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Institutional Development for a Value Chain Approach to Agribusiness in Bihar and Maharashtra

Progress Report

Prepared by

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For

IL & FS Cluster Development Initiative Limited (IL&FS Clusters)

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Agrifood Consulting International

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1 INTRODUCTION

1. This document provides the Progress Report of the International Agribusiness Policy Expert (henceforth referred to as "the Consultant") for the purpose of the TAs for a Value Chain Approach to Agribusiness in Bihar (Package 1) and Maharashtra (Package 2). The Inception Report is based on a Mission conducted between 8 July and 20 July 2012 to India. The mission schedule is report in APPENDIX 1.

1.1 ORGANIZATION OF THE REPORT

2. This report is organized into 7 chapters including this introduction and 6 Appendices. Chapter 2 provides an overview of the policy roundtables. Chapters 3 and 4 summarize the discussion of the roundtables in Pune and Patna. Chapter 5 assesses the policy roundtables. Chapter 6 summarize meetings. Chapter 7 makes recommendations and indicates the next steps.

2 POLICY ROUNDTABLES

2.1 PURPOSE AND OBJECTIVE

3. The main purpose of this mission was to conduct policy roundtables in the two states of Maharasthra and Bihar. The objective of the policy roundtables was to support the development of a State Agribusiness and Marketing Policy that will guide the development of the horticulture sector. The consultant facilitated a policy strategic planning process aimed at identifying the key elements of a policy statement that will be further discussed in the subsequent phases of the TA during the Policy Workshops.

4. The policy roundtable in Maharashtra was held on 12 July 2012 in Pune on the premises of the MACP and the policy roundtable in Bihar was held in Patna on 18 July 2012 in the office of the Secretary Agriculture.

2.2 APPROACH AND METHODOLOGY

5. The consultant facilitated the strategic exercise undertaken by the participants with the aim of outlining the main features of a preliminary agribusiness and agrimarketing strategy for the horticultural sector in the state. The process went through four stages:

i. Assessment of current situation
ii. Identification of a vision
iii. Identification of options to move from the current situation to the identified vision
iv. Formulation of preferred options (strategic paths) and road map

6. For each of the four stages, the consultant facilitated the process by providing some background information and issues for discussion that were elaborated by participants and will be further developed during the course of the TA.

2.3 ISSUES OVERVIEW

7. Amendment of APMC Act in Maharashtra and repeal of the APMC Act in Bihar has been accompanied by the emergence of a constellation of different marketing structures including:

- APMC markets
- Private markets
- Direct procurement from farmers
- Direct selling by farmers
- Cooperative marketing
- Producer company marketing
- Contract farming
- Modern retail (supermarket chains)
- Traditional markets
- Rural markets
- Terminal markets

8. The emergence of these alternative marketing structures enhance competition with APMC markets and traditional markets with the dual purposes of

  i. modernizing the marketing system; and
  ii. improving farmer's benefit.

9. The experience of alternative marketing structures however so far has been characterized by a mixed combination of successes and failures. The main lesson seems to be that abrupt changes should be avoided in order to maintain stability and ensure that an evolutionary change can occur.

10. The elements of this evolutionary approach include the following:

  i. introduce alternative structures gradually;
  ii. increase awareness and competition;
  iii. expand alternative structures

11. It is then envisaged that for at least some time both APMC markets and alternative structures will coexist. Alternative structures have to prove themselves as viable and real options that permit farmers, traders, enterprises, and consumers to realize higher efficiencies and benefits.

12. While this strategy is broadly understood, the details need to be defined and the strategy needs to be articulated and disseminated in a more systematic manner.

13. Furthermore, the strategy needs to be supported by appropriate policies and investments. For example, issues such as contract farming, land concessions, and producer companies might require further legislative elaboration in order of being implemented effectively. There is a multiplicity of taxes that need to be harmonized. Fragmentation and licensing have to be streamlined for agribusiness to be more effective. Private extension delivery might be an alternative to public extension system delivery.

14. The presentation used for facilitation of the policy roundtable is included in APPENDIX 6.

3 POLICY ROUNDTABLE IN MAHARASHTRA STATE

15. The policy roundtable was help on Thursday 12 July 2012 at the MACP Conference Hall, 1st Floor, LDB Training Centre, Gultekdi, Pune. The list of participants is included in APPENDIX 3 and the program in APPENDIX 2. The following sections summarize the discussion.

3.1 WELCOME AND INTRODUCTION

16. Dr. Kishor Toshniwal, PD, AIDIP welcomed the participants to the roundtable discussion. Mr. Milind Akre, Dy. Director, AIDIP briefed the participants about the program of the day and its objectives. Participants introduced themselves to the group and it was noted that representatives from various categories of stakeholders were present to participate in the discussion including PMU AIDIP staff, government officials from other major programs of the state government related to agricultural marketing, growers producers association representatives, farmers, processors, private sector agribusiness players involved in direct procurement, contract farming etc. and consultants involved in agribusiness sector.

17. Dr. Francesco Goletti presented background on the proposed TA. He further explained the purpose of the policy roundtable discussion and methodology to be followed during the discussion. Methodology included four sessions covering the following;

i. Current Assessment and Issues
ii. Vision Statement
iii. Options to Achieve the Vision
iv. Strategy and Roadmap

18. He further emphasized that active participation from the stakeholders is desirable as today's discussion would result in preliminary formulation for a state level agri marketing strategy, which would be further submitted to the GoM after another round of consultation with the stakeholders during policy workshop.

19. One volunteer was identified to summarize the discussion during each session as follows;

i. Mr. Hemant Mitra, INI Farms
ii. Mr. Subodh Shishodia, Desai Fruits & Vegetables Pvt. Ltd.
iii. Mr. Shibabrata Chakraborty, KPMG Advisory Services
iv. Mr. Shriram Gadhave, Vegetable Growers Association of India

3.2 SESSION 1: CURRENT ASSESSMENT OF AGRI MARKETING IN THE STATE AND ISSUES

3.2.1 Background and Issues

20. Dr. Goletti presented the background on Session 1 covering the assessment of present status of agri marketing in the state. The background covered the details of most prominent marketing channel in the state i.e. APMC markets and various alternatives that are made available to the stakeholders by the government after amendment in APMC Act such as Private Markets, Direct Marketing, Rural Haats, Contract Farming, Modern Retail, Terminal Markets etc.

21. He also covered the past and on-going schemes of the GoI and GoM on promoting agriculture sector (with special focus on Horticulture sector) in the state. Major programs funded by multi-lateral agencies and draft agro industrial policy of the state were also covered in the

background. A SWOT analysis of the state was presented with particular reference to agri marketing and agriculture sector in Maharashtra.

22. General issues related to agribusiness sector faced by various stakeholders were highlighted including; issues related to contract farming, licensing, taxation, food safety, concessions etc. and the group was invited for discussion on these issues and highlight other real-time issues that might be more important and need to be addressed in the proposed policy.

3.2.2 Discussion by Stakeholders

23. Government officials highlighted that GoM was one of the first few states to amend the APMC Act and open the market for private players through various channels as mentioned above. After the amendments, it was expected that the sector would attract a lot of private sector investment. Some private players have come forward and undertaken various initiatives but the results so far are much lower than expectations. Some explanations for this situation might be:

- The amended APMC Act has not been marketed well
- Resistance from APMCs causing difficulty in execution of the amended act

24. Private players mentioned following reasons for limited participation in the sector;

- Present ecosystem of agri marketing does not provide very congenial environment for entry of private sector. APMCs have been lobbying very strongly and restricting the movement of produce from their catchment areas. Though APMC Act has been amended but its execution has not been very effective.
- Agribusiness sector itself may not be seen as a very profitable sector by private companies owing to the complex nature of Indian agriculture sector such as small landholdings, dependencies on monsoon, price fluctuations, long gestation period for investment etc.
- Availability of credit is another major problem faced by the private sector. Bankers demand non-agriculture assets as collateral for extending credit to agriculture sector.
- Taxation policy is also seen as one of the deterrents to private sector investment on value addition. For example, frozen product is considered as processed and attracts VAT, whereas it only provides longer shelf life to the agricultural produce and is still used as raw by the consumers such as peas, sweet corn etc.
- In case of contract farming, enforceability of the contract has been seen as doubtful by the private sector in case farmers default. However, the government officials present in the forum suggested the following in case of contract farming;
    - Model contract provided under the amended APMC Act should be used only as guidelines and terms & conditions should be mutually agreed upon by both the parties before signing the contract
    - Both parties should ensure mutual benefits for long term association keeping in view the fluctuating nature of agri produce
    - All contracts must be registered with DDR (District Deputy Registrar)
    - Arbitration is an important process for any agreement and the case should be taken for arbitration if requirement arises. So far, no such case of arbitration has been registered at any of the DDRs office in Maharashtra.

25. Farmers and producer groups also raised their concerns on the present marketing environment and issues faced by them, which are as mentioned below;

- Producer groups mentioned that existence of APMCs is very important due to their ability to handle large volumes of produce, which other marketing channels are unable to handle due to their nascent stage. However, transparency in operations and capacity building of APMCs is required.

- Transaction cost in case of perishables (commission charged by the commission agents for F&V) is very high, in some cases as high as 10% of the sales value. Upper value of commission needs to be regularized and enforced in the APMCs.
- More commission agents should be issued licenses to increase competition.
- In case of inter-state sales, double commission has to be paid (both to the local APMC and to the APMC in other state), which further increases burden on farmer's profits.
- Though amended APMC Act provides for direct marketing licenses, however, a solvency of Rs. 15 lacs is required for getting a direct marketing license. Farmer Producer Groups demanded waiver / reduction of the solvency amount since the producers are directly marketing their produce and it is very unlikely for them to have this kind of solvency.
- Some producer groups also demanded support from government in terms of providing space for direct marketing in major cities as they are seen as major consumption centres and land prices in cities like Mumbai, Pune etc. in Maharashtra are very high.

26. Need for organizing farmers into groups was emphasized by all stakeholders since it is beneficial to both farmers (in terms of gaining collective bargaining power) and private sector (in terms of aggregation of produce and creation of peer pressure to reduce defaults in contracts).

3.2.3 Summary of Discussion

27. Major concerns of stakeholder were related to efficiency of APMC markets, taxation issues, licensing and contract farming;

i. *APMC markets:* should be more efficient and transparent, enforcement of amendments made in APMC Act is required. Transaction costs should be rationalized and enforced
ii. *Taxation:* should be made more relaxed to facilitate value addition in agri produce
iii. *Licensing:* more commission agents should be issued licenses to enhance competition and solvency limit for direct marketing license for Farmer Producer Groups / Producer Companies should be reduced / waived
iv. *Contract farming:* should be done on mutually agreeable terms & conditions, other than trust and relationship building, strong arbitration mechanism is very important

3.3 SESSION 2: VISION STATEMENT

3.3.1 Background and Issues

28. Dr. Goletti presented the background on visioning exercise and process of arriving at a Vision Statement for the agriculture sector in Maharashtra. He also explained on how to decide short-term (5 years), medium-term (10 years) and long-term (20 years) goals for achieving the vision. At the same time, identify the present situation on each of the components of vision statement and indicators of measuring growth along the set goals.

3.3.2 Discussion by Stakeholders

29. GoM already has a vision statement for agricultural marketing sector in the state, which has been worked out under its World-Bank funded MACP (Maharashtra Agriculture Competitiveness Project). The vision statement was shared with the group by MACP team and the same was accepted as the starting point for the visioning exercise. Thereafter the group gave its suggestions on various vision components and a statement was worked out as version 2 of the Vision Statement. Various components suggested by the group are as follows;

- Agriculture and horticulture sector
- Internationally competitive
- Consistency
- Increase in GDP
- Branding
- State of the art infrastructure
- Safe & secure food
- Adequate and affordable food
- Farmer & consumer friendly
- Growing income for farmers
- Sustainability
- Transparency
- Value addition
- Integrated value chains
- Food security

30. Version 2 of the vision statement was further refined several times to arrive at a consensus by the group, which is as mentioned below;

"Maharashtra has an internationally competitive and sustainable agri-marketing system supported by state of the art infrastructure with effective and integrated value chains which provide safe, secure, adequate and affordable agri-food produce to consumers and growing income to producers".

31. Some indicators were presented by Dr. Goletti to facilitate the group on goal setting exercise. For example, indicators of growth, real time % increase vs. % increase factoring inflation, qualitative vs. physical indicator, high vs. moderate variation etc.

32. The group worked on select vision components including internationally competitive, sustainability, infrastructure, growing income for farmers etc. Working file of vision statement and goals is enclosed separately in APPENDIX 4.

3.3.3 Summary of Discussion

33. The vision statement as mentioned above was reiterated and goal setting exercise was summarized, which was actually a facilitating exercise for the group and would be further worked out by the policy expert and shared with the group in the form of a draft policy document.

3.4 SESSION 3: OPTIONS TO ACHIEVE THE VISION

3.4.1 Background and Issues

34. Background was presented by Dr. Goletti on the steps further to the vision and goal setting. There could be various options, which could be adopted to achieve the defined goals and realize the vision. One way could be to continue with the similar actions as taken during past but in this case, pace of growth would remain same as it has been in the past. If we wish to achieve something

different and more than past, we need to adopt a different approach. There could be many options leading from starting point i.e. assessment phase to the target point i.e. vision phase.

35. In this process, innovation should be rewarded and various options may be explored to achieve the given target. Different options should be adjudged appropriately and the most promising ones should be strengthened. We cannot do everything; strategic choices are to be made to ensure the achievement of the vision.

3.4.2 Discussion by Stakeholders

36. Group discussed various options that could be opted for achieving the targets for select key components of vision statement, which are as follows;

a) Growing income for producers

- Reducing cost of cultivation
- Increase in productivity
- Improved quality
- Adopt good agricultural practices
- Crop insurance to mitigate risk
- Explore alternate market channels
- Access to technology
- Aggregation to achieve better bargaining power
- Training and capacity building
- Organizing farmers into groups / PC (Producer Companies) / CIGs (Commodity Interest Groups)
- Investment in marketing infrastructure

b) Sustainability

- Reviewing water resources
- Organic farming
- Optimal cropping pattern
- Bridge gap in policy and its implementation
- Capacity building of farmers
- Capacity building of extension machinery
- Provide facilitator for capacity building of different stakeholders
- Development of national level software for information dissemination
- ICT & market intelligence
- Define standards of quality
- Grading & packaging
- Minimum support price for other crops those are not covered
- Successful models should be replicated
- Stakeholders should be linked
- Strengthen linkages across value chain

3.4.3 Summary of Discussion

37. Mr. Chakraborty summarized the options identified / discussed by the group. Due to limited time available for discussion, it was decided that the group would work out only two key

components of the vision statement, i.e. Growing income for producers and Sustainability, as mentioned above.

3.5 Session 4: Strategy and Roadmap

3.5.1 Background and Issues

38. After the group discussion on various options to achieve the vision, Dr. Goletti set background for preparing Strategy and Roadmap for achieving the Vision. He mentioned that it is more appropriate to adopt the "Evolutionary Approach" rather than a "Revolutionary Approach".

39. As the present system has been playing its role since past many decades and sudden scrapping of the present system may have various disadvantages. It is advisable to follow the given approach;

a) Gradually introduce alternative systems
b) Increase awareness about benefits of alternative systems and competition among the present and new systems
c) Strengthen the alternative systems and allow the inefficient system die its natural death

40. He explained that for defining roadmap, the group should;

1. Set-up milestones
2. Follow-up the milestones consistently

3.5.2 Discussion by Stakeholders

41. Group discussed the roadmap for the proposed vision. It was also discussed that GoM have a roadmap prepared for APMC markets to achieve greater efficiency under MACP. However, a more defined roadmap may be prepared for alternate market system at an appropriate stage when these systems are mature.

42. The group suggested following points as roadmap for achieving the vision;

- Shift focus from increasing production to better post harvest management
- Work towards making skilled manpower available in the sector
- Reduce number of intermediaries and find alternate livelihood for them
- Strengthen APMC markets
- Promote Farmer / Producer Organizations
- Capacity building of Farmer / Producer Organizations
- Promote alternate marketing structures / channels
- Investment in public infrastructure
- Increase share of public budget in "Agri Marketing" segment

3.5.3 Summary of Discussion

43. The discussion held by the group was summarized and it was mentioned that the roadmap would be further worked out in greater details to ensure achieving the vision

3.6 OVERALL SUMMARY AND CONCLUSION

44. Discussions held during the four sessions were again summarized by IL&FS Clusters and Mr. Goletti informed the group on the next steps to the roundtable, which are as mentioned below;

1. Refine strategy draft
2. Enrich with further consultations
3. Prepare new draft for circulation and revision
4. Discuss at a Policy Workshop
5. Prepare new draft for submission to state
6. Obtain feedback from state
7. Prepare final draft and submit to the state

45. The roundtable was concluded with vote of thanks by AIDIP and IL&FS Clusters

4 POLICY ROUNDTABLE IN BIHAR STATE

46. The policy roundtable in Bihar State was planned to be similar to the one in Maharashtra. The concept paper was the same and was distributed about one week in advance of the event which was held on 18 July 2012 in Patna at the office of the Secretary Agriculture. In particular, the policy roundtable was intended to be organized into four sections to cover the different elements of a strategic process, including assessment, vision, options, and milestones and action plan.

47. Unfortunately the event started slightly late, around 11:30am and was concluded quite early at around 2pm instead of 5:00pm as originally planned. Due to urgent matters, the Secretary and other government officials left the meeting. As a consequence the private sector participants also left and the last two sections of the process (options and milestones/actions plans) were barely addressed.

48. The discussion is summarized below.

4.1 SUMMARY OF DISCUSSION OF THE ASSESSMENT SESSION

49. The Agricultural Roadmap provides a very open approach to agrimarketing. It does not provide a clear strategy but allows a multipronged and multilayered approach. For example, the agrimarketing strategy might include private sector initiatives, PPP initiatives, or cooperative initiatives such as COMFED.

50. The National Horticultural Mission also emphasizes the creation and upgradation of local mandis in rural areas which will help in the emergence of alternate marketing channels.

51. The richness of the state in horticultural sector provides a potential for expansion, however it is not clear whether fresh produce offers a large market potential. Instead, the state might become a hub for agroprocessing.

52. COMFED is not necessarily a good model of marketing of horticultural products. Rather than export fresh produce outside of the state, Bihar might want to specialize in exporting processed products. Most vegetable farmers are landless or marginally landless

53. There is a need to promote primary as well as secondary processing centers for highly perishable and low shelf life agricultural products of Bihar such eg Litchi, Mango, Vegetables etc.

54. In order to meet the requirements of raw material for agro processing industries, it is imperative to assure the varietal suitability of the crop and a long term approach on selection of varieties is desired. For example, even though mango quality in the state is good, the quality is not suitable for pulp and therefore does not lead to emergence of a processing industry. Similarly guava. Pineapple should be explored. Banana is very small and does not have shelf life.

55. Private markets are not remunerative.

56. Contract farming does not have a regulatory framework: in particular there is no mechanism for resolution of disputes between farmers and enterprises.

57. There is a need to deliberate up on the regulations desired for the proposed Agrimarketing channel eg the methodology for fees collection. It may be either of the following:

i) Cess System
ii) User fee model for the services provided

58. In creation of alternate marketing model to APMC, the following points must be considered:

i) Type of Regulation for the users : Cess systems or Usage based fee;
ii) User fee model on services provide;
iii) Enable the development of private markets with remunerative returns;
iv) Reduce the vulnerability of private market developers, generally happening through the changes policy in Agrimarketing ;
v) Development of regulation and redress mechanism for dispute settlement on the purchases of agri products from farmers;
vi) Which is the best model for Bihar? Can the Reliance model of purchase from farmers be replicated in other instances?
vii) Development/ Up gradation of Rural mandies /local markets;
viii) Suitability of Cooperative model in purchase of fruits and vegetables;

59. There is a need to upgrade the quality and bring in some certification programmes for quality of the Agricultural produce being marketed. For example honey production needs testing laboratorys and standards.

60. There is a need to develop agrimarkets linked to the processing centers so as to mutually benefit the processor and the primary producers eg Soy crop development in and around the soy oil production unit in Kaimur, through Oil Palm Area Expansion (OPAE) scheme. In Bihar, under this scheme, eight districts haVE been identified.

61. Cluster approach for the development of relevant agricultural produce markets in and around the processing units would be a promising method.

62. In development of clusters the cooperative model of Safal/Sudha may be emulated.

63. The development of Primary Processing centre at the field level is desirable for better product quality to the processors. This indirectly will provide better price realization to the farmers also.

4.2 SUMMARY OF DISCUSSION OF THE VISION SESSION

64. The discussion about vision for agrimarketing in the state emphasized the consistency with the Agricultural Roadmap while developing a specific statement for what agrimarketing system would look like in the state. Important elements of the vision would include:

- A well developed supporting agricultural Infrastructure to facilitate marketing
- An agrimarketing system that provides mutual benefits to producers and consumers

65. In such a vision farmers would undertake a more efficient and sustainable production that is oriented to meet consumers demand. Farmers would be facilitated in meeting consumers demand by improved and modern facilities for sorting, grading, and making produced ready for the market.

66. Both the private sector and the cooperative sector should be involved in the development of common service facilities for the development of markets. This will involve the development of storage facilities in conjugation with the processing industries so as to offer a win - win situation for both farmers and processors.

The different milestones that were indicated for achieving at the vision were:

i) Minimum of 20% produce must be processed
ii) Physical connectivity of producers through road, rail or air cargo
iii) Assured irrigation facility to all farming areas
iv) Inclusive and sustainable growth of agriculture
v) Development of skilled manpower

5 ASSESSMENT OF THE TWO POLICY ROUNDTABLES

67. The two policy roundtables in Pune and Patna were prepared following the same approach and methodology. Also the types of participants invited were the same and included government, private sector, cooperatives, and traders. In both states, the presence of key officials provided a signal of the importance of the event. However, the outcomes were different.

5.1 ASSESSMENT OF MAHARASHTRA POLICY ROUNDATABLE

68. The policy roundtable in Pune was very successful. The venue of the meeting was appropriate and conducive to a full interaction. Participants were highly competent and extremely interested. They stayed from 11 am to 5:40pm 9 (with a lunch break). The discussion was lively and focused on the topic at hand.

69. After the meeting, the consultant team received positive feedback both by participants and the PMU.

70. Some of the participants contacted the Policy Specialist later congratulating on the conduct of the policy roundtable and asking for further information. See the email below from Mr. Hemant Mitra from INIFARMS.

From: Hemant Mitra [mailto:hemant.mitra@inifarms.com]
Sent: Tuesday, July 17, 2012 12:10 AM
To: f.goletti@agrifoodconsulting.com
Subject: Bihar Agricultural Competitiveness Project

To
Dr. Francesco Goletti
President
Agrifood Consulting International

Dear Sir,
I had an occasion to participate one day seminar at Pune on 12th July 2012 organized by Maharashtra Agricultural Competitiveness Project. I must compliment you for facilitating the seminar in an excellent manner which was very lively. It was one of the excellent seminars I have ever attended. Incidentally I was the first person to volunteer in making note of the 1st session.
I understand from you that similar project is being implemented in Bihar state also. I am of the opinion that Bihar has a vide potential in Agriculture and Horticulture. My company would like to explore business opportunity in Bihar. I shall be grateful if you can kindly inform us the name of the person with whom we can contact in Bihar to get involved in the project.

Looking forward to hear from you.
Best regards

Sincerely

H.K.Mitra
General Manager-Operations
INIFARMS Private Limited
7, Classic Purnima Park
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71. The policy roundtable was held in the meeting room of MACP, the World Bank project hosted in the same building of the AIDIP. The choice of this facility by the PMU was very wise since it provided closer coordination and interactions between the two projects.

72. In fact, the staff of MACP later contacted the Policy Specialist to know about value chain training courses offered internationally. The policy specialist plinked the MACP staff with the responsible managers of three organizations (University of Queensland, University of Tasmania, and a German course) offering specialized value chain training.

73. The MD of MSAMB opened the meeting and facilitated the discussion in the morning. Several ideas were discussed and noted. They provide a solid first step for strategy and policy formulation. It was clarified to all the participants that more discussions and a workshop will be later conducted to formulate the policy.

5.2 ASSESSMENT OF BIHAR POLICY ROUNDATABLE

74. The choice of the venue of the policy roundtable in Patna was not adequate. The office of the Secretary was not prepared to have a policy roundtable for the overall day. As a consequence, the discussion was not easy. For example not everybody could look at everybody else during the discussion. A more appropriate meeting hall could not be organized, apparently for technical reasons (the projector was not working).

75. Participants came at different times, the meeting started later than planned and concluded much earlier, due to the urgent business that the Secretary and other officials had to attend.

76. The discussion was not easy to conduct, partly because the project was new to most of the participants and partly because the level of understanding of agrimarketing and agribusiness was lacking.

77. The major conclusion of the meeting is that more planning and better organization is needed in the future. Also, preliminary training of stakeholders in basic concepts of value chain development and agribusiness needs to be undertaken prior to policy roundtable if a more productive policy roundtable should be held.

6 MEETINGS

78. In Mumbai, the Consultant met with representatives of the Confederation of Indian Industries and in Patna with the president of the Bihar Industry Association. Both organizations agreed to provide detailed and written comments to questions by the TA

Team related to Agrimarketing Strategy. Their input will be crucial to the preparation of the draft Policy that will be discussed in the Policy Workshop later in the TA.

79. In Lalganj (Bihar) the Policy Expert had the opportunity of visiting "private markets". In fact they are not really markets, just a few shops along the road that serve as collection and aggregation centers. Apart from this aggregation function, they do not provide other services. If actual private markets have to emerge, then the involvement of a more sophisticated private sector will be needed.

7 SUGGESTIONS AND NEXT STEPS

7.1 SUGGESTIONS

1. Use formal feedback of industry through well structured checklists to the association.
2. Conduct a second policy roundtable in Pune before the policy workshop
3. Organize and conduct training in value chain development (basic concepts) and agribusiness in Bihar for different type of stakeholders (government officials, private sector, farmers)
4. Conduct a second policy roundtable in Patna after basic value chain training and capacity building of different groups
5. Plan Policy Workshops during the period October-November
6. Plan study tour of Bihar key stakeholders to Maharasthra or other states where they can get exposures to value chain development, and alternative market structures.

7.2 NEXT STEPS

1. Preparation of checklist for association of industry in Maharashtra and Bihar
2. Mobilization of PPP expert
3. VC training in Bihar
4. Preparation of Version 1 of Agrimarketing Policy

1. Second policy roundtables in Bihar and Maharashtra to review Version 1
2. Preparation of Version 2 of Agrimarketing Policy
3. Policy Workshop and discussion of Version 2
4. Preparation of Version 3 (Draft Final) of Policy and submission to Government (Bihar and Maharashtra)
5. Feedback from Government
6. Preparation of Version 4 (Final Draft)

APPENDIX 1. SCHEDULE MISSION 8 JULY TO 20 JULY 2012

Date	Location	Activities
8 Jul	Delhi	Arrival Delhi from Kathmandu
9 Jul	Delhi	Briefing at ILFS-Delhi Office
	Mumbai	Arrival and planning
10 Jul	Mumbai	Organization of roundtable and preparation of program
11 Jul	Mumbai	Organization of roundtable and preparation of program
12 Jul	Pune	Policy Roundtable
13 Jul	Mumbai	Meeting with Chamber of Commerce and Industry (CCI)
14 Jul	Mumbai	
15 Jul	Mumbai Patna	Travel to Patna Arrival Patna – Briefing from ILFS-Bihar Office
16 Jul	Patna	Organization of roundtable and preparation of program
17 Jul	Lalganj	Visit to Private market Meeting with Bihar Industry Association (BIA)
18 Jul	Patna	Policy Roundtable Discussion with Ruchi
19 Jul	Patna Delhi	Travel to Delhi Debriefing at ILFS-Delhi Office
20 Jul	Delhi	Departure to Kathmandu

APPENDIX 2. PROGRAM OF ROUNDTABLE IN PUNE, 12 JULY 2012

From	To	Activity	Output	Responsibility
10:00	10:20	Introduction	Objectives Methodology Expected output Expected outcome	Dr. Francesco Goletti, ACI
10:20	10:35	Current Situation – Background and Issues for Discussion	Presentation	Dr. Francesco Goletti, ACI
10:35	11:15	Current Situation – Roundtable Discussion	Note Taking	Mrs. Suman Choudhary, ILFS-CDI
11:15	11:30	Current Situation – Summary of Discussion	Summary 1	Group Leader 1
11:30	11:45	Vision – Background and Issues for Discussion	Presentation	Dr. Francesco Goletti, ACI
11:45	12:25	Vision – Roundtable discussion	Note Taking	Mrs. Suman Choudhary, ILFS-CDI
12:25	12:40	Vision – Summary of Discussion	Summary 2	Group Leader 2
12:40	13:40	Lunch Break		
13:40	13:55	Options – Background and Issues for Discussion	Presentation	Dr. Francesco Goletti, ACI
13:55	14:35	Options – Roundtable discussion	Note Taking	Mrs. Suman Choudhary, ILFS-CDI
14:35	14:50	Options – Summary of Discussion	Summary 3	Group Leader 3
14:50	15:05	Strategy and Road Map – Background and Issues for Discussion	Presentation	Dr. Francesco Goletti, ACI
15:05	15:45	Strategy and Road Map – Roundtable discussion	Note Taking	Mrs. Suman Choudhary, ILFS-CDI
15:45	16:00	Strategy and Road Map – Summary of Discussion	Summary 4	Group Leader 4
16:00	16:20	Overall Summary	Summary	Dr. Francesco Goletti, ACI / Mrs. Suman Choudhary, ACI
16:20	16:30	Conclusions		Chief Guest

APPENDIX 3. LIST OF PARTICIPANTS POLICY ROUNDTABLE 12 JULY 2012 IN PUNE

No.	Name of the Participant	Organisation
1	Sachin S. Korde	MahaGrapes
2	Vrishali Deorukhkar	Gargi Boitek Pvt. Ltd.
3	Sudhir Zambre	ITC Ltd. (ABD)
4	Dattatray Patil	Pravara Fale Bhajipala Society
5	Shibabrata Chakraborty	KPMG Advisory Services
6	S B Kulgod	MACP
7	Dattatraya More	Deepak Fertilisers & Petrochemicals
8	Maruti Borate	MahaAnar
9	H K Mitra	INI Farms
10	S H Zadokar	Wipro
11	Subodh Shishodia	Desai Fruits & Vegetables
12	Ganesh Thakare	Vegetable Growers Asso. of India
13	Ashish A. Bhosale	Vegetable Growers Asso. of India
14	Kakasaheb L. Bargal	Gargi Biotek Pvt. Ltd.
15	N V Kongale	AIDIP
16	Santosh Shidhaye	IL&FS Clusters
17	Milind Akre	AIDIP
18	Suman Choudhary	IL&FS Clusters
19	Francesco Goletti	ACI / IL&FS Clusters
20	Dr. Kishore Toshniwal	MSAMB
21	Dashrath Tambhale	MACP
22	Ramesh Shingte	MACP
23	Shriram Gadhave	Vegetable Growers Asso. of India
24	Suneel Waman	Gomukh Trust
25	Dr. Akshay Gaikwad	MACP
26	Sanjay Khatri	Shetkari Aadhar
27	Pradip Patil	AIDIP
28	Prakash Ashtekar	MSAMB
29	Vijay Jagtap	AIDIP
30	R P Meshram	MACP

APPENDIX 4. VERSIONING PROCESS FOR VISION STATEMENT AND INDICATORS – PUNE ROUNDTABLE

Version 2
We want an agri-marketing system which is transparent, vibrant, internationally competitive, sustainable able to provide safe, secure, adequate and affordable agri-food produce.
Version 3
We want an agri-marketing system which is transparent, dynamic & profitable, internationally competitive, sustainable able to provide safe, secure, adequate and affordable agri-food produce to consumers & stable income for producers.
Version 4
We want an agri-marketing system supported by state of the art infrastructure which is ~~transparent, dynamic & profitable~~, internationally competitive, sustainable able to provide safe, secure, adequate and affordable agri-food produce to consumers & ~~stable~~ growing income for producers.
Version 5
Maharashtra has an internationally competitive and sustainable agri-marketing system supported by state of the art infrastructure with effective and integrated value chains which provide safe, secure, adequate and affordable agri-food produce to consumers & growing income to producers.

Component	Indicators	Current Status	Target 5 years	Target 10 years	Target 20 years
Internationally competitive	Contribution of market share internationally, consistency in exports,	1 % High variation			2 % Moderate variation
Sustainable	Avg. water use efficiency, % organic content in soil, MRL				
Infrastructure	i. Physical Indicators & ii. Qualitative Indicator Capacity of Godowns & Cold storage, Power, Roads, Communication, Collection centers, Pack house, DCs,				
Growing income	Avg. Income of producers, Growth	50,000 4 %			2,00,000 7 %

APPENDIX 5. LIST OF PARTICIPANTS POLICY ROUNDTABLE 18 JULY 2012 IN PATNA

Venue – Office of the Secretary Agriculture, Department of Agriculture, 3rd Floor, Vikas Bhawan, Bailey Road, Patna – 800001

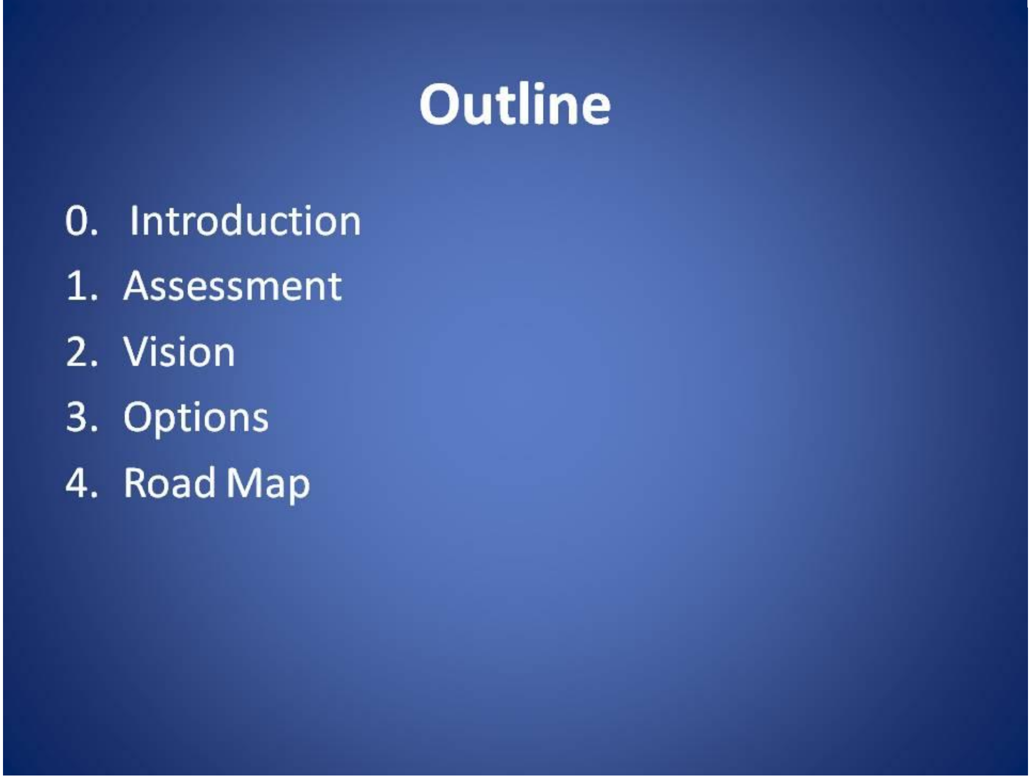
Highlighted parts to be filled

No.	Name of the Participant	Organisation
1		Secretary, Agriculture Department, GOB
2		Director, Horticulture, GOB
3		Deputy Director, Horticulture, GOB
4		Managing Director, COMFED
5		CEO, JEEVIKA (Bihar Rural Livelihood Promotion Society)
6		Representative from Cooperative Department, GOB
7		Representative from Cooperative Department, GOB
8		Representative from Cooperative Department, GOB
9		Representative from NABARD
10		Representative from NABARD
		President, Bihar Industry Association
11	Mr.Kesari	Amrapali Foods, Hajipur Industrial Area
12	Mr.Kedia	Radha Krihna Impex Pvt Limited
13	Awesh Jain	Ruchi Soya
14		Representative from Big Bazaar
15	Mohd. Zahoor	Trader from Bazaar Samiti, Patna
16	Mr. Shashi	Trader from Bazaar Samiti, Patna
17	Dr. Francesco Goletti,	International Expert, ADB TA Program
18	Mr. Amitava Bhattacharyya	IL&FSCDI
19	Mr.Guna Nand Shukla	IL&FSCDI
20	Mr. Rakesh Chaubey	IL&FSCDI
21	Mr. Santosh Kumar Singh	IL&FSCDI

APPENDIX 6. PRESENTATIONS AT THE POLICY ROUNDTABLE IN PUNE

(Similar presentation was prepared for the Policy Roundtable in Patna)


Institutional Development for a Value Chain Approach to Agribusiness in Bihar and Maharashtra
POLICY ROUNDTABLE
Pune, MACP Conference Hall
12 July 2012


Outline
0. Introduction
1. Assessment
2. Vision
3. Options
4. Road Map

0. INTRODUCTION

- Background
- Objectives
- Methodology
- Expected output

Background

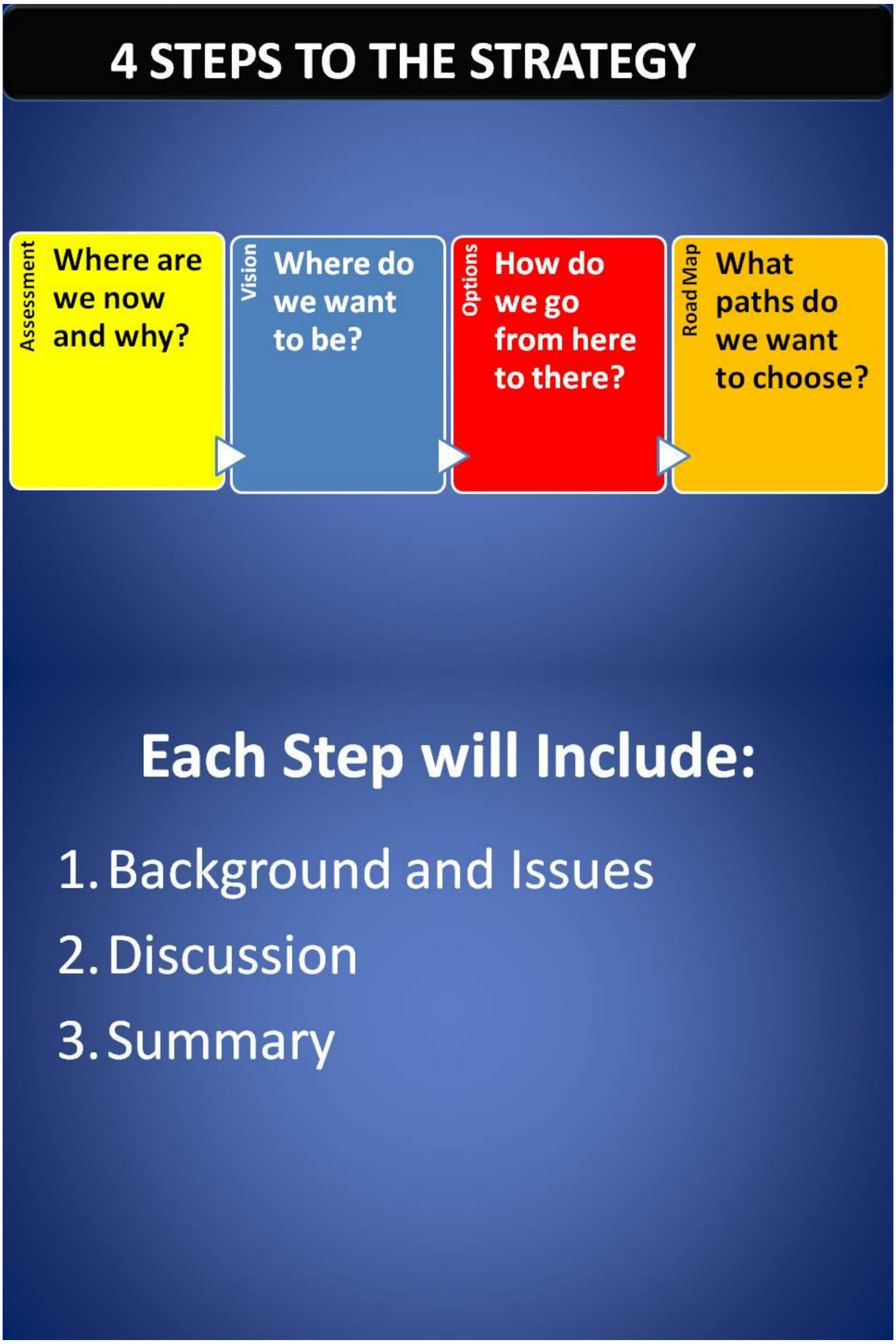
- A number of initiatives on modernization of agricultural marketing after amendment of APMC
- Ongoing AIDIP program with funding from ADB for creating market infrastructure for agribusiness value chains in PPP mode
- TA on Institutional Development for a Value Chain Approach to Agribusiness in Bihar and Maharashtra

Objective

To identify the key issues and elements of a strategy for agribusiness and agrimarketing in the state

Methodology

- Go through 4 steps
- Each step involves roundtable discussions
- Summarize each step
- Summarize again at the end


4 STEPS TO THE STRATEGY
Assessment
Where are we now and why?
Vision
Where do we want to be?
Options
How do we go from here to there?
Road Map
What paths do we want to choose?
Each Step will Include:
1. Background and Issues
2. Discussion
3. Summary

At the End of the Roundtable…

- Overall Summary
- Conclusion and Next Steps

Expected Output

- A preliminary formulation of a strategy for agrimarketing in the state.
- The preliminary formulation will be the basis for further discussion in a Policy Workshop after which the policy will be submitted to GOM for consideration.

1. ASSESSMENT

- Background
- Issues
- General Discussion and Note Taking
- Summary of the Session

Current Status - Background

- APMC Amendment
- New marketing structures alternative to APMC markets
- Central Government support to horticulture in an effort to create national market going beyond restrictions of ECA
- Ongoing programs donor-funded (WB, IFAD, ADB)
- Formulation of a draft Agro-Industrial Policy

Alternative Structure for Agrimarketing

- APMC markets
- Private markets
- Direct procurement from farmers
- Direct selling by farmers
- Contract farming
- Modern retail (supermarket chains)
- Traditional markets
- Rural markets
- Terminal markets

Current Status - Issues

- Policy issues:
  - Contract farming
  - Concessions
  - Taxes
  - Licensing
  - Food safety
  - Producer companies
  - Supermarkets

Current Status - SWOT

Strengths

– Indian leader in horticulture, strong urban demand, advanced water management, both production and agrodindustry contribute to GDP (together more than 20%), FDI, export leader in grape

Weaknesses

– Agricultural productivity low (55% of population generate 13% of GDP), high losses, low high value, small scale of production and processing

Opportunities

– Global leader in horticulture, gain competitiveness, attract large investments, supermarket revolution, integrated clusters and value chains, new models of PPP

- **Threats**

  – Unsustainable use of natural resources, innovations blocked by vested interest or politics

General Discussion

Summary of Step 1 - Assessment

2. VISION

- Background
- Issues
- General Discussion and Note Taking
- Summary of the Session


Vision - Background
• Statements about growth targets in 5-year plans, GDP contribution, poverty reduction
• India moving towards middle income status, emerging middle class, agricultural transformation into a non-agricultural society
• Maharashtra more advanced than other states and more suitable for this transformation to take place more smoothly
Vision - Issues
• How to see you the contribution of agriculture in 10 years, in 20 years?
• What would you like the sector to look like in terms of product diversification, in terms of agrarian structure?
• What are the general goals and the more specific goals?
• What is the importance of growth, inclusion, sustainability, poverty, competitiveness, productivity, etc, in your vision?
• Where do you see agriculture/allied sector in Maharasthra compare with other states of India?
• Compared with other countries in the world?

Working Group Discussion

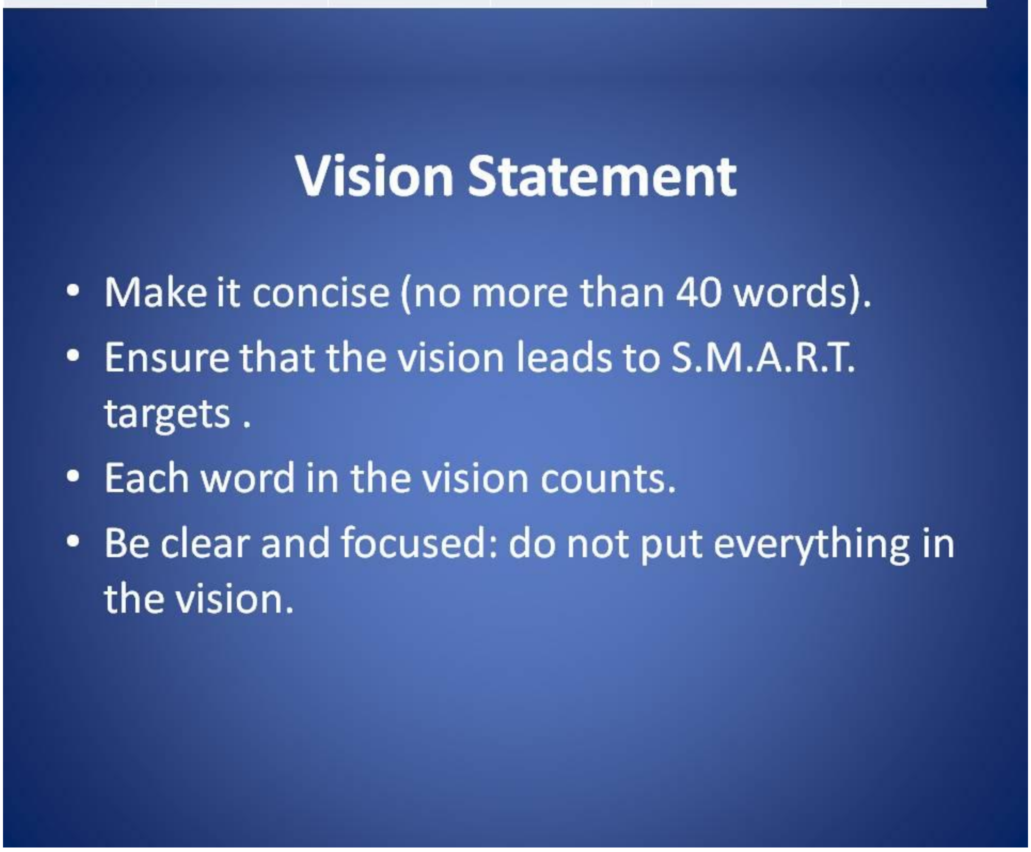
1. Start from a vision statement of your choice
2. Discuss among yourselves and revise the initial statement as many times as you think necessary to arrive at some statement you feel familiar with.
3. After you have such a statement, formulate the targets for the long term (20 years), medium term (10 years), and short term (5 years).
4. Identify suitable indicators to measure progress towards the targets.
5. Put together your vision in a summary table.

VERSIONING THE PROCESS OF VISION FORMULATION

RECORD EACH VERSION SEQUENTIALLY .
DO NOT DELETE PREVIOUS VERSIONS, JUST KEEP ON WORKING AND DISCUSSING AMONG YOURSELVES UNTIL YOU HAVE A REASONABLE CONSENSUS

Vision Statement (about 40 words or less)

Vision Component	Current Situation	Target Short Term (5 years)	Target Medium Term (10 years)	Target Long Term (20 years)	Indicators



S.M.A.R.T. Goals

- Specific
- Measurable
- Attainable
- Realistic
- Timely

Hypothetical Example of Vision Statement (yours does not have to be this one)

Vision: Maharashtra has a highly productive and commercial agriculture sector that is integrated and competitive in the Indian and global agrifood business, and which meets the food and livelihood needs of its people, both rural and urban (37 words)

Components of the Vision

- In the example above, the underlined words are the components of the vision
- Maharashtra has a highly productive and commercial agriculture sector that is integrated and competitive in the regional and global agrifood business, and which meets the food and livelihood needs of its people, both rural and urban

NOT EVERYTHING IS IN ONE VISION…

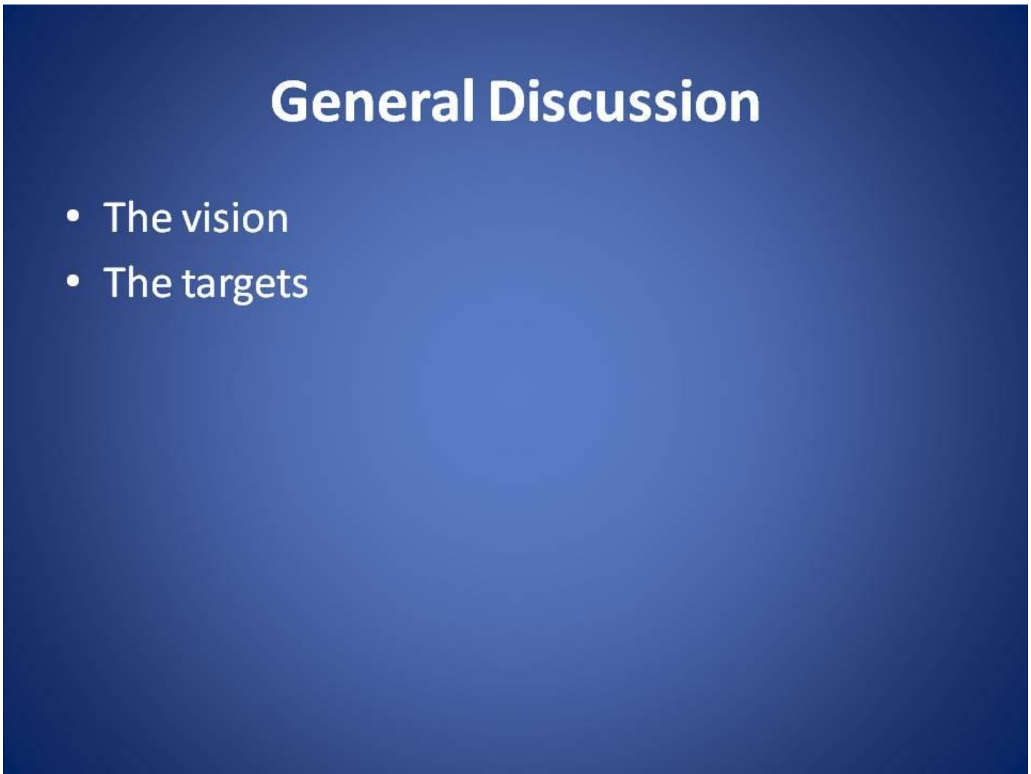
- In the previous vision, we did not mention some important aspects that might be of interest to the participants in the workshop, namely:
  - Inclusion
  - Sustainability
  - Participation
  - Women
  - Ethnicity
  - Poor
  - ….

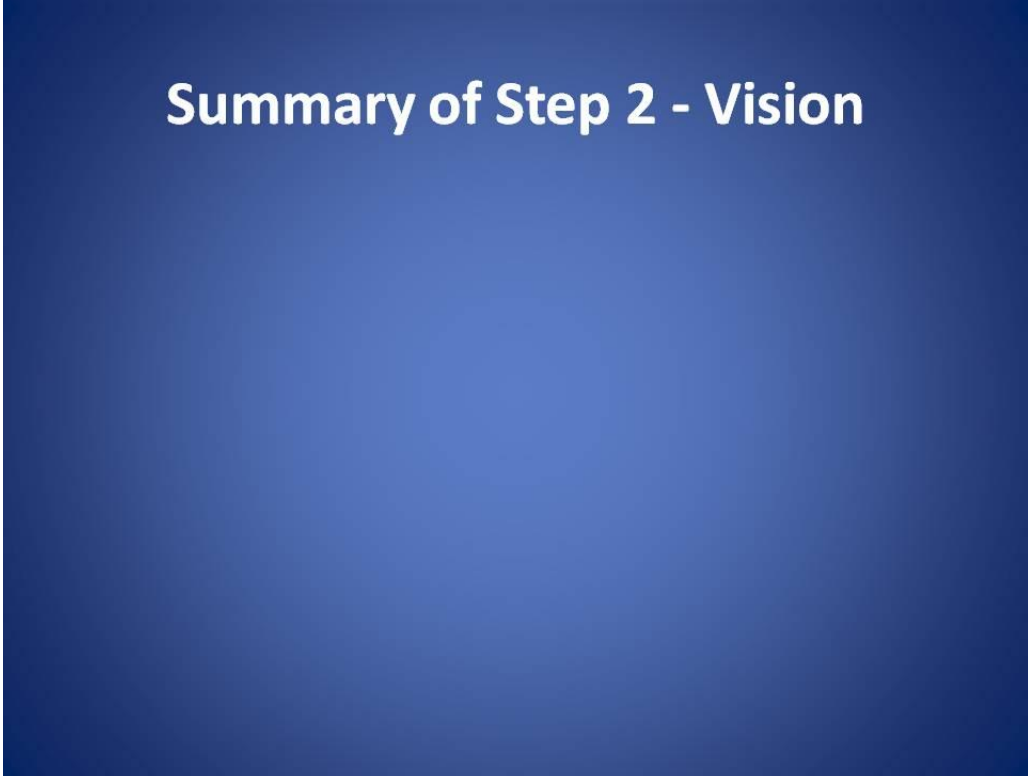
Getting Targets and Indicators (example from previous vision)

HYPOTHETICAL EXAMPLE

Maharashtra has a highly productive and commercial agriculture sector that is integrated and competitive in the regional and global agri-food business, and which meets the food and livelihood needs of its people, both rural and urban

Vision Component	Current Situation	Target Short Term (5 years)	Target Medium Term (10 years)	Target Long Term (20 years)	Indicators	Regional Dimensions
Productivity	AGDP/cap= $700	893	1140	1857	Agr.GDP for agr labor unit	
Commercia-lization	50% of agric. produce is for self consumption	Less than 40%	Less than 20%	Less than 10% of produce is for self consumption	Marketed surplus of agricultural produce	
Competiti-veness	Food trade surplus of $100 million	Food Trade surplus of $200 million	Food Trade surplus of $400 million	Food Trade surplus of $1 billion	Exports Imports Food Trade	

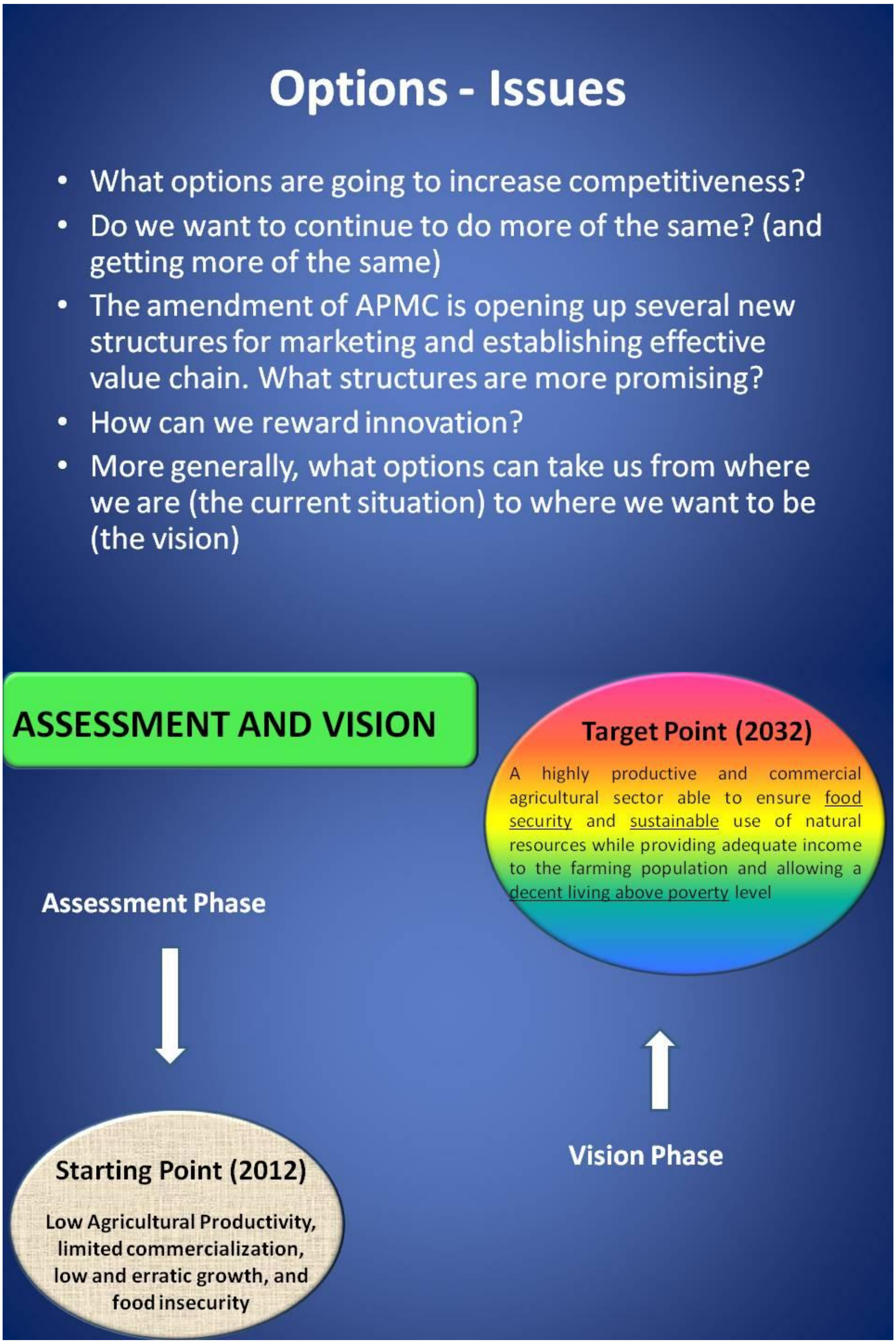

General Discussion
• The vision
• The targets


Summary of Step 2 - Vision

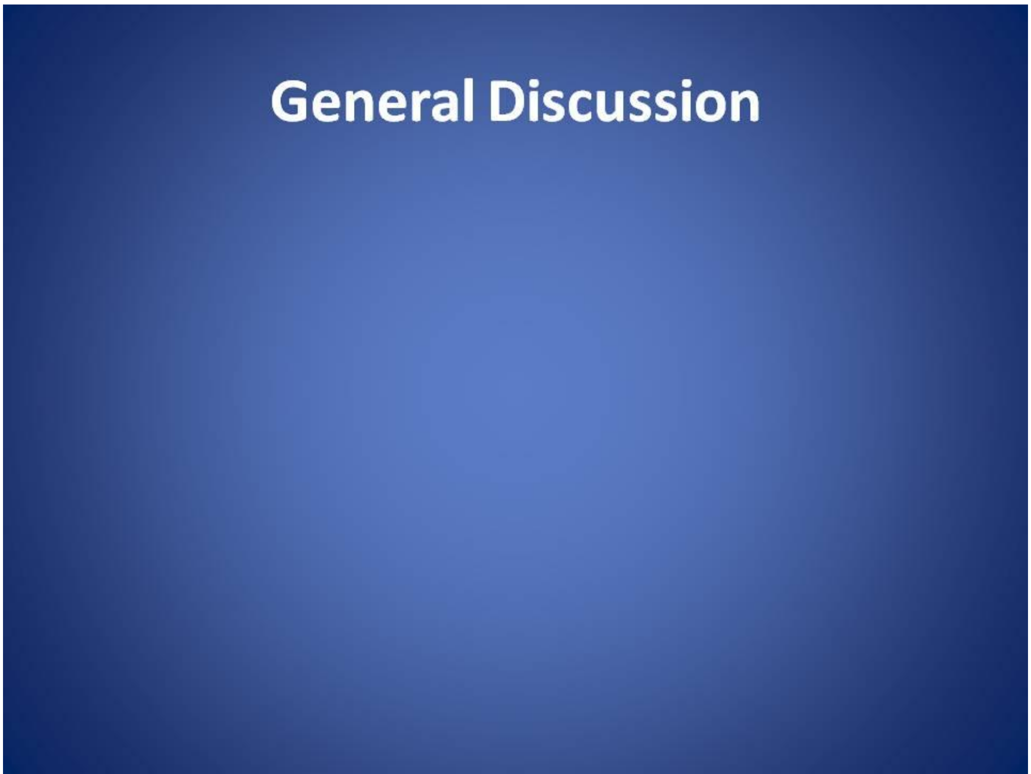
3. OPTIONS

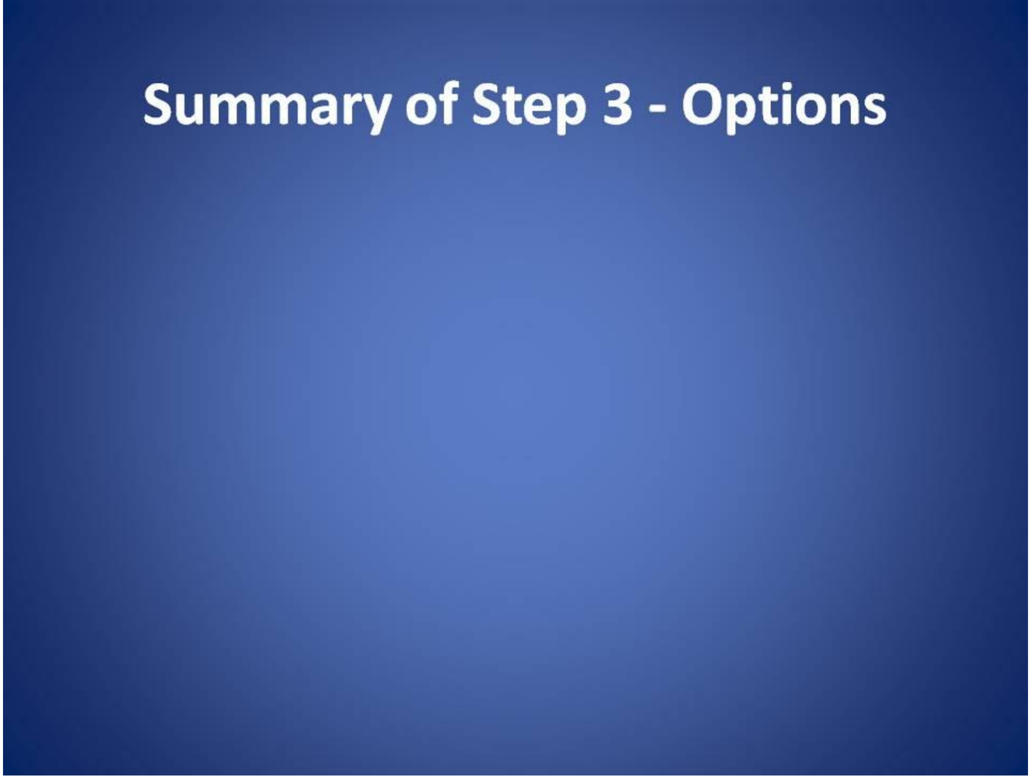
Options- Background

- Past policies have focused on:
  - Subsidies on inputs (to farmers)
  - Back-end subsidies linked to credit (to enterprises)
  - PPP in BOT mode
  - Investment in public extension system
  - Investment in public research system
  - Agriexport zones
  - Priority sector lending
  - Tax concessions
- …. while maintaining a number of regulations such as ECA, APMC, PDS, exclusion of FDI in food retailing not very favorable to the emergence of a modern agrimarketing system


Options - Issues
• What options are going to increase competitiveness?
• Do we want to continue to do more of the same? (and getting more of the same)
• The amendment of APMC is opening up several new structures for marketing and establishing effective value chain. What structures are more promising?
• How can we reward innovation?
• More generally, what options can take us from where we are (the current situation) to where we want to be (the vision)
ASSESSMENT AND VISION
Target Point (2032)
A highly productive and commercial agricultural sector able to ensure food security and sustainable use of natural resources while providing adequate income to the farming population and allowing a decent living above poverty level
Assessment Phase
Vision Phase
Starting Point (2012)
Low Agricultural Productivity, limited commercialization, low and erratic growth, and food insecurity

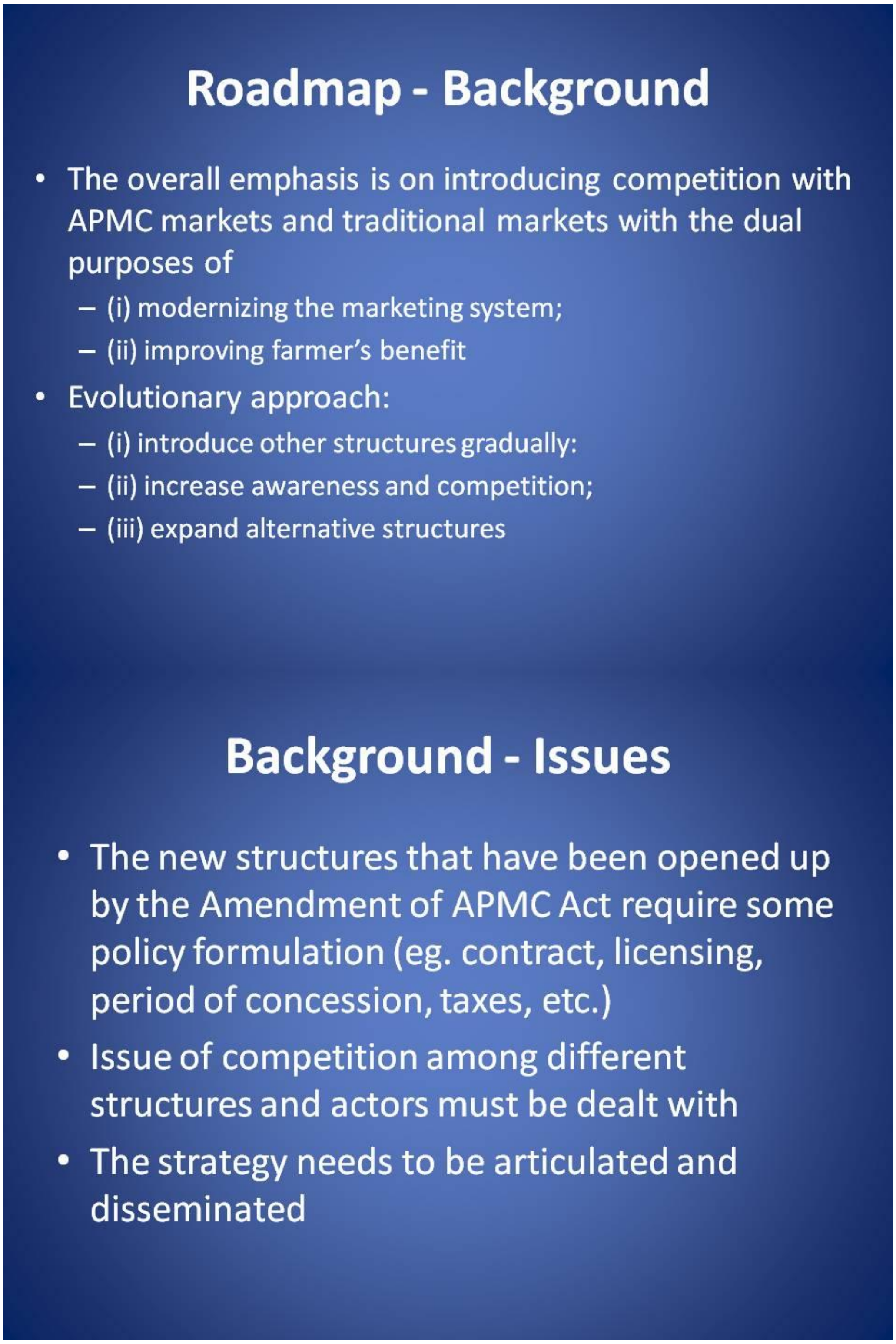

Many Paths from to
OPTIONS AND STRATEGIC CHOICES
• Each path will have different advantages and disadvantages
• Strategic choices will have to be made to ensure the achievement of the vision
• The analysis of policy/investment/institutional choices will be the basis for the choice of a strategic path

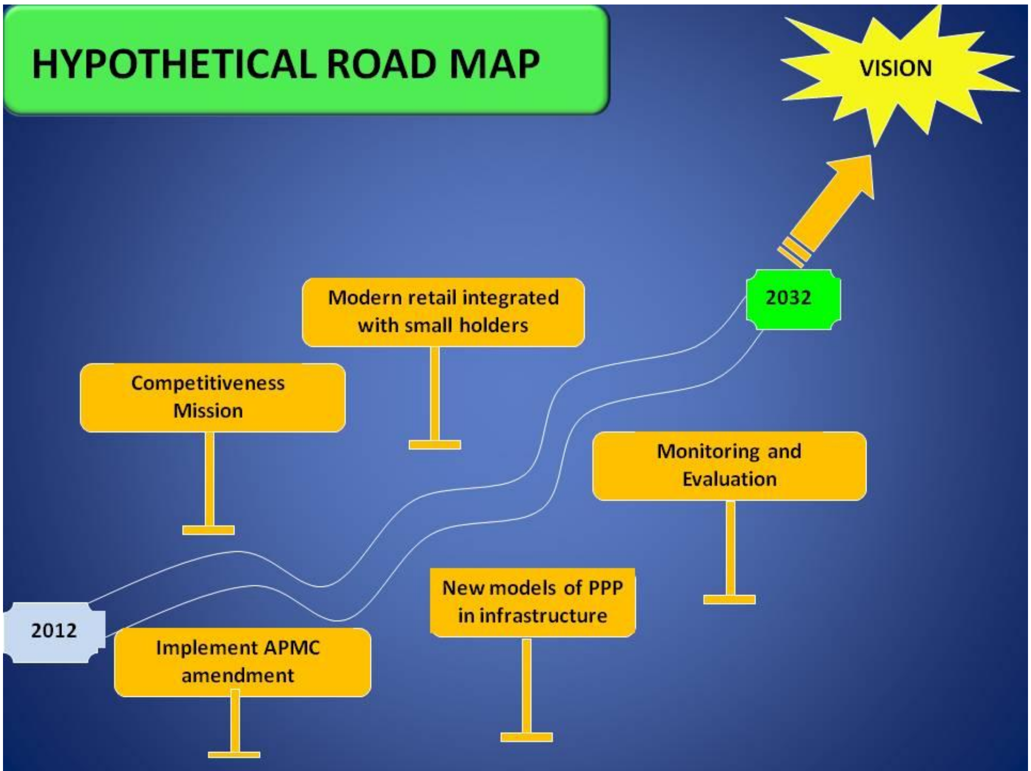

General Discussion


Summary of Step 3 - Options

4. ROADMAP

Roadmap - Background


Roadmap - Background
• The overall emphasis is on introducing competition with APMC markets and traditional markets with the dual purposes of
– (i) modernizing the marketing system;
– (ii) improving farmer's benefit
• Evolutionary approach:
– (i) introduce other structures gradually:
– (ii) increase awareness and competition;
– (iii) expand alternative structures
Background - Issues
• The new structures that have been opened up by the Amendment of APMC Act require some policy formulation (eg. contract, licensing, period of concession, taxes, etc.)
• Issue of competition among different structures and actors must be dealt with
• The strategy needs to be articulated and disseminated


HYPOTHETICAL ROAD MAP
VISION
2032
Modern retail integrated with small holders
Competitiveness Mission
Monitoring and Evaluation
New models of PPP in infrastructure
2012
Implement APMC amendment


General Discussion

Summary of Step 4 - Roadmap

NEXT STEPS

1. Refine strategy draft
2. Enrich with further consultations
3. Prepare new draft for circulation and revision
4. Discuss at a Policy Workshop
5. Prepare new draft for submission to state
6. Obtain feedback from state
7. Prepare final draft and submit to the state