

## Enhancing Hilly Agricultural Marketing Systems in Bangladesh through the Collection Center

Dr. Noor Akter Naher (Reba)

The Chittagong Hill Tracts (CHTs) are located in the south eastern part of Bangladesh and are divided into three districts: Bandarban, Khagrachari and Rangamati. Chakma, Marma and Tripura are the largest ethnic groups among the 13 ethnic groups of the area. In addition to indigenous peoples, nearly half of the population is Bengali settlers. The CHTs are geographically distinct from the rest of Bangladesh (mainly of plain lands). Communities of CHTs are scattered and live in sparsely populated areas. Villages are found in extremely remote and inaccessible locations. The economy of the CHTs relies on agriculture which provides 49% to 72% (Ref?) of the household income. Transportation and communication services are poor; the poverty rate is high; and accessibility to markets and services are challenging in the interior of CHTs. Illiteracy, lack of information and awareness, poor services, natural disaster, loss of land and marginalization are interconnected in the CHTs.

Considering a number of systemic constraints and challenges in the CHTs, HELVETAS Bangladesh (an NGO) started its own funded project on “Social, Institutional and Economic Empowerment of Rural Communities (SIEERC)” in September 2015. The aims of the project are to contribute to the improvement of the economic conditions of the most disadvantaged women and men of rural communities; and to empower them in active participation, inclusive and transparent local governance as well as social service delivery. The project also aims at large-scale impacts and sustainable changes for the poor and extreme poor.



SIEERC project uses the Making Markets Work for the Poor (M4P) approach to boost the market system development for banana, ginger and medicinal plants value chain. The project targets 5,000 vulnerable indigenous households of four upazilas (sub-districts) such as Bandarban Sadar, Alikadam, Rangamati Sadar and Niniarchar. SIEERC addresses systemic constraint of poor market linkage through the introduction of the Collection Center (collection point/hub) with the involvement of producers, traditional leaders, Union Parishads (UPs) and Local Service Providers (LSP)<sup>1</sup>. The objective was to link producers with a better access to market, increase the production volume, getting fair price and fulfill the requirements from the traders companies.

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<sup>1</sup>LSP: LSPs are fee-based local people who experienced in agriculture; have good facilitation skill and acceptance to the community. LSPs provide embedded technical, business and financial services to the community people.

## 1. Context of the Collection Center in CHT

In CHT, the collection center (collection point/hub) offers services both for producers, traders and companies. These centers ensure the collection and supply of products from distant villages, as well as bigger volumes for buyers. The hubs are formed, managed and maintained by the business management committee comprised of producers, traditional leader and Local Service Providers (LSP). Together, these actors are responsible to make the information available and negotiate with traders and the private sector represented by enterprises and companies. Collection centers are located where the producer groups are with good access to the road and of all producers.

The collections centers are managed by the Management Committee, which consist of 5 to 7 members (members from producers' groups, LSP, traditional leader). The committee is elected by the local community and develops a marketing strategy for its members. The main function of the management committee are: financial transactions (advance or direct payment for products), collect money from traders and distribution to producers, maintain books of accounts and documentation of product flow, provide market information to the producers, negotiate small-scale loans with traders (in cash or in kind) and manage savings of collection center.



## 2. Key Elements of Collection Center

### 2.1 Reduction of post harvest loss and transaction costs

Producers in remote areas are forced to travel long distances, which increases costs of transportation and wastage. At least 20% of green bananas are wasted, thrashed on hard mud or wooden surfaces on the boat or on the truck. On the other hand, producers sell their products individually at nearby local market or directly at farm gate to collectors or mediators. Producers are not organized in groups and lack of information about higher markets and link to bigger traders and companies. The introduction of collection centers reduces transportation cost and post-harvest losses, increases the bargaining power of producers and ensures high volumes of product, saving on transport costs of traders. Traders are aware of appropriate handling and transportation of products.

*"In 2014, I cultivated banana as a mixed crop on one acre of land. I usually sold banana from the farm gate and I did not go to upazila/distance market as the banana branches were heavy weighty; transport cost would be high; I needed to pay a toll fee, which is also time consuming (requires almost one day). Once, I harvested 12 branches of banana which I took to the upazila market by hiring a local transport. The transport cost was BDT 600.00 for one way, but the trader offered BDT 800.00 for the banana branches. I was very shocked, tensed and I started to cry. I didn't know what to do and asked myself whether I should sell these or not. Finally, I decided to sell those products. I thought, if only we had one collection point near our locality where all the banana producers could bring their products and bargain together to get a fair price and reduce the transport cost. With the support of Helvetas Bangladesh Partner Bolipara Nari Kalyan Somiety (BNKS), we formed a banana producers' group by end of 2015, and developed a business plan and established a collection centre at the central place of Alikadam union, Bandarban. It was a collective effort as producers contributed BDT. 28,000.00 and the project contributed BDT 70,000.00. Now, we sell out all products (banana, turmeric, ginger, mango etc.) from the collection centre three times per week. It saves our time, transaction cost and helps us to get better price. We get BDT 10.00 more per branch of banana. Today, 75 producers are selling their goods from this collection center, and about 5-7 traders had come from different places to buy different types of hilly produces." - Mr. Jonaran Tripura, Producer, village - Tinku Para, Alikadam, Bandarban (date ?)*  
Note: BDT means Bangladeshi Money (Taka).

## 2.2 High Quality of Products and Value Addition

One collection center can be used for 3 to 10 producer groups consisting 50 to 120 producers. Producers are more careful for fresh products that are perishable in the short period. The committees of the collection centers ensure primary sorting and grading of product and maintain the quality requirements of buyers. Producers polish turmeric by machine or manually to get higher price.

## 2.3 Learning Place for Technology Adaptation and Market Information

Mostly, the collection centers use a learning centre where LSPs provide information to the producers about advanced technologies, availability of inputs for production, market demand of product, loan services, etc. Peer-to-peer learning and sharing among producers also take place.

## 2.4 Ensuring Better Prices of Produces

Producer groups with the support of LSP developed a business plan to get an overview of all the producer members on the production volume, marketing strategies, organization policy and the required amount of finance to produce value chain products. The business plan shed light of producers group interacting with traders for higher prices as their production volume is high. Traders were satisfied to get higher volume from one collection center around the year.



## 3. Approach for the establishment of a Collection Center

Banana, turmeric and medicinal plant value chains were developed in close partnership with private company, traders, producers, Service Provider Associations (SPA), traditional leader and local authorities. Findings of a comprehensive study showed that different type of core support and enabling actors are related to specific constraints, and appropriate interventions were designed against the systemic constraints (Table 1.).

Table 1. Major actors, their systemic constraints and interventions

Actors	Major Constraints	Interventions
Private sectors (output market)	Outreach with low transaction; Market penetration	Engagement & capacity building of LSP and SPA to penetrate in the remote hilly market to collect quality product with low cost
Government Department	Outreach (poor & extreme poor) due to limited budget & human resource	Collaboration with line agency to train LSP & SPA for dissemination of technologies
Service Providers' Association (SPA)	Capacity on the aspect of technical, business and financial aspect	Capacity building of LSP and SPA through private and public sectors to increase their knowledge, skills and income
Producers/ Producers' group	Technical knowledge; quality of product; organised production and marketing; access to market	Formation & strengthening producers' group to aggregate the product; capacity building of producers' group on technical aspect and market linkage; establishment of collection center

The project built capacities in managing the business relations between buyers and sellers. Producers were trained to develop business plans including planned production and estimated costs. The LSPs were involved in trainings and building capacities of producers, whilst linking them to market players.

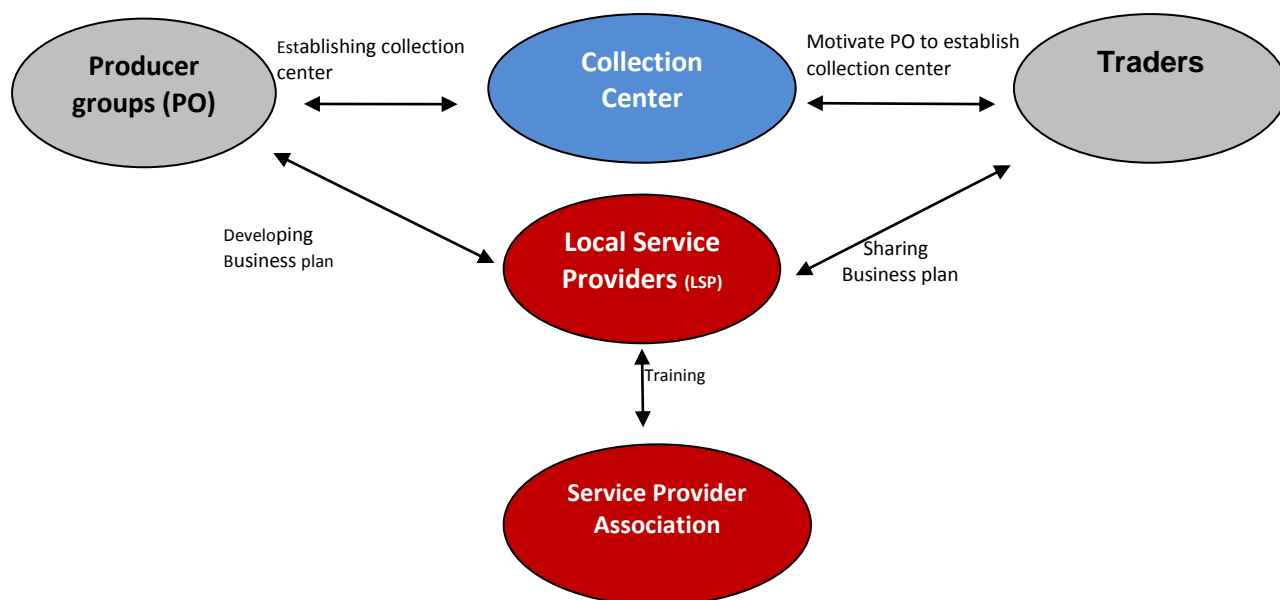


Figure: Stakeholders of collection centers and their function

#### 4. Successes from the Field

A total of 4,366 producers are organized to sell banana, turmeric, ginger and medicinal plants. Among them, 2900 households are linked with the higher market through 14 collection centers to sell out different products, such as mango, papaya, pomelo, pineapple etc. Among these crops, the banana value chain has made a good contribution for poverty reduction in CHT. More than 100 LSPs from 4 SPAs are linked with private, public and research institute to build their capacity on technical know-how and market linkage.

The collection center has opened doors for improved market systems in CHT. The yearly average transaction of collection per centre is BDT 3,997,500.00 for banana, turmeric, papaya, ginger, mango, pomelo, pineapples and others products. Through the establishment of the collection center, each producers received an additional benefit of BDT 4,255.00 including a reduced transportation cost of BDT 4,633.00 as shown in Table 2.

**Table 2. The average yearly sale volume and additional benefit of collection centre**

Product	Sale volume	Product value (BDT)	Transport cost reduced (BDT.)	Additional price increased (BDT.)
Banana	7000 Branches	840,000	60,000	90,000
Turmeric	6.5 Metric Ton (MT)	450,000	6,000	1800
Papaya	10.5 MT	100,000	10,000	10,000
Mango	90 MT	1,350,000	90,000	90,000
Pineapple	4000 Pieces	60,000	3000	4500
Pomelo	3500 Pieces	17,500	3000	3000
Ginger	6 MT	180,000	6000	6000
Other	100 MT	1,000,000	100,000	50,000
<b>Total</b>		<b>3,997,500</b>	<b>278,000</b>	<b>255,300</b>
<b>Per producer</b>		<b>64,333</b>	<b>4,633</b>	<b>4,255</b>

Almost everybody along the value chains benefited from using the collection centers in rural areas as shown in Table 3. The producers got closer market in the collection center that had purchase guarantee. Often, producers could negotiate better prices depending on volume and quality. The LSP served as a

link body between traders and producers. They increased their client base with more producers and established reliable business relations with the private sector that ensured payment for their services. Due to the increasing market demand, they formed additional number of producers' group.

**Table 3. Benefits received by different actors from Collection Centers**

Producers/ Producers Organization	Service Provider/ Service provider association	Traders/ Private sectors
<ul style="list-style-type: none"> <li>• Closer markets/selling points</li> <li>• Less transport cost with no tax</li> <li>• Purchase guarantee</li> <li>• Higher prices</li> <li>• Market participation of women producers</li> <li>• Proper business plan</li> <li>• Create additional job opportunity</li> <li>• Improved product quality</li> </ul>	<ul style="list-style-type: none"> <li>• More clients-more service fees</li> <li>• Diversifying services: technical, business &amp; financial</li> <li>• Building trust between traders &amp; producers</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring bigger volumes</li> <li>• Reduce post harvest loss</li> <li>• Saving time</li> <li>• Reduce logistical costs</li> <li>• Ensuring quality requirements</li> <li>• Diversifying products</li> <li>• Information on production quality &amp; quantity</li> <li>• Increasing reliability of groups</li> </ul>

It was found that improved access to market infrastructure had positive impacts on enhancing product quality, better price and increasing the supply of products (bulking), and reducing post-harvest loss. These changes resulted in additional engagements of private sector companies and traders, and increased incentives by producers due to lower transaction cost. The collection centre showed higher degree of sustainability given the co-financing from producers, traders, LSP, traditional leaders and the private sector.

## 5. Way Forward

Based on the above discussions, following steps may be taken for enhancing Hilly Agricultural Marketing Systems in Bangladesh through the Collection Center:

**5.1 Establishing a Realistic Business Case:** The collection centers have significant impact on accessing higher markets and getting better prices. It constitutes products and services to meet the needs and growing interest of local rural enterprises. The most vulnerable need access to market information and aggregating products. The collection centers allowed maintaining a clear business case involving many producers. The economic conditions of producers have improved. From the social development angle, producers were better organized and had a common vision of their business. The business relations will be strengthened through the development of business plans, then those will be shared with the traders. Once the link is established, it is critical to maintain the commitment from both parties through common trust and transparency.

**5.2. Provision of Holistic Rural Services:** Rural service provision remains important in any value chain development. In the process of establishing and maintaining the collection centers, the LSPs can involved in providing training to the producers and linking them with market players. They can act as messengers of the traders in quality requirements and quantities and can help the producers to develop business plans. The key to success of SIEERC project was to facilitate **holistic package** services to the producers. It leverages changes throughout the market systems as a result of providing demand-responsive and quality support to producers. More than 100 Local Service Providers have improved their skills and are competent in agricultural technologies and business management.

**5.3. Mobility of Women Producer:** The contributions were also important in addressing women's mobility challenges to distant markets, as most collection centres were located closer to the homesteads of producers, thus enhancing employment and market participation by women.

**5.4. Collaboration with Public Sector and Research Institute:** The Public sector like the Department of Agricultural Extension (DAE) appreciates the establishment of the collection centre, supporting and encouraging traders, producers and private companies as it reduces transaction and production cost, and post-harvest losses etc.

**5.5. Access to Finance:** Finance is a core business element at different level of the market actors. Most of the market actors are not able to get financial sources due to the lack of financial literacy and education. Local traders do not have access to finance due to lack of proper business plan and negotiating capacity with financial institutions.

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**Dr. Noor Akter Naher (Reba)** is the Senior Program Officer - Rural Economy, DRR & Climate Change, HELVETAS Swiss Inter-cooperation Bangladesh, House # 13/A NE (K), Road # 83, Gulshan-2, Dhaka-1212, Bangladesh and **Prof. Dr. Md. Sekender Ali** is the Pro-Vice Chancellor, Sher-e-Bangla Agricultural University, Dhaka and Secretary General, BAEN