Agricultural Parastatal Development Corporation (BADC) under Agriculture Ministry | | (1) Import, local production, storage and distribution of agricultural inputs-chemical fertilizers, HYV seeds, irrigation equipment viz., deep tubewell, power pump, shallow tubewell, etc.,

(2) Maintain buffer stock of chemical fertilizers to contain abnormal increase of price;

(3) Sole importer and wholesaler of chemical fertilizers. |
| 24. Bangladesh Jute Research Institute (BJRI) under Agriculture Ministry | Autonomous Agency | (Besides research on jute production and technology) production, processing, storage and distribution of HYV jute seeds (recently transferred to BADC). |
| 25. Department of Fisheries (DOF) under Ministry of Fisheries and Livestock | Government Department | (Besides fisheries extension services) production and distribution of fish fries and fingerlings. |
| 26. Department of Livestock Services (DLS) under the Ministry of Fisheries and Livestock | Government Department | (Besides livestock extension services) production and the distribution and of milk, milk products, chicks, layers, eggs and improved animals breeds. |
| 27. Forest Department (FD) under the Ministry of Forest | Government Department | (Apart from plantation, regeneration, conservation and exploitation of forest resources) production and distribution of seedlings and sapplings of forest trees. |
| 28. Department of Agricultural Extension (DAE) under Agriculture Ministry | Government Department | (Besides agricultural extension services) setting up nurseries at Upazilla level and distribution of seeds, seedings and sapplings to farmers. |

Financing Institutions

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|---|------------|--|
| 29. Bangladesh Krishi Bank (BKB) under the Finance Ministry | Autonomous | (1) Provision of production loans to farmers covering crops livestock and fisheries;

(2) Provision of loans to set up storage (coldstorage) and processing industries;

(3) Provision of marketing loans to traders and processors. |
| 30. Grameen Bank (GM) under the Finance Ministry | Autonomous | Provision of production loans to landless farmers and unemployed rural people without collatorals on informal groups basis. |

Development Financing Institution (DFIs)

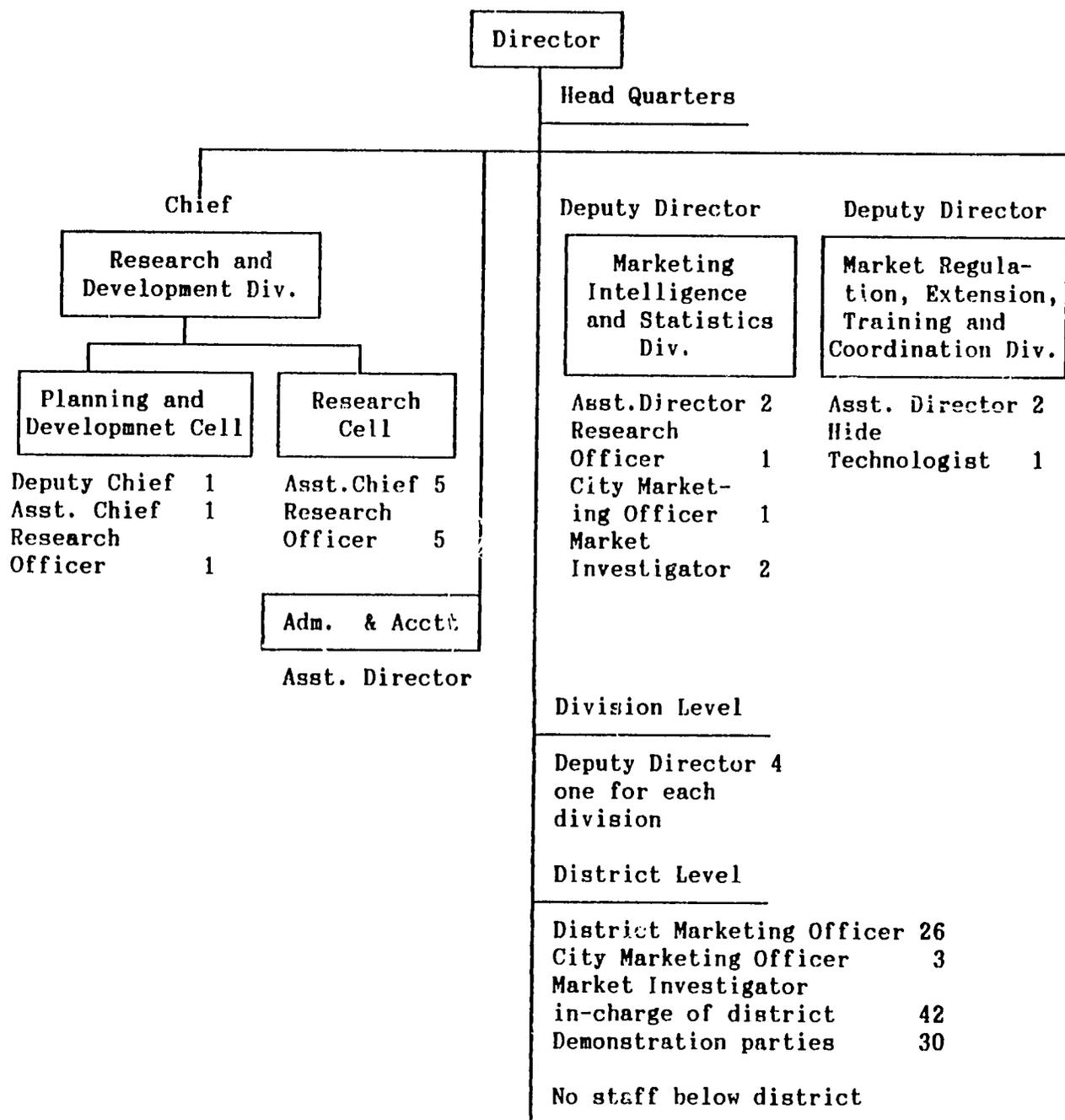
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| 31. Bangladesh Shilpa Bank (BSB) under Finance Ministry | Autonomous | Provision of industrial loan including agro-industries viz., modern rice mills, coldstorage etc. |
| 32. Bangladesh Shilpa Rin Sangstha (BSRS) under Finance Ministry | Autonomous | Provision of industrial loan including agro-industries viz. modern rice mills, coldstorage etc. |

Transportation agencies

- | | | |
|---|------------|---|
| 33. Bangladesh Railway under the Railway Division of the Ministry of communication | Autonomous | Carriage of passengers and goods traffic by railways - a state monopoly |
| 34. Bangladesh Road Transport Corporation (BRTC) under the Road Transport Division of the Ministry of Communication | Parastatal | Procurement, maintenance and operation of buses and trucks for carrying passengers and goods by road. |

<p>35. Bangladesh Inland Water Transport Authority (BIWTA) under the Ports, Shipping and Inland Water Transport Division of the Ministry of Communication</p>	<p>Autonomous</p>	<p>(1) Building and maintenance of inland river ports;</p> <p>(2) Maintenance of navigational channels;</p> <p>(3) Provisional of navigational aids;</p> <p>(4) Performance of regulatory functions like registration of vessels etc.</p>
<p>36. Bangladesh Inland Water Transport Corporation (BIWTC) under the Ports, Shipping and Inland Water Transport Division</p>	<p>Parastatal</p>	<p>(1) Operation of passenger traffic service in special river routes;</p> <p>(2) Operation of ferry services at major points;</p> <p>(3) Carrying cargo especially foodgrains and fertilizers in public sector.</p>
<p>37. Bangladesh Shipping Corporation (BSC) under the above Division</p>	<p>Parastatal</p>	<p>Handling imports and export of all products - enjoy preference over foreign ships in import and export particularly in case of public sector.</p>
<p>38. Bangladesh Biman under Ministry of Aviation and Tourism</p>	<p>Autonomous</p>	<p>Handles export of fruits, vegetables and other perishable items, besides carrying passengers and other cargoes.</p>

Staffing pattern of the Agricultural Marketing Department with staff strength - sanctioned and in position as on 30.06.1989



NB: excludes the personnel under Crop Diversification Project and office staff.

Abbreviations: Adm & Acctt. = Administration and Accounts
 Asst. = Assistant.
 Div. = Division

Total number of sanctioned staff including office staff - 472
 Actual staff in position as on 30.06.1989 - 417

Appendix VI

Functions of the (proposed) Assistant Director of Agricultural Marketing, In-Charge of district (scale of pay Tk. 1650-3020).

1. Collect, compile and disseminate market information on price, supply situation and stock position of major crops and inputs;
2. Assess comparative cost of production and return of major crops;
3. Assess effective demand and home consumption of major crops and inputs;
4. Advise DAE on production target of different crops in the district based on comparative cost and return, effective demand and price trend;
5. Monitor demand and price of new varieties/crops introduced by Research Institutes;
6. Advise price support agencies in fixing procurement targets, locating procurement centers based on expected production, and stepping up procurement in areas of low price and by removal of problems experienced by the traders and growers in selling their crops to the price support agencies;
7. Advise BADC for the supply of fertilizers and seeds in the areas of low availability and high price;
8. Prepare and submit to Railway Authorities program in advance for movement of the crops from the producing to consuming centers;
9. Constantly monitor transportation situation in the district and advise transport agencies i.e. Railway Board/BIWTA/BIWTC/ R&H Dept. for removal of transportation bottlenecks and quick movement, particularly of perishable items;
10. Organize and coordinate movement of perishables in case of emergency;
11. Collect information on marketing research and post-harvest technologies as per structured questionnaires issued by the Headquarters;
12. Advise appropriate agencies for setting up storage and processing facilities in different areas of the district to take care of increased production;

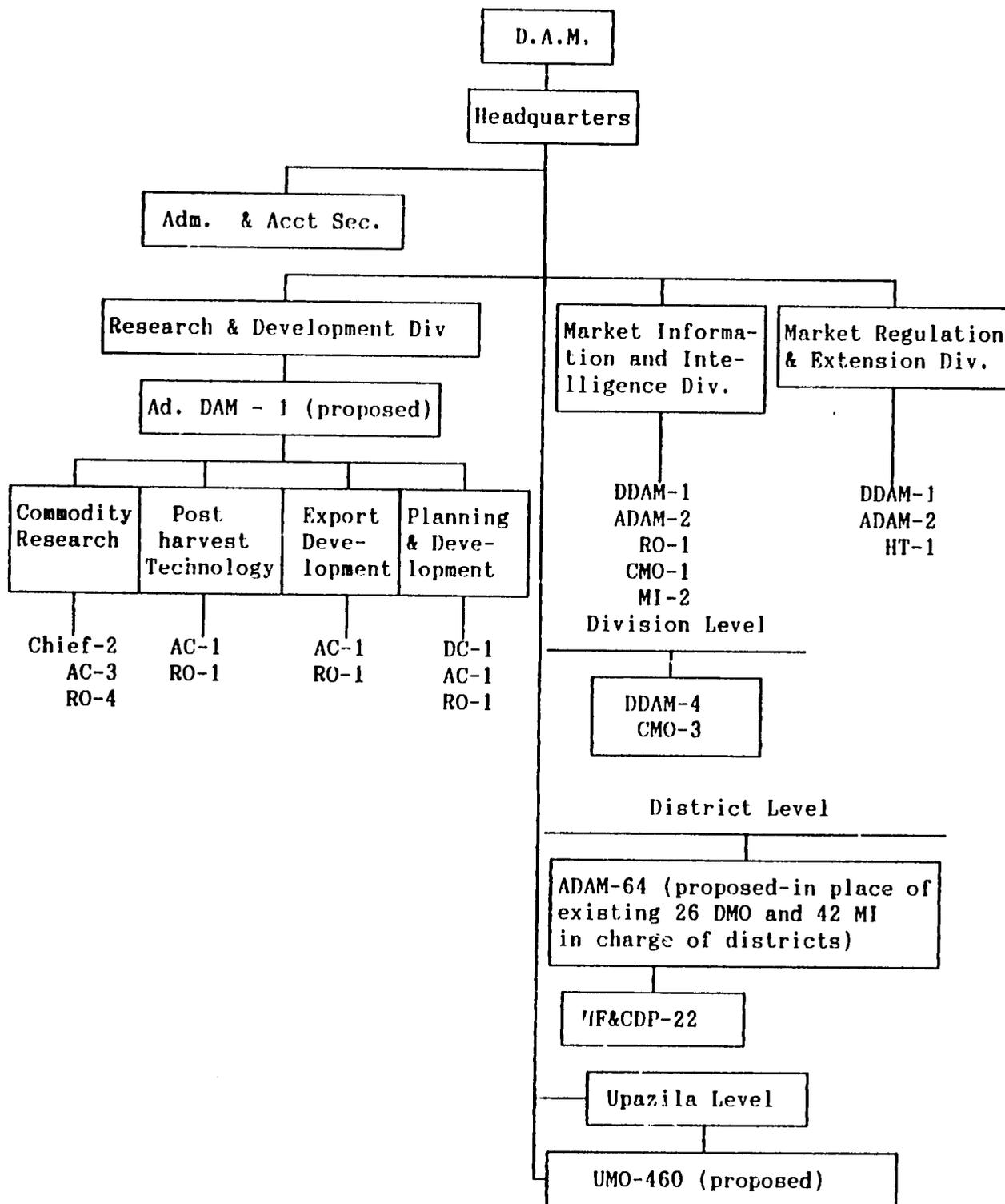
13. Advise banks for providing marketing loans to growers, traders and processors;
14. Supervise and guide the operation of regulated market set up in the district.

**Functions of the (proposed) Marketing Officer at Upazila level
under the Agricultural Marketing Department (Tk.900-2075)**

1. Collection and reporting of market information on
 - i. Crops size (as per farmer and trade estimate);
 - ii. market arrival-by farmers and traders;
 - iii. stocks in the important markets;
 - iv. price in selected assembly markets including Upazila Hqrs.
2. Collection of field data in connection with the marketing studies/research of the Department Hqrs;
3. Regulation of market charges and practices and enforcement of metric weights and measures under the Bangladesh Agricultural Produce Markets Regulation Act, 1964 (amended in 1985) in important markets of the Upazila, particularly to safeguard the interest of grower-sellers;
4. Acting as Secretary of Upazila Market Advisory Committee under the Bangladesh Agricultural Produce Markets Regulation Act, 1964;
5. Assisting farmers in selling their crops to the price support agencies at the price fixed by Government;
6. Arranging movement of fruits and vegetables in case of emergency;
7. Advising local authority (upazila parishad) in developing market, storage, transportation and processing facilities for farm products in the Upazila;
8. Monitoring of the price, availability and delivery system of inputs, particularly chemical fertilizer and HYV seed in the Upazila;
9. Promoting alternative marketing channels, particularly for the small and marginal farmers;
 - Cooperative or joint marketing of their crops;
 - Storage-cum-credit-cum-marketing facilities through warehousing projects;

10. Assisting U.N.O. (Upazila Nirbahi Officer) in fixing and enforcing prices of essential items as and when necessary;
11. Organizing training of farmers/farmers' representatives in the correct assortment and preparation of the produce for market to maximize returns.

Proposed Organogram and staffing pattern of the Agricultural Marketing Department



Abbreviations: DAM-Director Agricultural Marketing; Ad.DAM-Additional Director of Agricultural Marketing; DDAM-Deputy Director of Agricultural Marketing; AC-Assistant Chief; ADAM-Assistant Director of Agricultural Marketing; RO-Research Officer; CMO-City Marketing Officer; UMO-Upazila Marketing Officer; Adm & Acct Sec-Administration and Accounts Section; HF&CDP-Hide Flaying and Curing Demonstration Party.