

August 2010

Monower Mostafa
Jakir Hossain

**ENHANCING GROWTH AND EQUITY IN
BANGLADESH AGRICULTURE
A REVIEW OF POLICY STANDS AND RECENT INTERVENTIONS**



ডেভেলপমেন্ট সিনার্জী ইনস্টিটিউট
Development Synergy Institute

Acknowledgement

This report is prepared as part of the research program on Agriculture and Livelihood Security of the Development Synergy Institute (DSI) with financial contribution of the Oxfam GB Bangladesh. The research team gratefully acknowledges the collaboration of the Oxfam GB Bangladesh in conducting this study. We appreciate the contribution of team members of the Oxfam GB Bangladesh especially Ziaul Hoque Mukta, Iqbal Ahmed, Md. Khalid Hossain, and Md. Manirul Islam for their continuous sharing of their ideas. Special mentions to be made of participants of the Agriculture Convention 2010, organised by the CSRL who shared their ideas relevant to the study. We would like to thank all the participants of the brainstorming session organised by the DSI in which the study plan was finalized. Thanks to Raju Ahmed, Mehdi Hasan, Ali Manash and Farhana Akter for their collaboration in conducting the study. We would like to on record thank all the interviewees in our study areas for sharing their experiences and concerns. However, usual disclaimer applies.

CONTENTS

SECTION ONE	INTRODUCTION	4
SECTION TWO	RURAL LIVELIHOOD AND AGRICULTURE ECONOMY	9
SECTION THREE	POLICY STANDS AND RECENT INTERVENTIONS IN AGRICULTURE	13
	A NEW HORIZON OF POSSIBILITIES	13
	GOVERNMENT INITIATIVES VS. REALITY ON THE GROUND	16
	Subsidies in Agricultural Inputs: Fertilizer, Diesel and Others	16
	Fertilizer: No Crisis This Year	19
	Diesel: Misappropriation of Subsidies	21
	Seed and Pesticides: Question of Quality and Price	24
	Agriculture Loan: Will the harassment of farmers be subsidized?	27
	Farmer's Identity Card: A Unique Venture	27
	Ensuring Right Price vs. Rice Procurement Policy of the Government	28
	Bank Account for Taka 10 Only	29
	Agro-Economics and Local Government	29
SECTION FOUR	CONCLUSION AND POINTERS FOR ENHANCING GROWTH AND EQUITY IN BANGLADESH AGRICULTURE	31
	BIBLIOGRAPHY	35

SECTION ONE

INTRODUCTION

Agriculture is regarded the lifeline of the Bangladesh economy. As the largest private enterprise in Bangladesh, agriculture (crops, livestock, fisheries and forestry) contributes about 23.50% of the GDP and seems to have managed to feed 150 million people of the country. The sector sustains the livelihood of about 52% of the labor force and remains a major supplier of raw materials for agro-based industries¹. The crop sub-sector contributing to 13.44% of GDP plays a major role in Bangladesh agriculture and gets the utmost importance in various agriculture related programs. Performance of the sector greatly affects economic progress and people's livelihood. To reduce rural poverty and improve rural livelihoods, it is necessary to recognize and to develop existing agricultural production system into a more dynamic and viable sector. Agriculture has the potential to reduce food deficit as well as shortage of industrial raw materials, and also to generate employment opportunities with reasonable income, which will in turn help improve the standard of living of the rural people. The growth potential of most of the crops and other agricultural commodities are substantially higher than present level of production.

The Millennium Development Goals (MDGs) of achieving 50% reductions in the proportion of population living below the poverty by 2015 largely depends on making a vibrant and active agriculture sector. In this backdrop, the recent Poverty Reduction Strategy Paper (PRSP), highlights the need for higher growth in rural areas, development of agriculture and rural non-farm economic activities as one of the four priority areas to accelerating pro-poor economic growth². The issue of food security is closely related to the development of a sustainable agriculture sector with the production of crops in an increasing rate³.

Although the country has made a steady progress in the expansion of food production, food insecurity is still a major problem mainly because of the lack of purchasing power and thus of access to food, especially for the poor community. A major portion of the rural population is landless, and as labors, they depend on casual earning for their livelihood. Due to the seasonal variation in agricultural employment and limited employment opportunities

¹ National Agricultural Policy (Draft), June 2009, Ministry of Agriculture, Government of Bangladesh

² The PRSP (2009-2011) clearly states that to achieve the GDP growth rate of 7% per year, agriculture must grow by at least 4-4.5% per year. This is presumably possible through an increase in agricultural productivity (for crops, horticulture, livestock, fisheries and forestry) based on modern agricultural technology and a supply chain linking farmers with consumers in the domestic as well as overseas markets.

³ Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life. Three important aspects are associated with food security: availability of adequate food, stability in food supplies, access to food, and nutrition security.

in non-farm sector, millions of people suffer from chronic and transitory food insecurity⁴. However, fostering agricultural growth entails various challenges. It has been estimated that the agricultural land is declining by 1% per year and the land quality is deteriorating owing to degradation of soil fertility (e.g. nutrient imbalance), soil erosion and soil salinity. The challenges also include decreasing farm size, degrading soil quality and limiting water resources, trade liberalization creating opportunities as well as risks for the small and marginal farmers, profitability of growers, vulnerable food security situation, climate change, ecological balance and bio-diversity.

Recognizing the importance and potential of enhancing food security and poverty reduction, the present government has initiated various policy measures to boost up the agriculture production for attaining food security. The Awami League in its election manifesto clearly promised to ensure 'food for all' by taking all possible measures and to make Bangladesh self-sufficient in food by 2013. It categorically mentioned that the subsidy on agricultural inputs will be enhanced and availability of inputs will be made easier. The amount of agricultural loans will be increased and the lending procedure be simplified. Incentives will be provided for the development of rural warehousing. Fair prices for all crops and agricultural products will be ensured and efforts will be made to attain self-sufficiency in the production of fish, milk, egg, livestock and salt, according to the manifesto. It also said efforts would be directed to exporting surplus products after meeting the domestic demand. It also promised loans availability for sharecroppers, employment facilities for farm laborers and rural rationing system. Apropos these promises, the government has demonstrated strong commitment to boost up the agriculture sector through certain policy and programmatic interventions. These include, among other, providing easy access to agriculture inputs, lowering the cost of production, procuring rice from the farmers, focusing on higher production of food grains, and issuance of identity cards to 18.2 million farmers to reach subsidy to the target beneficiaries.

Various supports to agriculture sector essentially demonstrate government's firm commitment to enhance the productivity of the sector thereby reducing the extent of food insecurity. For example, agriculture sector was identified as major sectors of the economy in the "stimulus package" declared by the government in 2009. Of the Taka 3,424 crore stimulus package, Taka1,500 crores was allocated as agriculture subsidy, Taka 500 crores for farm loan re-capitalization and Taka.374 crores for social security (food), which constituted about 69% of the total stimulus package. The government also promised to continue agriculture subsidy to the tune of Tk.3,600 crores in FY 2009-10. In the 2009-10 budget, 7.8% of the proposed Annual Development Program (ADP), Taka 30,500 crore was allocated for the development of the agriculture sector, including non-farm areas like fisheries, livestock, water resources etc.

⁴ The average Bangladesh diet is deficit in energy by about 15 percent. It is seriously unbalanced with an inadequate intake of fat, oil, fish/animal protein, fruit and vegetable.

The budget also highlights the need for developing agriculture infrastructure through expansion of irrigation infrastructure, expansion of cultivable lands, prevention of river erosion etc., and allocated Tk.1,309 crores of ADP for agricultural and rural infrastructure development. The government has also plans to undertake a number of programs and projects for developing high yield variety seeds and storage capacity at a cost of Taka 280 crores. Taka 185.21 crores has been allocated for agricultural research and agricultural rehabilitation assistance for maintaining the growth of crop production. The ministry of agriculture was able to draw Taka 5,965 crores in 2009-10 budget for both development and non-development sectors. To reduce the level of corruption and mismanagement in agri-inputs to real beneficiaries, the ministry of agriculture has prepared agricultural input assistance cards for a total of 1.82 crore farmers across the country at a cost of Tk 3.64 crore. Only the card-holding farmers would be supplied with all subsidies in the agriculture sector including diesel, electricity and fertilizer. Two categories for the allocation of agriculture-subsidy have been fixed: (A) block allocation for the small growers and (B) specific amount of subsidy depending on the size of land of the growers.

Despite various policy and programmatic measures taken by the present government, the farmers are in a disappointing situation. Reports show that food grains, especially rice, hit a record production in 2009. But the year has been proved to be disappointing for growers in terms of getting fair prices for their produces. The financial year 2008–2009 saw the highest production of food grains in the country’s history because of a government decision on reducing prices of fertilizer, supply of electricity to irrigation pumps and subsidy on diesel along with expectations of a good profit by the farmers. According to the Bangladesh Bureau of Statistics (BBS), the total food grain production in 2007–2008 was 29.77 million tons and in 2006-2007, it was 28.06 million tons. But the farm level-price of coarse rice and paddy at harvest was so low that growers had to sell their paddy for lower than production costs. As a result, the farmers incurred losses of Taka 1,700–Taka 4,000 for an acre, according to a research conducted by Centre for Policy Dialogue (CPD). Furthermore, sound policies and programs often may not yield desired results if it lacks appropriate design, process, supervision and monitoring mechanisms. Authentic and independent feedback mechanism can rectify the odds.

In this context, the aim of this current study is to inform the policy makers and other stakeholders by providing information, opinions and suggestions to further improve the policies and practices highly important for developing a vibrant and sustainable agriculture that could potentially contribute to ensuring food security and poverty reduction in Bangladesh. It is intended that the study will act as a feedback mechanism of the programs of the government recently introduced to accelerate the growth of agriculture sectors in general and production of crop in particular. It will pay attention to subsidy related policies and programs including the provision of procurement of paddy/rice from the farmers.

The scope of the study is broadly two-fold. First, is the critical examination of recently introduced policy measures related to providing various forms of subsidies to the farmer which include: (a) provision of providing subsidies on fertilizer and diesel; (b) credit to share-croppers; (c) paddy/rice procurement provision and the Second is the checking the reality on the ground on the above issues. To this end, the study will investigate the early impacts of the programs on beneficiaries focusing on levels of policies and practices.

The study has following specific objectives:

- To develop a critical understanding about the recently introduced policy measures of the government to enhance the production of crops giving various forms of subsidy to the farmers particularly for the small and marginal one
- To examine the effectiveness of these programs in ensuring the profitability of the growers while contributing to the process of attaining food security
- To fully document the design and processes of delivering the services to the targeted people as well as identifying the extent of mis-targeting, leakage, mismanagement and corruption, if any
- To identify the potential gaps between policies and practices for further improvement of the system

The study is primarily based on a quick assessment of the perception and impact of the subsidy-related programs and provisions carried out at the field level. To comprehensively understand the situation at the field level as well as to gather views, opinions, perceptions and suggestions for improvement of the existing programs, the study has applied the qualitative techniques for data/information collection and analysis to critically understand the really existing situation. Data/information has been obtained from both Primary and Secondary sources. Apart from extensive literature review, the techniques of data/information gathering included conducting 3 Focus Group Discussions (FGDs), a number of Key Informant Interviews (KIIs) and in-house discussions with researchers and activists interested in this area. The FGDs were organized in 3 Unions of Bagerhat Sadar, Pirgonj and Chandia of Bagerhat, Rangpur and Comilla districts respectively in which on average 13 individuals (small and marginal farmers) participated in each FGDs. A total of 17 individuals that included agricultural extension service workers, elected representatives of Union Parishad and researchers were interviewed as part of the KIIs. The field work and interviews were carried out during the month of March-April and May 2010.

The analytical approach of the study is purely qualitative in nature. Based on the information and understanding from FGDs, interviews and literature survey, the study presents a critical view of the experiences on the current subsidy related programmatic intervention in Bangladesh agriculture.

The paper is organized in four sections. The introductory section outlines the objectives, scope and methodology of the study. The second section briefly presents an analytical framework of the study with clear references of historical trends and the role of the state in ensuring growth and equity in agriculture. A brief description about the clear and firm stand of the present government to enhance the growth of agriculture sector in general through various policy and programmatic measures has been presented in the first part of third section. The second part of the same, deals with the reality on the ground based on the field work and interviews. It also contains a critical analysis of several policy stands. Finally, the fourth section provides a number of recommendations including a brief concluding narrative.

SECTION TWO

RURAL LIVELIHOOD AND AGRICULTURE ECONOMY

The economy and livelihood of the peoples of Bangladesh is dependent on agriculture. According to the Preliminary Report of Agriculture Census (2008), the total number of households (Khana) in Bangladesh is 28.67 million in which 25.36 million (88.45%) lives in rural areas. 56.74% families who live in the rural areas are farm based (cultivates at least 0.05 acre of agriculture land). In the rural areas there are about 8.85 million households (34.9 percent) whose source of income comes from work as agriculture labour. 27.76% are share-croppers. The rate of landlessness is increasing in rural areas. In 1984 and 1996, the rate of landlessness was 8.67% and 10.18% respectively, which has increased to 12.84% in 2008. According to the Labor Force Survey (2006), in Bangladesh 41.8 % male and 68.1% female labor force are directly involved in farm-based activities. Therefore, the agriculture has not only become the largest employment sector, but also it has become an arena of women's dynamism and participation (National Agriculture Convention 2008). It should be mentioned here that almost half of the farmers (49.85%) in Bangladesh belongs to small and marginal category. According to a report of Bangladesh Bureau of Statistics (2007), there are 88.48% families who own 2.49 acre or less. Agriculture is the main sources of their income.

Various studies have revealed the fact that small and marginal farmers are capable of increasing the productivity of agriculture and significantly contributing to the process of poverty reduction and bringing stability in economy and society (National Agriculture Convention 2008). The agricultural policies and strategies persuaded during the last three decades did not pay attention to the interests of these small and marginal sections of the farmers' community. Changes in agricultural policy started taking place at the end of '70s. A perfect shape took place in '80s and '90s (see Table 2.1 for a summary of the reforms in agriculture sector). Subsidies were revoked from agriculture at that time. Agricultural inputs such as fertilizer, seed, irrigation facilities etc were thrown to the private sector. The role of BADC in distribution of fertilizer was stopped. Import taxes were withdrawn from agricultural inputs and machineries. Irrigation facilities fully went down to the hands of rich farmers. In fact, small farmers became the victim of such policy regime (Hossain 2008). Moreover, to cope with the so-called Structural Adjustment Policy regime, government had to carry out the unrestricted import policy which further marginalized the small farmers.

Table 2.1 Summary of reforms in agricultural input market

Inputs	Type of reform	System prior to	System after the reforms
--------	----------------	-----------------	--------------------------

	measures	reforms	
Fertilizers	<ul style="list-style-type: none"> • Privatization of distribution services • Withdrawal of subsidies • Deregulation of price 	<ul style="list-style-type: none"> • BADC procured and shipped fertilizers to Primary Distribution Points (PDP). • Dealers appointed through a complex process • Buy fertilizers from PDP • Sell at Government fixed prices at a defined area 	<ul style="list-style-type: none"> • BADC withdraw from retail and whole sale markets at PDP. • Licensing process for dealers simplified. • Dealers can now: <ul style="list-style-type: none"> • Buy from factory gates or ports. • Sell fertilizers in their own price. • Import fertilizer from world market
Irrigation equipment	<ul style="list-style-type: none"> • Privatization • Withdrawal of subsidies • Deregulation 	<ul style="list-style-type: none"> • BADC operated irrigation devices against a flat charge per acre. • Restriction on import of engines and pumps • Private sector only allowed to import certain makes and model subject to the approval of the ministry of agriculture 	<ul style="list-style-type: none"> • Credit support for purchase of these machineries • Liberalization of trade, import of agricultural machinery and minor irrigation devices made duty free. • Restriction on imports withdrawn, standardization requirements removed
Pesticides	<ul style="list-style-type: none"> • Liberalization 	<ul style="list-style-type: none"> • Restriction on import by brand names 	<ul style="list-style-type: none"> • Restriction on import by brand names, and standardization requirements removed
Seeds	<ul style="list-style-type: none"> • Deregulation, • Liberalization 	<ul style="list-style-type: none"> • Restrictions on import of seeds by private sector 	<ul style="list-style-type: none"> • Private sector allowed importing, developing and registering new seed varieties of all seeds and distributing to the farmers. • Easy credits and access to facilities and equipments

Source: Barakat (2009)

However, the growth of agriculture took place during the first couple of years during the early '90s primarily because of the industrious engagement of the farmers and agricultural laborers. But it did not bring about prosperity in the lives of the farmers' community. The prices of agricultural inputs were increasing in almost every year making the cost production very high.

Farmers were deprived of the fair prices of their products. As a result, economically they were put in a disadvantaged position. Farmers were becoming indebted day by day.

Although the cost of production was increasing every year, the government paid very little or no attention to it. The public expenditure on agriculture was observed as a declining trend. Immediately after independence, public expenditure on agriculture was 31% of the total budget while it came down to only 9% in FY 2006-07.

Government bears 31% of the production cost after liberation war but in the fiscal year 2006-2007 this reduces to only 9%. Even in FY 1979-80, 22.5% of total developmental budget was allocated for agricultural sector. However, the developmental budget allocation for agri-sector came down to 0.35% in FY 2007-08. Agriculture, the main driving force of our economy, has been moving towards a disaster facing so many barriers and receiving only 1% of total subsidy. Contribution of agricultural to GDP has been squeezed gradually. It was heading towards a danger zone. Farmers are losing interest in production.

In this context, to ensure food security as well as to bring dynamism in economic activity to keep continuous agricultural production, extended role and patronization of government is highly important. It is beyond any question that food production is the essential prerequisite for attaining food security. The country is performing well in rice/paddy production. In 2008, production of paddy was 31.12 million metric ton against the demand of 25.5 million metric ton⁵. Public and private import was 0.64 and 2.57 million metric ton respectively. But we need to understand that the volatility of prices of rice mostly depends on the quantity of food grains stocked in government warehouses.

The soil and climate in Bangladesh has comparative advantage in food grain and vegetable production (Shabuddin and Doros). But compared with India, it appears that the cost of paddy production is lower here than West Bengal but more than Panjab, Thailand and Vietnam and it is because of the differences of subsidy regime and productivity of labor (BD Govt: 2006). Our productivity in paddy is the lowest in the world. We used to produce only 0.7 MT of paddy per acre where the world- average is 2 MT⁶. There is also regional difference of production in Bangladesh. The southern part has been far lagging in Aman production in comparison to Northern region. A recent BIDS study shows that Southern part 46% far behind the production in Northern region. Natural

⁵ Using a specific mathematical formula, the Food Planning and Monitoring Unit under the Ministry Food and Disaster Management determines the overall demand of food every year. However, many believe that the process of determining the demand of food is not appropriate. For more details about this issue, see Bangladesh Bank (2008), "Rationalizing food demand and supply estimate: An exploratory note", Policy paper 0805, Policy Analysis Unit, Bangladesh Bank.

⁶ "Bangladesh needs three-fold increase of food grain production", The Holiday, May 1, 2009

disaster and slow delivery of quality seeds and other agri-inputs are responsible for such difference (BIDS: 2010).

Most of the cultivable land of Bangladesh is used for paddy production. Besides structural barriers (modes of land owners: centralization, landlessness, rights over Khash land etc), government policy plays an important role in agriculture. We need to recognize that the rural economy of Bangladesh has changed substantially during the last couple of decades. Market-demand is playing an important role behind the production. Institutional credit, contract farming and corporate presence in agriculture have become a reality now (National agriculture convention 2008). However, market-dependency and state withdrawn from agriculture have not brought about changes in livelihoods of the marginal and small farmers. Ensuring food security and attaining economic growth largely depend mostly protecting the rights and interests of the marginal small farmers.

SECTION THREE

POLICY STANDS AND RECENT INTERVENTIONS IN AGRICULTURE

This section is comprised of two different but inter-related parts. The first part attempts to provide a brief description about the clear and firm stand of the present government to enhance the growth of agriculture sector in general through various policy and programmatic measures. The second part deals with the reality check. It contains a critical analysis of the programs/interventions of the government primarily based on the field work. Attempts have been made to identify the potential gaps between the policy and reality mostly pertaining to the practice level.

A NEW HORIZON OF POSSIBILITIES

A new possibility of abandoning the previous misguided agricultural policies has emerged as the new government took over power in early 2009. Immediately after assuming power, the government has taken several agriculture and farmer friendly initiatives following its election-pledge which have created some hope for a bright future of this sector. Farmers, experts, economist as well as general masses have become enthusiastic to see some positive changes in agricultural growth in general and wellbeing of the farmers in particular.

Government has declared to provide more subsidies in fertilizer and diesel for irrigation in order to reduce the cost of agricultural production. Under the new political regime, share-croppers/tenants will get agricultural loan at the rate of as low as 2%. It has successfully introduced Agricultural Input Assistance Card commonly known as Farmers ID Card to ensure the smooth transfer of cash subsidies and other agricultural supports. Government has decided to develop a comprehensive data base about the farmers' community in Bangladesh. Now farmers can open bank account for Taka 10 only. With a bank account and ID card, transfer of loan-money and cash subsidy will be easier than what it was in the past. Government has taken strong initiative to provide the right prices of rice/paddy to ensure the profitability of agricultural products. In addition, government has taken several other steps to remove the possibility of having any fertilizer crisis, provide essential agri-inputs and maintain uninterrupted irrigation facilities.

It should be mentioned here that 'keeping the price of essential commodities within the reach of the people' was on the top the five priorities as indicated in the election manifesto. It has been clearly stated in the manifesto that "measures will be taken to reduce the unbearable burden of price hike and keep it in tune with the purchasing power of the people. After giving the highest priority to the production of domestic commodities, arrangements will be made for timely import to ensure food security. A multi-prong drive will be made to control prices along with monitoring the market. Hoarding and profiteering syndicates will be eliminated. Extortion will be stopped"⁷. These promises have clear manifestation on agricultural programs outlined in

⁷ Election Manifesto of AL, Section 1.1

the manifesto. Due emphasis has been given to ensure 'food for all' and to make Bangladesh once again self-sufficient in food by 2013. 'Agriculture and rural development' section of the Manifesto clearly states that⁸

- a) Increasing agricultural subsidy, ensuring the availability of agri-inputs and broadening the scope and relaxing the terms of conditions associated with having agricultural loan
- b) Extending and cheapening the irrigation facilities; adequate storage facilities for agri-products
- c) Ensuring the right prices for all agri-products including crops
- d) Taking appropriate measures to achieve self-sufficiency in the production of fish, milk, egg, livestock and salt
- e) Loan for share-croppers/tenant farmers, employment and rationing provision for agricultural laborers
- f) Appropriate working strategy will be taken in the areas of commercial agriculture, green technology, genetic engineering, development of non-farm activities; measures will also be taken to reduce the adverse impact of globalization
- g) Emphasis will be given to modernization of agricultural for increased production, invention of new technology and to create opportunities for agricultural research
- h) Distributing Khas land among the landless and Khas water body bodies among real fishermen.

It is interesting to observe that similar policies and programs related to the development of agricultural sector can be found in the manifestos of other major political parties. However, no political parties including the AL have clearly laid down the implementation strategies of such programs. As a result, it was one of the biggest challenges before the present government to devise specific implementation strategies to translate promises into reality. However, apparently the new government has taken a number of initiatives achieve each of the goals laid out in the manifesto.

The government had approved PRSP-II, a document for national development, where due emphasis has been given to the development of agriculture sector and the welfare of the farmers. Fully in line with the election promises and development document, the FY 2009-10 has taken various positive steps to accelerate the growth of agriculture.

⁸ Election Manifesto of AL, Section 1.1

Many favorable steps had been taken to accomplishing of the government declared workshops in agriculture development in the national budget for the year 2009-10. Subsidy to agriculture sector was raised to Taka 4950 crore. Moreover, Taka 280 crore was allocated to 7 programs and 6 projects to produce and distribute quality seeds to farmers through BADC and Department of Agriculture Extension. Emphasis had been given to research on agriculture and Taka 280 crore was allocated for this purpose. Following are some other steps taken for the development of agriculture⁹.

- Target for agricultural loan distribution was set to Taka 10,000 crore and also proposed to provide loan in Hill Tract areas with low interest rate
- Incentive for the dairy farmers to increase the production of milk and meat
- Initiative to formulate a Water Use Policy to ensure the proper utilization of water resources
- Developing sources for arsenic free safe water
- Initiatives to extend irrigation facilities, stop river erosion and reduce the risk of salinity
- National Food Policy Capacity Strengthening Program to ensure food security
- Expanding storage facilities, food grain purchase and distribution and expansion of cold storage facilities

There is denying the fact that the pattern of public expenditure on agriculture and programs and project taken by the present government clearly demonstrates her firm commitment to the overall development of agriculture. It also clearly follows the election promises made by the ruling party. Initial implementation of these programs has already started showing some positive impacts. However, success fully depends on its proper implementation.

GOVERNMENT INITIATIVES VS. REALITY ON THE GROUND

It has to be agreed that Government's recent efforts to boost up the agricultural production through direct subsidies to the farmers are not merely confined to its speeches and official declarations. The Ministry of Agriculture and several other agencies including the Bangladesh Bank have taken various measures to provide essential support services to the farmers. Such initiatives have been hailed by almost all quarters of society. However, in some cases farmers face difficulties realizing the actual benefits of the programs. While talking to the farmers and other stakeholders, they shared their experiences with these new government initiatives and gave suggestions to improve the situation.

⁹ Budget document 2009-10

Subsidies in Agricultural Inputs: Fertilizer, Diesel and Others

There has been a lot of discussion and debate over the provision of giving subsidies in agriculture. It is argued that the primary role of agri-subsidy is to promote the adoption of new technologies and thus increase the productivity in agriculture (Ellis: 1992). It is also provided to keep the price of inputs within the purchasing capacity of the producers. However, others argue that farmers particularly the small and marginal section do not get the real benefit as expected. Dealers, traders, importers, rich farmers and various intermediary groups reap the benefit of such subsidiary regime. In particular, fertilizer dealers and owners of irrigation machines get the due subsidies but they charge extra money to the farmers. Often dealers create artificial fertilizer crisis by hoarding fertilizer and sell at higher price. The 1996 fertilizer crisis is a glaring example of such mismanagement. However, the present government is firm to continue providing subsidy in agriculture keeping in line with its election pledges. Hence, several administrative measures have been taken to monitor the distribution of fertilizer at the farmer-level and new provision has been introduced to hand over the cash subsidy on diesel directly to the farmers. The production of Boro, the dry-season rice farming requires huge amount of fertilizer and irrigation that costs too much for the farmers. Hence, government has decided to provide subsidy in fertilizer while distributing it through a controlled channel keeping the prices reasonably stable. To remove the scope of misappropriation of cash subsidy on diesel, government has decided to transfer the cash directly to farmer's bank account. It has also been decided that this year, around 8.45 million Boro farmers will get this cash subsidy. The small and marginal category of farmers (who cultivate 0.5-2.5 acres) will get Taka 800 each while farmers belonging to the medium category (who cultivate 2.5-7.0 acres) will get Taka 1,000. However, the diesel subsidy is not conditioned to their actual cultivation. The total amount of money for diesel subsidy is estimated as Taka 784 core and 71 lac.

It should be noted here that subsidies in agriculture has increased substantially during the last one decade. It seems to be a complete departure from the policies of '80s and early '90s. Table 3.1 indicates that over the last ten years subsidy in agriculture increased substantially although slightly declined in the year 2009-10. Moreover, it has declined by 20% compared to the year 2009-10. The current budget (2010-11) proposed Taka 4000 crores while the allocation for agriculture subsidy was Taka 4,950 crores in the year 2009-10. Common observation and experiences suggest that dealers, traders, importers and rich farmers rather than small and marginal farmers get the highest benefit from the subsidy provision of the government. The present government is inching towards correcting the situation fixing the loopholes of some policies and practices that provide the scope for mismanagement and misappropriation of public money. However, still some argue that whether it is appropriate to give fertilizer to all particularly the rich farmers at a subsidized rate of Taka 12. In order to be prudent in using public money, they propose for giving a certain amount of fertilizer free of cost and those who need more should buy from the market (Hossain 2010). Those who do not buy this argument put their concern about not to run the risk of declining the

rice production given the situation of increasing demand for rice and volatility of international rice market.

Table 3.1 Subsidy in Agriculture 2001- 2011

Year	Amount (in Crore Taka)
2001-02	100
2002-03	200
2003-04	300
2004-05	600
2005-06	1200
2006-07	1541
2007-08	2250
2008-09	5789
2009-10	4950
2010-11 (prop.)	4000

Source: Bangladesh Bank (2010) and Bangladesh Economic Review 2010

In the case of direct subsidy on diesel, apparently farmers will get benefit to a certain extent. A recent study shows that marginal farmers benefit more than small and medium farmers from the provision of subsidy on diesel. Based on the calculation of cost of Boro production and share of cash subsidy, the study concluded that subsidy share to total production decreases with the farm size increase (Unnayan Onneshan 2010). However, the provision of giving diesel subsidy to farmers in cash without proper monitoring of their actual cultivation can be a serious concern regarding the efficient use of public money in agriculture. Farmers who do not cultivate should not deserve any subsidy for that purpose. This is not only an ethical question but also a serious concern about efficiency of using public money for agricultural development.

However, the present AL-led grand coalition government seems to be committed to agriculture and farmers community. It has correctly identified that the growth, prosperity and food security of Bangladesh solely depends on creating a vibrant and dynamic agriculture sector that requires providing every support to its small and marginal farmers who comprised the large majority among the farmers community. Current initiatives essentially manifest its understanding and commitment to this cause.

Fertilizer: No Crisis This Year

Availability of chemical fertilizer (both urea and non-urea) in adequate quantities and at a reasonable price is highly important for sustained growth of food-grain production. In particular, the cultivation of Boro requires huge amount of chemical fertilizer. Initiatives were first taken in the 1960's to meet the local demand of chemical fertilizer. The Fenchugonj urea fertilizer factory was established. As the demand for urea grew more and more with the passage of time, the government began to build new urea fertilizer factories based on natural gas from the 1970s. At present the annual

production capacity of the six factories is 18 to 19 lac tons. Besides, the government purchase 5 lac tons of urea from Kafco, a joint venture of government at the export rate. About 10 lac metric tons of fertilizer is imported every year to meet the local demand.

The use of fertilizer is increasing every year. Total fertilizer use in 2009 of 28 lac tons was the lowest in the last five years (Table 3.2). Such a low use of fertilizer, particularly the non-urea items (such as TSP, MOP and DAP), may largely be attributed to their high prices during the first half of 2009. However, the government has taken a timely decision to provide subsidy to the non-urea which reduced their prices to about half of their previous level thereby removing the possibility of making any fertilizer crisis and plight of the farmers. Within one week of forming government, the price of non-urea fertilizers was reduced to half. The price of diesel was also reduced. The price of non-urea fertilizers was reduced for the second time in November 2009. The price of TSP, MOP, and DAP was reduced from Taka 40 to 22, Taka 35 to 25 and Taka 45 to 30 respectively (Table 3.3). The price of urea did not matter a lot due to unprecedented decrease in price of non-urea fertilizers. In addition, the government has appointed fertilizer sale representatives at the UP level instead of fertilizer dealer system. However, there are still age old plea for decreasing the price of urea from the farmers. For the first time in history of past several decades, there has been no scarcity of fertilizer in the country.

Table 3.2 Use of fertilizer (2006-2010)

Types	(in lac metric ton)				
	2006	2007	2008	2009	2010 (Projected)
Urea	24.61	25.27	26.68	24.0	28.0
TSP	4.36	3.40	4.61	2.0	5.98
MOP	2.91	2.3	4.01	1.5	4.5
DAP	1.30	1.15	2.5	0.5	2.5
Total	33.18	32.12	37.80	28.0	40.95

Source: Bangladesh Economic Review 2010

Table 3.3 Price of Fertilizer

Type of fertilizer	Price (Taka per kg.)
Urea	12
TSP	22
MOP	25
DAP	30

Source: Ministry of Agriculture

This year, farmers hardly had any complaint about the availability of fertilizers. The farmers we met during our field visits in three districts seemed to be happy with the government's decision that dramatically changed the situation. But some are a little suspicious about the future of this situation. As one observed that "fertilizer is available and you can get as

many amount you need. Since this is the provision, there is a possibility of creating the crisis if some people buy a lot and hoard it, although, it has not been the case for this year.” Another participant of our FGD reported that the low price of fertilizer has led to excessive use of it. “It is highly dangerous for the fertility of our land. They are quite ignorant about what they are doing. The block supervisor should pay attention to this issue immediately”- he noticed. However, many farmers have complained about the quality of fertilizers. Even some are confused about the quality of same fertilizer imported from different countries. “Subsidized TSP is sold at Taka 22/23 per kg., while TSP from Tunisia is sold at Taka 25/26. Even there is TSP imported from USA which is sold at Taka 70 per kg. To me, government TSP (imported from China) is low quality. We need help from the agriculture department to identify the quality one”- one of the farmers observed.

Although there was no scarcity of fertilizer this year, but many farmers believe that the sales agents are still secretly supplying fertilizers in the open market. A number of farmers shared their experiences of not getting the particular types fertilizer from the agent but managed to get it from the market at higher price. Although it may not be a general phenomenon but there are cases like this. It has been reported in the news paper that fertilizer agents have sold fertilizers to Tobacco farmers in Chokoria, Cox’s Bazar at higher price. Tobacco companies get a certain amount of fertilizers from the ministry of industry and distribute solely to the tobacco farmers. Since demand for fertilizer is high among tobacco farmers, the fertilizer agents for crops are taking this opportunity by selling a certain portion of their fixed amount at higher price (Prothom Alo: February 4, 2010). Both farmers and local elected representatives urged for proper monitoring of fertilizer distribution system to remove the malpractices, if any.

Diesel: Misappropriation of Subsidies

As mentioned earlier, around 8.45 million farmers will get direct diesel subsidy in cash money. The due amount of money will be deposited to the bank accounts of the farmers. The Agricultural Input Assistance Card will play the major role both for opening the bank account as well as condition for deserving the right to have the subsidy. The budgetary allocation of Taka 750 crores as diesel subsidy for the FY 2009-10 appears to be a step in the right direction as the irrigation cost for the dry season farming claims a large share of total cost of production. According to the information of Ministry of Agriculture and Agriculture Extension Department, 1.5 million irrigation machines will be in operation during this year, of which 0.25 million is electricity-operated and the rest (almost 75% of the total) is diesel-pump which will require as many as 1 billion liters of diesel-fuel. The government has also decided to transfer the amount of cash subsidy to the bank accounts of the farmers by the 31st of March 2010. In order to ensure the proper distribution of subsidy, the Members of Parliament (MPs) are asked to oversee the whole process.

It appears that the farmers have heartily welcomed the government initiative to subsidy in diesel and its system of distribution¹⁰. Almost everyone welcomed the decision saying that it would help them reducing the cost of production to a certain extent. However, they identified the gap between the words of the government and the reality on the ground. One of the farmers of Chndina informed that the

Box: 3.1 More than 200 farmers did not get subsidy

Farmers of Gouripur Upazilla, Mymonshingh district had to go back home without getting the their due subsidy for diesel. With their input subsidy card in hand, they spent long time in a long quauue but their valuable time and energy went in vain as the local Janata Bank authority refused to pay the money due to some mismatch found between the list of the card holders and the farmers actually deserving the money as diesel subsidy. Inpup subsidy card was preapred and distributed by the sub-assistant Agriculture officer but farmers spent 3-4 days to open their Banck accout at Upazilla sadar. It took away a lot of time from their work. However, the Bank authority was given a different list of farmers from the Agriculture office. Finding such gross mismatch, the Bank authority withheld distributing the cash subsidy to the farmers who were quite ignorant about this administrative mismanagement.

Source: Daily Ittefaq, May 5, 2010

money has not been deposited to his account in time as promised by the government. "I went to the bank thrice in the first and second week of April 2010 to check whether it has been deposited or not as it was supposed to be there by the 31st of March this year. It did cost too much as it involved transportation cost and 3 days of my working. The bank is 15 km away from my place. Before going to the town, I even tried to call the bank people to check the status but found no one who could give the correct answer"- Abu Hossain (43) a marginal farmer explained the situation with great frustration.

During the month of March, April and May, news related to gross mismanagement, corruption and harassment of farmers have been published in almost all national dailies as far as the distribution of diesel subsidy is concerned (see Box 3). This is partly due to the faulty preparation Agriculture Input Assistance Card and partly because of the sheer reluctance of the Bank personnel. Timely disbursement of subsidy is highly important for the farmers. They need it earlier than what government decides about the timing. Farmers cannot afford to spend a single moment during the month of March and April as it is the prime time for cultivation. "As a marginal farmer, my time is highly precious. Checking the bank twice or thrice is not possible for me. Even I need the money in hand in mid February when we are about to prepare for everything. I cannot borrow even a Taka from anyone as everybody is in need at that time. Early disbursement would help us a lot no matter how scanty amount of money that is"- observed by Mosharraf Hossain (38) of Bagerhat, a small farmer who cultivated 1.5 acres of land this year.

¹⁰ Field work at Bagerhat, Comilla and Rangpur.

Framers of the Bagerhat have proposed an alternative to using the diesel-pump for irrigation in dry season. In their opinion, if government takes the initiatives to dig the canals inside the khas swamps it could be used as reservoir of water. The local farmers believe that using water from these reservoirs will be four times cost effective than the existing system of using diesel pump.

Box 3.2 Gross Misappropriation of Diesel Subsidy in Rajshahi

In the name of providing cash subsidy on diesel, 5,5 crores of Taka has been misappropriated. People who do not own any land or not engaged in Boro cultivation have already drawn the money from the bank as they are enlisted as Boro cultivating farmers. Even 5-7 persons belonging to a single family availed this opportunity.

The stall owner Shiraj Uddin, landless laborer Lutfur Rahman and his son Shafiqul have drawn Taka 800 each as Boro cultivating farmers. They live in Mirjapur village of Goalkandi Union, Baghmara Upazilla, Rajshahi district. On the other hand, Akbor Ali belonging to the same village who cultivated Boro in 2 acres of land did not get any subsidy as his name was not found on the list. Swapam Kumar of Shibjait village who cultivated an acre of land is one of the fortunate who along with his 7 other family members including his wife could successfully drawn the money from the bank. They are enlisted as boro cultivating farmers. Ansar Ali of Konopara village was another fortunate who along with his wife and daughter could obtain the subsidy amount.

It has been reported that there are as many as 740 names are enlisted as Boro cultivating farmers in Konopara Agricultural Block of Goalkandi Union. As a matter of fact only 35-40 are actual deserving candidates. It has been found that bribe and political pressure played key role in putting the names of the undeserving candidates in the list. The fact is that each gave Taka 2-5 hundred to Ismail Hossain, the Block Supervisor for enlisting their names in the list. The Supervisor denied his personal involvement in this process saying that he was compelled to do it because of pressure from the ruling party cadres. Although local AL leader and elected UP member Abed Ali acknowledged the misappropriation of public fund and accused the Block Supervisor for conducting this crime. Deputy Director of Agricultural Extension Department, Rajshahi, Mr. Mohashin Ali admitted that there were some mistakes in preparing the list. However, he told that persons who are involved in such corruption will be punished

Source: Daily Jugantor, May 22, 2010

The provision direct subsidy for diesel is welcomed by many as it has the potential to provide benefit to small and marginal farmers when compared with the decade-long practice of providing indirect subsidy through irrigation machine owners. The current provision would certainly be beneficial for the large majority of the farmer community. However, a close look on the amount of money disbursed vis-à-vis the total cost incurred for irrigation is somewhat disappointing. Study shows that under the subsidy program marginal farmers (0.02-.19 ha) enjoy more benefits (about 112) compared to

that of small (27.03 percent) and medium farmers (7.19 percent). The amount of subsidy (Tk.800 per person) that small and medium farmers receive is very low compared to the total cost of diesel they incurred for devoting their land for rice production using diesel-pump for irrigation. The subsidy on diesel covers 27.03 percent of the diesel cost incurred by small farmers and 7.19 percent by medium farmers. Therefore, there is still a huge greater gap between the subsidy given and diesel cost the farmers spend for irrigation (Unnayan Onneshan: 2010).

There seems to be a popular perspective of providing subsidy on diesel as it reduces the direct cost burden of farmers particularly the small and marginal sections of the farmers. However, we should keep in mind that the diesel item is highly subsidized product in Bangladesh. Moreover, the international oil market is highly volatile one. It is worth mentionable that the price of diesel has been adjusted five times since April 2007 to January 2009 in order to cope up with the international market. The highest change was brought out in July 2008, when diesel price was increased to Taka 55 per liter to adjust with rising international price of USD 133 per barrel. Keeping this view in perspective, it is important to pay attention to boosting up the prospect of cultivating other types of paddy/rice (i.e. Aman and Aush) that requires less irrigation facilities. Moreover, it is equally important to take into account the environmental and ecological cost of irrigation and using chemical fertilizer in increased amount.

Seed and Pesticides: Question of Quality and Price

Like fertilizer and irrigation, seeds and pesticides are equally important inputs for agricultural production. Currently, the BADC can meet only 5% of local demands of seeds making farmers dependent on market. Seed market is not properly regulated and there seems to little or no provision for quality control- as observed by many. Like other, a number of farmers participated in FGDs complained about the quality of seeds. They are also concerned about the high prices of this essential input. On many occasions, they were cheated as the quality of the seeds was bad. Even they did not expected level of production using the BRAC seeds. Most of the farmers urged for maintaining a level of quality seeds sold in the market place.

The same is true to pesticides. Various kinds of pesticides produced by different companies are sold in the market. Some items are sold well below the labeled price. "I bought a 400 ml bottle of Nitro paying Taka 370 while the price labeled on the bottle was Taka 550. I did not understand the how the shopkeeper could sell the item with that low price. I think something is wrong here"- one of the farmers exclaimed. When raised this issue before one of the Block supervisors of Pirgonj, he was not in a position to offer any plausible explanation of this situation. "We do not know how many companies are producing what kind of pesticides. But we are only informed about the banned items"- he replied.

Farmers seem to be highly concerned about the quality and price of both pesticides and seeds. Some urged for renewed role of BADC in distributing the quality seeds and pesticides.

Agriculture Loan: Will the harassment of farmers be subsidized?

Availability of working capital for agriculture is needed to ensure timely purchase of inputs. In the Annual Agriculture/Rural Credit Policy and Program for FY 2009-10, special emphasis has been given on expansion of agricultural credit. Along with the state owned banks, private commercial banks, foreign banks and NGOs have been encouraged to disburse agricultural credit to farmers, especially in agriculturally underdeveloped areas. The government allocated taka 11,512 crore in FY 2009-10 budget for the purpose, which is 24% higher than the actual disbursement in FY 2008-09. According to Bangladesh Bank report both disbursement and recovery rate of agricultural credit has increased over the last couple of years.

Table 3.4 Credit in Agriculture (2005-2010) (Taka in Crore)

Fiscal Year	Target	Disbursement	Recovery	Due
2005	5537.91	4956.78	3171.15	14039.84
2006	5892.21	5496.21	4164.35	15376.79
2007	6351.30	5292.51	4676.00	14582.56
2008	8308.55	8580.66	6003.70	17822.50
2009	9379.23	9284.46	8377.62	19598.15
2010	11,512.30	8159.58*	7423.81*	21430.55*

Source: Bangladesh Bank Note: * Up to March 2010

There have been also a lot of changes in the system of distribution of agricultural loan. Changes are taking place gradually as a result of strict supervision by the Bangladesh Bank. For the first time in the history of Bangladesh Bank, it has showed its commitment to boost up the rural agriculture economy. A number of 35 teams comprised of 83 Assistant Directors of the Central Bank are working exclusively for the farmers. The farmers also have become more aware about contracting loans from different banks. They are directly talking to officers of the banks and obtaining necessary information. The circular (BRPD, no.4) issued by the Central clearly states that the farmers would get loan according to their convenience. The circular emphasizes on taking a need-based approach considering area-wise production of crops and giving priority to a particular crop according to areas where it is grown most. Real farmers and share-croppers should be given loan in easy term and conditions. In order to ensure transparency in distribution of agricultural loan, emphasis should be given on open distribution of agriculture loan at Union level. The banks have been instructed to reinforce their monitoring system so that the real farmers can get required amount of loan making sure that they do not have to face any hassle, and the target for loan disbursement is attained.

However, despite the firm commitment made by the Central bank and repeated warnings against mismanagement and corruptions, still irregularities are in place. Farmers still complain against the local Bank employees. "Giving 10% to the Bank officers is still in practice. In February I had to pay Taka 1000 while contracting a loan of Taka

Box 3.3 'I am really frustrated'

Abdul Halim (38) is a marginal farmer of Khanpur village, Bagerhat. He owned 0.5 acres of land and rented another 1.5 acres from one of his relatives. Early this year, he heard about loans for the share-croppers from the local UP member. He was interested to contract a loan of Taka 10,000 for Boro cultivation. When contacted the Local Janata bank officer at Bagerhat town, 12 km away from his place, the officer asked him submit the required documents. He tried his best to obtain those papers but failed while going back and forth to the bank to convince them about his situation. Bank did not listen to him. He gave up the hope of that loan and managed to have one from ASA, a national micro-finance NGO. "I have lost my energy and money to have government loan. I am really frustrated. It's not possible. The interest of ASA loan is high and I need to pay the installment in every week. But I have to manage it somehow. I had no other alternatives but to contract a loan from the ASA".

Source: Field Work, Bagerhat

10,000. Nothing has changed here at our localities"- Jamal Uddin, a small farmer narrated with sheer dissatisfaction. Even some reported that local political leaders, belonging to the ruling party can make things happen very quickly.

However, the Governor of Bangladesh Bank has not denied the existence of such irregularities and condemned the age-old mentality of the Bank employees. But he is hopeful about the future of agricultural credit.

In many places, getting share-cropper's loan is still difficult. Share-croppers need to produce a deed made with her/his landlord which is very difficult as it is not a common practice in rural Bangladesh. At the village level, verbal agreement between the two parties is enough for the share-croppers or tenants. An alternative to formal deed is a certificate from elite of that locality. Poor farmers often face difficulties obtaining such documents required for contracting a share-cropper loan.

BRAC was supposed to disburse loan to the share-croppers. Such an agreement was made between BRAC and the Central bank sometime in 2009, but very little progress has been made in this regard. The agreement stipulated that the BRAC would form Farmers association before giving any loan to them. Recent newspaper report revealed the fact that BRAC has so far disbursed Taka 90 crore only.

A recent study concluded that still local touts, elites and political leaders play the key role in negotiation any agricultural loans. This is also true to the recently Central bank initiated share-croppers loan. The study conducted by the Institute of Bank Management (IBBM) also observed that the co-lateral

free share-cropper loan applies an effective interest rate of 13.68%. Share-croppers may not get interest to avail such loans. Moreover, the study found that despite the Central Bank's advice to provide loan to the share-croppers in a priority basis, most of the banks did not follow the guidelines. Loan disbursement scenario of 3 banks and one NGO (BRAC) reveals the fact that share of landless share-croppers was 16.28%, 5.34%, 10.0% and 16.33% for Krishi Bank, Rajshahi Krishi Unnayan Bank, Uttra Bank and BRAC respectively (The Daily Prothom Alo: March 24, 2010).

Although farmers are hopeful about the future of agricultural loan disbursement system given the commitment of the present government, they are still cautious about loans from any institutional sources as it involves spending time, energy and resources. "Even if we submit required documents, we need to go back and forth to the bank that takes away 7-10 days on average. We cannot afford it anymore. Government should fix a time in this regard and if loan is sanctioned the Bank should call us for further steps." - one of the farmers said. The suggestion seems quite understandable as these busy and poor farmers have very little time and resources to expend for contracting out an agricultural loan.

Farmer's Identity Card: A Unique Venture

The present government has prepared and distributed Agriculture Input Assistance Card commonly known as Farmer ID card to 18.4 million farmers. The ID card contains information related to farmer's cultivable land, what kind of crop s/he produces, the amount of fertilizer, seed, pesticide uses including some other information required for producing a comprehensive data base of farmers community in Bangladesh. The initiative has been hailed by all quarters. The Card would allow them to get cash subsidy, open Bank account and other benefits declared by the government. France, Malaysia, Thailand, Japan, India and many other countries have already introduced such ID Card provision for their farmers.

The Ministry of Agriculture prepared the ID Card based on the information provided by the Block Supervisors. It was huge task for the Ministry and it is quite understandable that there would be some mismanagement in the process. With minor problems associated with the preparation of such ID Cards, farmers have cordially accepted it as one of their extra identity.

Farmers have identified minor regularities in preparing the ID cards. Names of some absentee land lords are included in the list while some deserving candidates are left out. In some places local touts have successfully put their name in the list by giving bribe or using political pressure. In some cases, party identity has played a key role in enlisting the names. Numerous newspaper reports confirmed such irregularities in preparing the ID Cards. In Pabna district, there have been many irregularities and complaints due to interference by the local leaders of the ruling party. Even when the list of real farmers was prepared, some new names had to be included because of

pressure from and request made by the leaders (The Daily Janakantha: March 20, 2010).

If such complaints are true, there will be scope for raising question regarding the authenticity and reliability of information about our farmers' community. Government has to take effective measures to correct anomalies in order to develop an authentic data base of farmers' community.

Ensuring Right Price vs. Rice Procurement Policy of the Government

It has always been one of the biggest challenges to ensure right prices for farmers produce. Cost of production rises every year while farmers do not get the right prices that could offset it. As a result frustration and anger prevails among the farmers community. Several intermediaries reap the highest benefit using the market mechanism. In case of rice and paddy, farmers get frustrated almost every year.

Every year, government offers a price for purchasing rice. This price is determined in conformity with the production cost of farmers. Marginal and small farmers do not get this price because of several reasons. Often, farmers do not meet the criteria of rice or paddy set by the ministry. Government is always slow to open their purchasing centers due to bureaucratic process. The small farmers need to sell their product immediately after the harvest. By that time government purchasing centers are not opened up. The small and marginal farmers are compelled to sell rice immediately after harvesting in order to repay the loan they owe to the money-lenders. As a result, they find no other alternatives but to sell rice to the vendors at a lower price. In many cases, rice mill owners and vendors purchase 40 kg while giving the price of 30 kg saying that it will lose weight after drying. In many areas, the farmers are bound to accept this practice although in reality the amount weight loss is much less than they claimed.

There was a bumper production of Boro this year. Government has decided to purchase 12 Lac tons of rice/paddy and declared the price as Taka 680 and Taka 1000 for per mound of Paddy and rice respectively. Officially government has started purchasing rice/paddy from May the 1st and it will continue till August the 31st. Government has calculated the cost of production of per kg Boro rice as Taka 21.65 and it has offered the price as Taka 25 giving a profit margin of 15.47%. However, farmers cannot sell their paddy to the government centers as it required making that paddy containing the vapor level of 15 degree. This is the problem why government cannot provide right price to the farmer. Mill owners and other intermediary groups take advantage of this situation purchasing rice/paddy at lower price. "No one from our village go the government center. Even we do not know where they are located in. If it is in the Bagerhat town, no one would be interested to go there for selling 10-20 mounds of paddy. It will not be cost-effective at all" - observed by one of the farmers of Bagerhat.

Farmers always face difficulties selling their product to the government. First of all, the numbers of government purchasing centers are few and not located at village or Union level. Small farmers are not interested to go there because of the long distances. Secondly, at the time when farmers want to sell their products, centers are not yet operational. Thirdly, sometimes government's offered price is far below the cost of production. Farmers will be more inspired to sell their products if government can open purchasing centers at the Union level and remove some criteria set of qualified rice.

Bank Account for Taka 10 Only

In order to ensure smooth transfer of cash subsidy to the farmers, government has given farmers the opportunity to open a bank account for Taka 10 only. No restrictions can be imposed on the balance of this account. and any kinds of charges/fees will not be collected from the account. Obviously, it is a unique case and historic decision made by the government. It essentially manifests the present government's commitment to the development of farmers' community. Farmers need to show their ID Cards to open the account.

Unfortunately, farmers had to pay more to avail such an opportunity to become a bank account holder. They had to pay Taka 25-200 to open the account. "It was like a business for a group of people. I went to the Bank twice and each time I was told that Forms are not available and asked me to check sometime in the next week. Third time I found the way out as one of my fellow villagers advised to contact a Bank peon of my local Krishi Bank who could provide the Form. There was a bargain with him; he asked for Taka 100 but finally I fixed a deal with Taka 60. I am an account holder now!"- explained by one of the farmers of Pirgonj while laughing. Perhaps it has been the case all over the country. Farmers were ready to pay the extra amount of money as they did not want to spend so much time open the account.

It is a unique case of corruption and bribery where poor farmers became the real victims. The amount was very little but the corrupt did not show mercy to the farmers. Even the Communication minister Mr. Syed Abul Hossain's initiative went in vain. He personally gave Taka 2,37,090 to 23709 farmers in for the cost of opening their bank account. These farmers are from 14 Unions of Kalkini Upazilla of Madaripur district, minister's own constituency. However, it has been reported that 602 farmers had to pay Taka 20-40 to get the Form. The local administration investigated and found the case true. A law suit has been filed against some people who were involved in the process. Interestingly one of them is a bank employee (Daily Prothom Alo: March 16, 2010).

Agro-Economics and Local Government

The policy-makers have paid very little attention to the pivotal role the local government institution particularly the Union Parishad (UP) could play in revitalizing the agro-economy. Small and marginal farmers are still depended

on elected representatives of UP for any kind of information regarding governmental facilities. When agricultural extension service workers (block supervisor) do not respond to the call of the small and marginal farmers, often it is UP members who make things happen. According to many farmers, it would be easier for them to get updated information if the information were posted on big sign board in the Union Council or local markets. On the other hand, extension service workers believe that all sorts of agricultural services should be centered at the UP. "The scope of the work for extension services was not broad when it first started in early '70s. Now we have to perform so many tasks including going back and forth to district and Upazilla offices for administrative purpose. We have to provide the required information justifying their eligibility for cash subsidy, prepare and distribute the ID Cards, advise farmers and inspect farms. We are really overloaded. There should be at least one worker for each Ward"- said one of the Block Supervisors we interviewed.

A number of agriculture extension worker opined that local youths having HSC degree could be employed as new cadres of extension workers. They could work closely with the farmers if properly trained and made accountable to the UPs. They could play an important role in bringing about substantive changes in the agriculture sector.

The extended function of UPs is very important in rural life and livelihood. An initiative should be taken to identify the appropriate role of the elected public representatives to implement the programs taken by the government.

SECTION FOUR

CONCLUSION AND POINTERS FOR ENHANCING GROWTH AND EQUITY IN BANGLADESH AGRICULTURE

In the context of overall economic activities and patterns of livelihood, the large majority of the population in Bangladesh is dependent, directly or indirectly, on agriculture. In particular, rural livelihoods evolve with agriculture despite expansion of non-farm activities and its contribution to economic growth. Food security, employment for the large section of the populace and reducing poverty and inequality largely depend on creating a vibrant and dynamic agriculture sector. From a different perspective, unlike industry, it is viewed as a way of life for many. There is no denying the fact that equity is important for growth and sustainable development. Last couple of decades has witnessed the utter violation of equity concerns in agriculture as a result of faulty policies and strategies propagated and imposed by International Financial Institutions (IFIs). The so-called market-led economic growth with less or no state patronage under the disguise of neo-liberal paradigm has already been proved wrong as it measurably failed to bring about any substantive changes in the lives of the millions throughout the world. Rather it has given rise the level of poverty, inequality and vulnerability of the poor and marginalized section of the population. Bangladesh agriculture has been one of the worst victims of such policy regime. There seems to be a growing realization of the present government to correct the mistakes and crime committed in the past. The present government is seemingly on the right tract to identify the growth potential of Bangladesh economy through revitalizing the agriculture sector extending state support to this sector.

Although recent policy and programmatic interventions in agriculture by the government is welcomed by all, still there are areas which require immediate and careful attention for successful realization of objectives of programs. Policies related to agriculture credit and rice/procurement needs to be carefully reviewed if it is to deliver its ultimate objectives. Undeniably, marginal and small farmers are being benefited from several other subsidy related programs which clearly demonstrate the government's equity concerns towards the marginalized section of the farmer community.

However, it is important to understand that ensuring growth and equity in agriculture do not solely depends of increased amount of subsidy or availability of agri-credit. Several other issues such as development of infrastructure, irrigation facilities, river flow, embankment, preservation of biodiversity, careful concerns for environment and ecology etc. are directly or indirectly related to the development of agriculture. There are as many as 21 different policies and laws governing the agriculture with very little coordination and cooperation among each other when implemented. Some are even conflicting in nature (National Agriculture Convention: 2008). The draft Agriculture Policy (2009) prepared by the government has some major limitations. It did not define agriculture in a broader context. It ignores the

pressing demand for enhanced coordination among various ministries and agencies independently working for the agriculture sector.

Challenges before Bangladesh agriculture are many. Due to unprecedented demographic pressure, we are losing arable land every day. Fertility of soil is in a declining trend. Moreover, the adverse impact of climate change has posed serious challenges before agriculture. In this context, we are hoping to achieve self-sufficiency through increased production of food grains. The appreciative recent interventions of government may not be sufficient in the long run. It is important to comprehensively understand and recognize the future challenges before the development of this sector and devise a long-term strategy to ensure sustainable growth of this sector.

Fortunately, the present government's policies demonstrate a renewed attention to this sector. Marginal and small farmers are being targeted as the key to ensure growth in agriculture. Targeted programs towards helping this large majority of the farmers still requires several corrective measures for their smooth operation as evident from our field work and critical analysis. It requires policy-makers and concerned citizens to reflect on the whole process before being self-satisfied.

The study concludes with some observation and recommendations. Following table provides some specific pointers that could potentially help policy-makers, civil society organizations and activities for devising next courses of action.

Pointers for Enhancing Growth and Equity in Bangladesh Agriculture

Observation	Pointers for further improvement
Fertilizer, seed and pesticides	
<ul style="list-style-type: none"> • Farmers are happy as the availability of fertilizer is ensured • Prices are within their reach; however, questions are raised about the quality • Prices of seed and pesticide are very high, fully dependent on market • Ambiguity and ignorance about the quality of seeds and pesticides 	<ul style="list-style-type: none"> • Adequate quantity of quality fertilizer should be made available in timely manner. Fertilizer agents should be appointed at the villages/village levels • Ensuring the availability of quality seeds and pesticides for the farmers; BADC's role should be reactivated in this regard; • A critical policy discussion should be initiated regarding making subsidized fertilizer available to all categories of farmers or not. Such a discussion is highly important to ensuring efficient use of chemical fertilizer and saving public money.

Observation	Pointers for further improvement
Irrigation (subsidy for diesel)	
<ul style="list-style-type: none"> • Cost of irrigation is really expensive; • Cash subsidy on diesel is welcomed as it reduces some cost burden; • Misappropriation of cash subsidy due to faulty preparation of Farmers ID Card • Delay in transferring the cash subsidy to bank account • Excessive dependence on Boro rice production that incurs huge irrigation cost 	<ul style="list-style-type: none"> • Government should start providing irrigation support alongside the privately owned irrigation facilities. Irrigation projects of Water Development Board and BADC should be resumed. • Cash subsidy on diesel should be transferred to farmer's bank account before the irrigation starts. • Dredging/digging canals to ensure the availability of surface water for irrigation • Attention should be given to produce more Aman and Aush paddy that requires less irrigation. It has positive impact on environment and ecology as well as potential for saving public money.
Right prices for rice/paddy	
<ul style="list-style-type: none"> • Government's rice/paddy procurement policy cannot really help the marginal and small farmers as the whole process is slow and bureaucratic trivial • Farmers are still at the mercy of vendors and rice mill owners 	<ul style="list-style-type: none"> • Government should start purchasing rice/paddy immediately after the harvest and purchasing centers should be extended to the Union level. • Quality criteria for rice/paddy should be relaxed to attract more paddy/rice from the real producers. This is especially important for Boro rice/paddy purchase. • Implementation of "Crop Warehouse Credit" program could ensure marginal and small farmers from the exploitation market mechanism. • Storage facilities for crops (wheat, potato etc.) are highly scarce. Government should step up to build required number of go storage facilities in different regions to help farmers ensure the right prices for their produces.
Farmers ID Card and Bank Account	
<ul style="list-style-type: none"> • Introduction of ID Card for the farmers and Bank Account for Taka 10- is undoubtedly a historical decision • Farmers now feel proud of their new professional identity • Information gathered about farmers is not that must authentic • Many absentee landlords, non-farmers were given ID Cards • Local political pressure and corruption of block supervisors are responsible for preparing the list for prospective ID Card holders • Giving extra money (bribe) to open the bank account is an open secret 	<ul style="list-style-type: none"> • Government should correct the information provided against the ID Cards before developing any Data Base of farmers. • Government should strictly take administrative measures against those involved in taking bribes from farmers for opening their bank account. It could be an example of combating corruption from the very grassroots level.

Observation	Pointers for further improvement
Agricultural Credit	
<ul style="list-style-type: none"> • Farmers are still having difficulties to get agricultural credit from banks • Still local touts, elites and political leaders play the key role in negotiation any agricultural loans • Getting share-cropper loan is very difficult as it requires certain documents which, is very difficult to produce. Moreover, interest rate is very high • Administrative capacity of local banks are very limited when it comes to dealing with huge number of farmers • Farmers spend lot of time, energy and resources going back and forth to the bank 	<ul style="list-style-type: none"> • Strict measures should be taken to remove the corruption and conditions of harassment associated with getting agricultural loan. • The terms and conditions of share-croppers loan should be reviewed immediately • All micro-finance NGOs should devise new policies to provide agricultural loan to farmers which would be fundamentally different from their traditional lending with weekly repayment schedule. • To reduce the transaction cost of farmers, Banks should set up an Information Desk to attend phone calls/queries from the farmers.
Others	
<ul style="list-style-type: none"> • All are on the same view that the present government is more farmer/agriculture-friendly • Elected UP members are still the main sources of agriculture-related information for the farmers • Adverse impact of climate change has brought about change in the production of crops in many parts of the country. 	<ul style="list-style-type: none"> • It is important to create awareness among farmers about the adverse impact of using excessive use of chemical fertilizer and pesticides. • Climate change has adverse impact on agriculture. Special treatment/programs with necessary allocation of funds are critical factors for combating the adverse situation. • Union Parishad should be the main focal institution for agriculture related programs and projects • An agriculture-related information center should be set up at the Union Parishad

BIBLIOGRAPHY

- Agriculture Sector Review 2006, Ministry of Agriculture, Government of Bangladesh
- Bangladesh Economic Survey 2009, Ministry of Finance, Government of Bangladesh
- Bangladesh Economic Survey 2010, Ministry of Finance, Government of Bangladesh
- Barakat, A. (2006) *Political economy of the reform of agriculture, land and common properties: Exploring the new horizon of development*, Dhaka
- Barakat, A. (2009), Policy study of financing growth and poverty reduction: Policy challenges and options in Bangladesh, UNDP Bangladesh
- BIDS (2010), Recent performance of the Bangladesh economy: As assessment of the state of the economy and short-term outlook 2009-10, Dhaka
- Center for Policy Dialogue (CPD) (2009), Development of Bangladesh with equity and justice: Immediate tasks for the new government, Dhaka
- Hossain, Mahbub (1996) *Agricultural policies in Bangladesh: Evaluation and Impact on Crop* in Abdullah, A and Khan, A R (eds.) *State Market and Development: Essays in honor of Rehman Sobhan*, University Press Limited: Dhaka
- Hossain, Mahbub, The Daily Star, May 4, 2008
- National Agriculture Convention 2008, Campaign for Sustainable Rural livelihood
- Preliminary report on Agriculture Census 2008, Bangladesh Bureau of Statistics, Government of Bangladesh
- Production, International Food Policy Research Institute (IFPRI), Washington D.C.
- Recent performance of the Bangladesh Economy: An assessment of the state of the Economy and short term outlook 2009-10, BIDS
- Report on Labor Force Survey 2005-06, Bangladesh Bureau of Statistics, Government of Bangladesh
- Shahabuddin, Quazi and Paul Dorosh. 2002. *Comparative Advantage in Bangladesh Crop*
- Statistical Year Book of Bangladesh 2008, Bangladesh Bureau of Statistics, Government of Bangladesh
- Titumir, R. M, Ahmed, I. M and Sarwar, G. M (2005), *Undercutting small farmers: Rice trade in Bangladesh and WTO negotiations*, Unnayan Onneshan, Dhaka
- Unnayan Onneshan (2010), *Agricultural input assistance card: Direct input subsidy disbursement*, Dhaka

www.dsibd.org



ডেভেলপমেন্ট সিনার্জী ইনস্টিটিউট
Development Synergy Institute