



Workshop on

Building Value Chains in Agriculture: Partnerships for Future

Background

Crop diversification is an important strategy for risk minimization, farm income enhancement, optimal resource use and faster rate of growth in agriculture. Recent shifts in the consumption pattern towards high value food items such as fruits, vegetables, meat, milk and milk products also call for such shift in the production pattern in the country. The cultivation of high value crops are characterized by very high production and marketing risks. The periods of low production correspond to very high prices and bumper harvests lead to price crashes. While the benefits of high prices do not get transferred to the farmers, they have to bear the losses due to fall in prices. Supply chains lack efficiency due to very high spoilage due to lack of infrastructure, refrigerated transport and processing facilities. Relatively higher preference for fresh vegetables and fruits rather than the processed forms points towards looking at the issues of marketing in a comparatively different manner as compared to the traditional perspective of looking into the supply chains. In the current situation, while the farmers lack incentives to cultivate high value crops and do not see such crop diversification as a profitable venture, the supply-chains

also lack a business viable character. There is a strong need to establish the value-chains in agriculture that can serve the interests of both the farmers as well as the intermediaries and also improve the efficiency of the markets in the medium and long-term.

What type of Value-Chains?

There has been a lot of literature on the limitations and strengths of the current supply-chains. However, the major question is, do these supply-chains suffice and are capable of handling the increased production and larger number of producers? Are there some other aspects which need to be given due consideration in order to look at the value-chains?

There are some important issues which need major emphasis in the study of value-chains. The value chains should integrate the aspects of export potential, domestic markets, opportunities for processing, food safety standards, research and development needs for promoting value addition in agriculture and effective integration of the stakeholders to ensure business viability of value chains which can ensure equitable distribution of benefits to all the stakeholders, especially the farmers.

Objectives of the Workshop

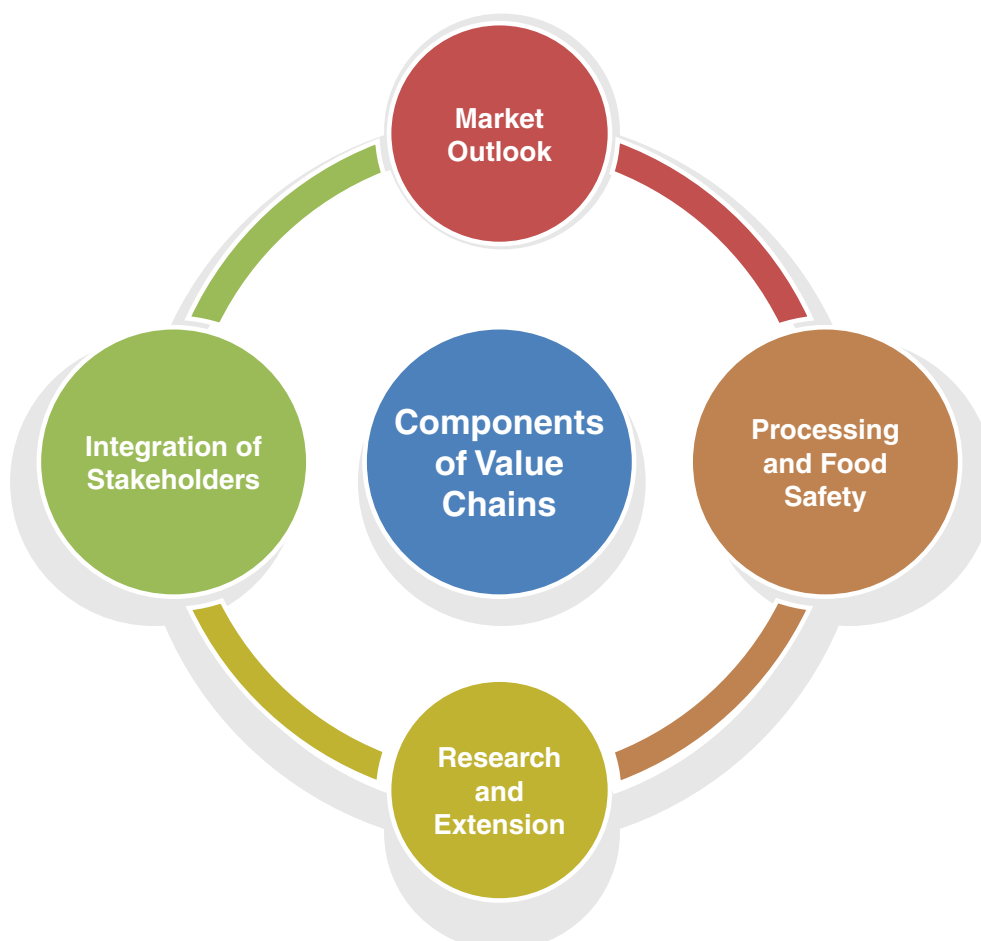
The Stakeholder Workshop on ‘Building Value Chains in Agriculture’ was organized by the Centers for International Projects Trust (CIPT) on December 21, 2013 in New Delhi. The workshop was organised as part of the Water-Agriculture-Livelihood Security in India project supported by USAID. It aimed at bringing together private sector representatives, government officials, donors, academics and farmers for deliberations. It encouraged discussions on developing business viable value chains in agriculture which could ensure sharing of benefits to all stakeholders, especially the farmers. The major objective of the workshop was to identify conditions necessary for creating a broader and more solid knowledge base to promote sustainable value chains, including training and information-sharing needs. It brought participants together to connect and jointly explore the solutions.

Themes of the Workshop

The deliberations of the workshop were divided into four major themes. These were 1) Market Outlook, 2)

Processing and Food Safety, 3) Research and Extension and 4) Integration of Stakeholders. In the market outlook, the objective was to explore export potential and domestic market potential for different high value crops and commodities, identification of new commodities with export potential, competitive advantage and projections of future demand. In processing and food safety, the intent was to explore the possibilities of processing, bottlenecks in processing, emerging issues of food safety in the export and domestic markets, and issues of compliance by the companies and the farmers.

The research and extension needs and gaps were discussed in light of the alternative value chains in the third component. In the last component, the workshop focused on exploring the possibilities of establishing a long-term relationship between different components and enhancing the efficiency of each component. As effective integration of different stakeholders in the value-chains is likely to improve the market efficiency and profitability, there were deliberations on how such integration can be realized more effectively. The set of major questions raised in the workshop is given in the box below.



Important Questions

Market Outlook:

1. Possibility and expansion of domestic markets for existing crops and commodities. Possibility of new crops and commodities.
2. Export potential and export competitiveness. Future strategies to enhance export competitiveness.

Processing and Food Safety:

1. Addressing issues of shelf-life for domestic and export markets.
2. Opportunities for processing and their scale, issues of marketing and exports. Exploring the new markets.
3. Food safety issues for the export markets and their compliance by all the stakeholders including farmers. Making progress on those issues and integrating them into the value-chain.
4. Improving food safety standards for the domestic markets.

Research and Extension:

1. Developing cultivars more suitable for processing, promoting their cultivation to the target farmers.
2. Attuning the research and extension approach to the complex interface of Crop-Water-Season-Climate Change.

Integration of Stakeholders:

1. Current weaknesses, strengths and concerns of the value chains. Integrating above three components for developing business viable value-chains.
2. Role of government, private sector and other stakeholders in strengthening the value chains. Enhancing their contributions in a more effective manner.
3. Important viability issues of the value-chains and way forward.

Outcome of the Discussions

The outcome of discussions on all the themes of the workshop is given below:

Market Outlook

In order to develop business viable value chains, there is need to explore the potential of export as well as domestic markets. For increasing exports, export competitiveness will require a major focus. Domestic supply chains will also need to address their important shortcomings to promote value addition and enhance competitiveness. Following major points emerged out of the discussions on market outlook -

1. The retail markets are characterized with very small share of producer in consumer's rupee. The small vendors are operating on high margins and low volumes. Even the entry of corporates could not successfully demonstrate the viability of high-volumes and low-margin model. The alternative value chains will have to ensure better margins to the farmers. With the entry of corporates in the retail sector, it will be a





major challenge to ensure that farmers are integrated effectively into the value chains so as to ensure better returns.

2. Marketing risk in the form of huge price fluctuations is a major deterrent in stabilization and expansion of markets for horticultural crops. It will be a big challenge to address so as to ensure that supply side constraints are removed. Developing infrastructure such as pack houses and incentives on post-harvest handling, packaging and transportation can also help in increasing the area under high value crops.
3. The segmentation of the market and targeting of each segment in a specific manner will also help in expansion of the demand.
4. There is a large scale prevalence of non-commercial varieties. Emphasis on commercial varieties will help in improving exports and supplies for processing.
5. The seasonal vegetables such as chillies, peas, beans, etc. have huge demand in the export market.
6. Newer markets are being explored and there is a huge potential to expand the exports to these markets. Some important examples are grapes to Pakistan, vegetables to Vietnam, Malaysia and Thailand and litchi, pomegranate and grapes to the United States. Russia and Kazakhstan are other potential markets for raising exports.

Processing and Food Safety

Processing can help in value addition of the agricultural commodities. However, there are issues of shelf-life of the product which induce a lot of market risk. The scale at which the processing and value addition needs to be promoted is also important. While the scale has implications for costs and profits, there are equity issues as well of not marginalizing the small players. Food safety and its effective integration into the value chains is another area of concern. The major points emerging out of the discussion on processing and food safety are given below -

1. Processing is very important for expanding the markets. It can also help in sustaining the supplies throughout the year.
2. The demand for processed products is increasing at the national as well as international level. There is need for faster and sustained efforts to promote food processing in India. There is need to promote some special processed products of Indian origin in the export markets.
3. While the agricultural exports are increasing over time, there is need to enhance focus on product quality and product-safety to ensure competitiveness in the long run. Indiscriminate use of inputs, especially chemicals will have to be discouraged. While the competitiveness for horticultural products exists, compliance with



the sanitary and phyto-sanitary measures will be an urgent necessity. It can be achieved by promoting global agricultural practices.

4. The extension activities should be aligned to promote the adoption of food safety measures at the farm levels.
5. The food safety efforts will have to promote proper management at each step from harvesting to transportation, unloading, storage, processing and dispatch.
6. There is need for capacity building of the stakeholders for better integration and compliance of the food safety standards across the value chains.

Research and Extension

Research and extension have an important role to play for promoting value addition in agriculture. The agricultural commodities are consumed in different forms such as raw, semi-processed and processed. The requirements for different forms of the commodities may be different in the form of their nutritional composition, texture and many other parameters. An effective research programme can help in developing varieties better suited for raw consumption and processing. The extension efforts must also be in line with the type of varieties being cultivated

and requirements of the markets for different purposes. Some important highlights of the discussion are presented below.

1. The research should focus on developing cultivars, required for different purposes such as raw consumption and processing.
2. There is need to promote public-private partnerships to achieve synergies and have effective outcomes of the research efforts. Integration of capacity and resources will yield better results.
3. There is a huge gap in what is required and what is being produced/used, in terms of inputs, cultivation practices, technology, quality of the products, etc. It calls for a renewed focus on capacity building of various stakeholders in the value chain with special emphasis on the farmers. There is a huge-potential of public-private partnerships in this area as well.
4. There is need to promote the use of Information and Communication Technology (ICT) in disseminating knowledge to the farmers. The farmers can be reached quickly on market outlook of the commodities, cultivation practices and input use and many other issues.



Integration of Stakeholders

There are a large number of intermediaries in the supply chains prevalent in India. These intermediaries apportion a significant share of consumer's rupee, leaving behind only a small share for the farmer. While the supply chains are long, the value addition at each connection in this chain has not been very significant. The efforts towards exploring the new links in the value chains have also not been very encouraging and successful. These are important challenges for the viability of value chains. The major points emerging from the discussion on integration of stakeholders are given below:

1. The integration of various stakeholders in the value chains must ensure improved share of producer in consumer's rupee. The integration must aim at empowering the producers and build symbiotic relationships.
2. Encouraging producer's groups may encourage innovations in value addition and increase the bargaining power of the farmers. It may also strengthen the linkages within the value chains.
3. All the stakeholders in the value chain must encourage capacity building of each other.
4. Reneging of the contracts is a common problem and needs to be addressed properly by suitable regulatory and institutional mechanisms.
5. Innovative pricing mechanisms based on some fixed as well as variable component must be explored to ensure better returns to the farmers and promote better contract compliance.
6. Specialized production systems in the form of cluster formation or one-village-one-product approach may ensure better integration of the stakeholders.

Picture Gallery





List of participants

Name	Affiliation	Name	Affiliation
Dr. R.S. Sidhu	PAU	Mr. Rajesh Ranjan	Metro Cash & Carry
Dr. Kamal Vatta	PAU	Mr. Jaideep Bhatia	PepsiCo
Dr. Ashok Kumar	PAU	Ms. Shruti Sharma	Institute for Sustainable Development, New Delhi
Mr. Sameer Sachdeva	Field Fresh	Mr. V. K Kaul	APEDA
Mr. Uday Gosain	Field Fresh	Ms. Apurva Chaturvedi	USAID
Mr. Sumeet Srivastava	Field Fresh	Mr. Jeremy Gustafson	USAID
Dr. S.S.Johl	Central University of Punjab	Mr. Jang Bhadur Sangha	Sangha Farm
Mr. Balmukund Sharma	MARKFED, Ludhiana	Mr. Pradeep Attrey	Punjab Agro Industry Corporation, Chandigarh
Mr. Karmjeet Singh	MARKFED, Ludhiana	Mr. R. Tuli	Punjab Agro Industry Corporation, Chandigarh
Mr. Sachin Garg	MARKFED, Ludhiana	Dr. Sukhpal Singh	PAU
Mr. Mohit Khatter	Godrej	Mrs. Ganguly	CII
Mr. Nalin Rai	NABARD, Ludhiana	Mr. Sandeep Dixit	CIPT
Mr. Sandeep Kapoor	School of Business Study, PAU	Mr. Mayank Bhatia	CIPT
Mr. Rajesh Bajaj	KFC	Mr. Anil Kumar	CIPT
Mr. Harpreet Sidhu	Punjab Mandi Board	Ms. Surbhi Jain	CIPT
Mr. S.S. Brar	Punjab State Cooperative dept		

Contact Us

Centers for International Projects Trust
 K-37, Green Park Main
 New Delhi - 110016
 T: +91-11-2651 2745
 W: www.cipt.in