



**Opportunities to co-finance Cross-Border  
Integrated Procurement and Distribution of Agro  
Commodities  
Under  
Economic Window of SAARC Development Fund  
Project in South Asia  
A  
Thematic Project Concept Note**

**Economic and Infrastructure Windows  
SAARC Development Fund**

## **Cross-Border Integrated Backward and Forward linkages for Procurement and Distribution of Agro Commodities**

### **1. Title of the theme**

Distribution of agro commodities: Co-financing of Cross-Border Integrated Backward and Forward linkages for Procurement and Distribution of Agro Commodities

### **2. SAARC Member States likely to be involved**

In the initial phase, SAARC Member States may include:

- Bhutan - India
- Bangladesh India
- India – Nepal
- Maldives India
- Sri Lanka India

### **3. Compliance to SAARC Development Fund Charter**

- Considering that the theme involves and benefiting at least two SAARC Member States; it fulfills the basic eligibility criteria for financing stated under Article 5 of the SDF Charter.
- As per Clause # 10 of SDF approved Policy Guidelines for E&I Windows, SDF will participate in co-financing to minimize risk and to gain institutional experience of funding in the region

### **4. Classification of project:**

Based on the nature of the project, the project is classified under the Economic Window of SDF.

### **5. Overview of the theme**

#### *Background*

The countries of South Asia have made significant development in recent years and the Region is one of the fastest growing regions of Asia with GDP growth rate of over 5% in FY16 and FY17 (Source: Various research reports); however, significant challenge for South Asia is the relative lack of intraregional trade.

It is estimated that agriculture export trade of SAARC Countries grew to USD 32 billion from about USD 5.6 billion over the period 2010-1990. Another, study shows that about 53% of intra-regional import trade was excluded from tariff liberalization under SAFTA in 2006 (World Bank, 2016: <http://www.worldbank.org/en/news/infographic/2016/05/24/the-potential-of-intra-regional-trade-for-south-asia>).

Lack of complementarities, diversification of export baskets and supply-constraints appear to be the some of the key barriers to agro commodity trade. It is often reported that informal agricultural trade among the SAARC countries takes place on a large scale.

Some of the problems in agro commodities supply chain are:

- Multiple stake holders working in isolation: The agro commodities supply chain is complex with perishable goods and numerous uncoordinated small stake holders.
- Presence of large number of unorganized retailers: At present the unorganized retailers are linked with farmers through wholesalers or commission agents. The commission agents and wholesalers redundant supply chain practices make unorganized further inefficient.
- Lack of demand estimation: Demand forecasting is totally absent and the farmers and suppliers try to push whatever they produce into the market.
- Lack of technology applications: agro commodities supply chains may take advantage of technology improvements in data capture and processing, product tracking and tracing, synchronized freight transport transmit times for time compression along the supply chain and supply-demand matching.

*(Source: Facilitating vegetable production and marketing by developing efficient Vegetable Supply Chain in Bhutan – Dr. Tayan R. Gurung, Specialist-II, DoA, Royal Government of Bhutan).*

## 6. Proposed model

*Farmers → local purchasing at village level → aggregation at local level → warehousing → district level aggregation → warehousing → distribution using Spoke and Hub Model → demand assessment → release of agro commodities to retail outlets → surplus → exports*

- Formation of apolitical bodies: Formation of Special Purpose Vehicle with producer of agro commodities as stakeholders like cooperatives at local level (working under professional management along the lines of corporate entities) that facilitate
  - agro commodities produce management
  - Seed distribution
  - Purchase of the agro commodities
  - Crop insurance, if available
  - Availability of finance
- Farmers Welfare/ Service Centre: Works along the lines of 'e-chaupal' and Kisan Seva Kendra in India
  - Disseminates information about weather
  - Mobile application

- Soil and crop
- Availability of pest resistant, drought resistant seeds
- Coordination with
  - Aggregators
  - Mobile operators for timely dissemination of information
- Aggregators like cooperatives/ federations for purchase of agro commodities
- Warehousing for the purchases using traditional/ local techniques for enhancing the life of the agro commodities like warehousing in cold climate/ air cooled warehouses that facilitate modulated air flow.
- Retailing: retail outlets at major towns along the lines of outlets in other SAARC Countries.
- Demand estimation: Retail outlets to feed in daily/ weekly demand on web portal/ through mobile application as is the mandatory requirement in outlets in other SAARC Countries.
- Tie up with Outlets under Modern Trade to sell the products.
- Exports: Produce/ stock in warehouse net of the demand forecast could be exported
  - Tie up with retail outlets selling similar products in other SAARC Member States,
  - Tie up with Modern trade outlets at local level,
  - Tie up with outlets under Modern Trade in other SAARC Member States (for e.g. retail chains that also sell agro commodities).
- Imports: The logistics so developed could be used for imports leveraging logistic, warehousing and retail network.

## 7. Key requirements

- *Warehouses*: low cost warehouses
- *E-portal* that also facilitates demand estimation
- *MIS*: Reliable MIS for tracking the purchases, material in warehouse, material in transit and material sold
- *Payment gateway/ e-payment*
- *Co-financing* for
  - Construction of warehouses
  - Containers for transportation

- Purchase of agro commodities from farmers
- Development of e-portal
- Availability of reliable seeds
- Farmers Welfare/ Service Centre
- Mobile application
- Land/ space availability and Construction of retail outlets

## 8. Benefits

S No	Challenges	Likely Benefits
1.	Multiple stake holders working in isolation	<ul style="list-style-type: none"> <li>• Stake holders working in coordination</li> </ul>
2.	Presence of large number of unorganized retailers	<ul style="list-style-type: none"> <li>• Outlets at multiple ender user</li> </ul>
3.	Lack of demand estimation	<ul style="list-style-type: none"> <li>• Forecasted daily/ weekly demand by the retail outlet as is the practice in Safal outlets</li> </ul>
4.	Lack of technology applications	<ul style="list-style-type: none"> <li>• Technology application for               <ul style="list-style-type: none"> <li>○ Weather</li> <li>○ Demand estimation from end consumers</li> </ul> </li> </ul>
5.	Price advantage to farmers	<ul style="list-style-type: none"> <li>• Selling of produce at reasonable price without involvement of multiple retailers</li> </ul>
6.	Price advantage to retailers	<ul style="list-style-type: none"> <li>• Affordable price of agro commodities as middlemen are removed</li> </ul>
7.	Extension of the model to sell other products	<ul style="list-style-type: none"> <li>• The model and the infrastructure could be replicated to sell other products produced at village level notably handicrafts</li> </ul>
8.	Replication	<ul style="list-style-type: none"> <li>• Replication in other SAARC Member States</li> </ul>

## 9. Cost implications

Detailed cost may be worked out in consultation with the stakeholders.

## 10. Conclusion

Co-financing of Cross-Border Integrated Backward and Forward linkages for Procurement and Distribution of Agro Commodities in SAARC Member States is likely to eliminate presence of multiple layers of middle men, provide value to farmers and purchasers and enhance regional trade of Agro Commodities in SAARC Member States.

## 11. Contact

Chief Executive Officer at [ceo@sdfsec.org](mailto:ceo@sdfsec.org)

Director, Economic and Infrastructure Windows at [rajeev@sdfsec.org](mailto:rajeev@sdfsec.org)

Assistant Director, Economic and Infrastructure Windows at [zeeshan@sdfsec.org](mailto:zeeshan@sdfsec.org)

**Chief Executive Officer SAARC Development Fund, III Floor, BDBL Building, Norzin Lam, Post Box No 928, Thimphu, Bhutan, Ph No: +975-2-321152/53.**