

# Vibrant Producers Group is the Key Instrument to Bring Prosperity of the Marginal Producers in Agricultural Sector: Experience Capitalization of Samriddhi Project

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## Abstract

Producers of the agricultural sectors are the key instrument for the economic development of Bangladesh. A subsequent number of total agro productions of this country come from individual rural producers. However this contribution can be accelerated if those individual producers can effectively participate in the value chain of agro market. So the milestone of being successful participant in this process is the formation of group producing. This study has been conducted on Bangladesh perspective for analyzing the problems of individual producers and their success rate after forming producer group. To find a justified result the study has conducted based on both primary and secondary data. As a representative area Sunamganj district has been selected to collect primary data. Because, as an agro producing region this district is contributing a vital part in Bangladesh and most of the producers in this area are individual producer. So it can represent the real scenario of individual production and the afterward result of group production. The discussion of this research is centered on the problems of individual producers like insufficient and poor quality of production; high transportation cost; less access to technology, business and financial services; less access to market information about price and demand etc. Addition to that the report has evaluated a project experience of “*Samriddhi*” in identifying and overcoming the constraints that hinders the progress of poor and extreme poor producers through facilitating producers groups under specific value chain development. Furthermore the contribution and support of Local Service Providers (LSPs), Local traders, input suppliers and collection centers also have got priority in the study. The analysis also focused on the rural women participation and prosperity in this field. The result generated from the study can help the producers, facilitators, government and non-government institutions to understand the success parameter of these vibrant producers groups and to establish future policies regarding this issue. However justified the situation some recommendations have come up with practical solutions.

**Key Words:** Producer Group, Samriddhi Project, Micro and Small Enterprise (MSE)

## 1. Introduction

### 1.1 Background

Agriculture remains the most important sector of Bangladeshi economy, contributing 19.6 percent to the national GDP and providing employment for 63 percent of the population. According to the World Bank, the total arable land in Bangladesh is 61.2 percent of the total land area (down from 68.3 percent in 1980). (Nations Encyclopedia, 2015). Producers are involved in agricultural crops production (e.g. rice, maize, vegetable etc.), fishing (e.g. open water and cultivated) and livestock rearing (e.g. poultry, duck, goat, sheep, cow etc). Around 50% (49.35 in 2012, according to the World Bank) of total population is women in Bangladesh. (Trading Economics, 2015) Rural women traditionally have played an important role in a wide range of income-generating activities. These rural production activities include post-harvesting, cow fattening and milking, goat farming, backyard poultry rearing, agriculture, horticulture, food processing, cane and bamboo works, silk reeling, handloom weaving, garment making, fishnet making and handicrafts. All these producers are producing and selling their products individually. They have no access to market information or have no idea/interest to get to know about it. As a result sometime a big gap can be observed between demand and production which ultimately brings massive loss for the producers as well as for the consumers. This lack of coordination between producers not only reflect in the production demand but also high transportation cost for both production and marketing (e.g. input purchase and product selling at the market), access to quality inputs, financial services and technical knowledge.

The concept of formation of community groups to jointly enforce some issues or raise voice of the community is not a new concept. Many organizations have done this earlier to meet up several social issues. Now the concept of formation of producers groups is being implemented to overcome the problems of the producers. Producers are being trained on production planning; negotiate with input and output market actors, joint procurement of inputs & selling of products and linkage with the financial institutes for harvesting working capital. The local service providers (LSP) and their organization (SPA) play an important role towards the progress of the producers by offering them a holistic service in exchange of a pre-negotiated fee.

Several documents have been published earlier on value chain, technology, social aspects, gender and mainstreaming etc. but few of them has actually comprehensively talked about the producers and their groups. Firstly this study will try to focus on the problems that producers face in general for not being united. Then it will discuss the experience of a particular project called “Samridhhi”, to demonstrate how the producers groups are being benefited by the facilitation of the project under the development of specific value chain. The factors behind this success will then also be discussed elaborately with several examples and case studies. Finally the report will also give a notion of some findings and recommendation for further implementations.

### *1.2 Objectives*

Considering the above mentioned gap the aim of this study is to analyze the necessity of forming producer groups in the development of individual producer’s performance so that they can contribute effectively in the main stream of economy of Bangladesh. To accomplish this, the study will cover the following specific areas:

1. Identify the general situation of the individual producers
2. Identify the benefits of producers who are involved in groups (why to form producers groups)
3. Evaluate the factors behind the success of producers groups
4. Identify the challenges of the producers groups
5. Suggest some ideas to overcome the problems that may contribute in future development.

### *1.3 Relevance of this research*

Many organizations/NGOs are now working with producers and their groups for the promotion of their livelihoods. The projects are working to find the systemic constraints under different value chains and developing ways to overcome the gaps to make a win-win situation for both the supply and demand side. As they (the organizations) work towards the progress they produce various documents from their learning from the field. Several documents have been published earlier on value chain, technology promotion, social aspects, gender and mainstreaming etc. but none of them has actually comprehensively talked about the producers and their groups.

It was really needed to bring the success factors/forces of the producers for the better understanding by others and replicate in other different projects.

## **2. Literature Review**

The concept of producer group is a worldwide issue now. International organizations who work to defeat hunger are emphasizing in this concept due to its fruitfulness. [Food and Agriculture Organization of the United Nations](#) (FAO) states that, since its founding in 1945, one of FAO mandated responsibilities has been the strengthening of all forms of collective economic action of agricultural small producers through the delivery of normative and policy advice to governments and other development agencies. (FAO, 2006)

Producer groups are formed by farmers, and their main purpose is to jointly sell agricultural output produced individually by members. Farmers entering producer groups kept their distinct property rights, and they coordinated only on some transactions such as searching for buyers, negotiating contracts and transportation. (Banaszak, 2008)

*Samridhhi* is a pro-poor market development project in Bangladesh funded by Swiss Agency for Development and Cooperation (SDC) and implemented by HELVETAS Swiss Intercooperation – Bangladesh. The project is active in the Rajshahi and Rangpur division and Sunamganj district of Sylhet division. Based on the so-called “Making Markets Work for Poor” (M4P) approach, the project aims to provide poor and extreme poor rural men and women producers’ easy access to services and markets and to empower them for business development and increased income generation to overcome poverty. (Reza, Mustafa et al..., 2014)

The *goal of Samridhhi* is to contribute to sustainable well-being and resilience of poor and extreme poor households through economic empowerment. (HELVETAS Swiss Intercooperation, 2015)

The *objective of Samridhhi* is to strengthening the competitiveness of rural products, value addition at producers' level and the improvement of value chain performance through market systems development; enhancing the capacity of rural producers' groups or MSEs in business management and in the acquisition of financial capital; and strengthening local service provision through the capacity building of LSPs and their associations (the SPAs) through collaboration with government line agencies and private sector enterprises. (HELVETAS Swiss Intercooperation, 2015)

HELVETAS Swiss Intercooperation – Bangladesh realized the importance of community approach for the sustainable development of community and emphasized on the human and institutional development (HID) of the community based organizations (CBO) since the very beginning of its journey in Bangladesh. Through facilitating community based organization (CBO) and their networks the organization has solved many long term problems and social issues in the community. So HELVETAS is already experienced in organizing people to bring prosperity. (HELVETAS Swiss Intercooperation, 2015)

Realizing the problems of the individual producers, *Samridhhi* facilitated the Service Providers Associations (SPAs) and developed their relevant skills to contribute in the sustainable development of the producers. Through the intervention of *Samridhhi*; it was experienced that, producers get much financial and service related benefits if they are formed in a group which also empowered them to raise their voice against syndication and develop their skill in negotiation. Forming producers groups also literate them about business strategy, planning and to attracts more buyers and investors (e.g. bank, NGO, traders). How forming producers groups can help producers to get more benefit than individual producers are explained throughout this document.

In Bangladesh Sunamganj is a natural disaster prone and one of the poorest areas which is also known as slum of the poor. 20% of its population is landless and around 36% of the population is extreme poor. (News Letter, Sunamganj, 2006). Poor and extreme poor producers of Sunamganj are mostly involved in individual agriculture crops production and selling. As they are not organized so they deprives from the high transportation costs of individual buying of inputs and selling of products. They have less access of technical, business and financial services as well as quality inputs for production. Poor quality and quantity of products does not attract traders from the higher market.

Small and marginal farmers that constitute majority of farm population are constrained by different factors due to their individual effort. These farmers do not have either Farmer's Association or Farmer's Co-operative to bargain for fair prices of their produces. They are thus forced to sell their produces at low prices to intermediaries. (Mondal, 2010) So in this research researcher will try to find out the lack areas by analysing both primary and secondary data. Moreover on the basis of the analysis, components should be identified and added with the program that can make the concepts more advantageous for the target people in Bangladesh. And the final target of this research attempt to cover this area.

### 3. Methodology

The assessment was done in three steps like secondary research, in-depth primary assessment, and data analysis and reporting. These steps are visualized in the following matrix:

Methodology				
Step 3	Data Analysis & Reporting	Data Validation with relevant person	Data Analysis & Compilation	85% Desk Work & 15% Field Work
		Further necessary information collection		
Step 2	Primary Research	FGD with Producers Group	Individual Interview with LSP & Traders	100% Field Work
		Qualitative & Quantitative Survey		
Step 1	Secondary Research	Information collection from Secondary Source, review them and design questionnaire		Mostly Desk Work

### *3.1 Secondary Research*

Desk research was conducted with inputs collected from different secondary source (publications/reports) which was published by HELVETAS Swiss Intercooperation – Bangladesh and Oxfam. The objective was to gain first-hand knowledge on the individual producers and producers groups, their problems & opportunities and the development projects' approach on solving the problems. Some recent published case studies have also been used for in-depth analysis of unique and notable cases, e.g., those who benefited or not from the group producing. Addition to that consulting existing literature from textbooks, annual reports, news paper, program bulletins, company website, business articles related to agro producer from journals and magazines, internet search engines like Google scholar, research, conference, seminar papers related to group production and marginal producers were also analyzed for more justified result.

### *3.2 Primary Research*

A set of questionnaire (See Appendix) were prepared for different level actors to get focused responses; one for the producers groups, one for buyers/ traders (different level buyers / output market actors) and one for the service providers. Before collecting information from producer groups a list of producer groups were selected through random sampling considering the representation of 4 working Upazilas (4 Upazila like: Derai, South Sunamganj, Bishwambarpur, and Jamalganj) of Samriddhi project, HELVETAS Swiss Intercooperation with the assistance of field level staffs. And also determined the sample size of different category of traders/buyers and service providers.

Focus group discussion with producer groups (FGD): Focus group discussion was organized and conducted with 6 producers groups. The producer groups were selected from 4 Upazilas of Sunamganj district. The discussions focused on the number of producers involved in the group, human & institutional development related information, volume of the production, profitability and market demand and collection center. Moreover, the survey tried to assess other aspects, e.g. source of inputs, existing production technology farmers are using, availability of services, existing buyers, constraints of the production as well sale etc. On an average 10-12 persons participated in each FGD.

Key informant interview with traders/buyers: Different types of traders/buyers and service providers (LSP) were also interviewed. A total of 6 traders like egg collectors, bull traders and vegetable traders (piker) were interviewed. The discussion focused on number and types of buyers are involved with the selected value chains, profitability, market demand, supply according to demand major constraints of the business, their investment etc.

Key informant interview with Local Service Provider (LSP): A total of 7 LSPs (2 Business LSPs, 3 Livestock LSPs and 2 Vegetable LSPs) were interviewed. The discussion focused on role of LSP in the producers groups, assess to input and financial services of the groups, LSPs incentive, their future plan related to MSE, major constraints of the business etc

### *3.3 Analysis and Interpretation of data*

This report is prepared based on all the steps mentioned above. The respective officers of HELVETAS Swiss Intercooperation, Sunamganj Regional Office and the field workers of this assignment captured first hand experiences from the primary and secondary research. Then it was shared among the employees of regional and central offices (project head office). All information has been analyzed on the basis of different producers, service providers and traders (output market actors). The report structure was developed based on the information gathered from the field and secondary sources. Afterwards the draft report was shared with relevant officers and field level staff who were mostly involved in it to validate the information that were collected from the different sources to develop the study. Finally the report was analyzed and prepared through cross checking, validation and incorporating the feedbacks.

### *3.4 Limitations*

Due to the time shortage and seasonal transportation problem more field visits couldn't be organized. Also farmers/producers were busy for seasonal boro rice and vegetable cultivation, field harvest and other season based activities for which they were unable to give enough time. In some cases the interviewer couldn't field any interviewee at home due to the seasonal business. Addition to that, due to budget constraint survey has covered only Sunamganj district of Bangladesh which may not be able to demonstrate the whole scenario of this country.

Considering the facts the author of this assignment had to depend a lot on various secondary information and relevant documents/reports published by HELVETAS Swiss Intercooperation – Bangladesh and Oxfam GB Bangladesh.

## 4. Findings and Analysis

### 4.1 General condition of the producers in Sunamganj

**High transaction cost:** Generally poor and extreme poor producers of Sunamganj produce and sell agricultural crops individually as they are not organized, have less access to services and quality inputs, market information relate to higher markets and big traders. They sell their produces individually in the local level markets or from farm gate through collectors and the medium rich farm owners sell their products to the Upazilla level markets. But almost all the producers deprive due to the high travelling costs of individuals for buying inputs and selling products. Producers also deprive in getting higher price due to less bargaining capacity. The collection of products from individual producers cost much for transportation and time consuming for the traders as well.

**Abdul Ozud** is a duck trader. Previously he had to go individual houses to collect adult ducks and gathered the duck by fencing in an open place. After spending all day he could only collect less than half of his required ducks. That cost not only time for him but also a lot of money before selling them to the *paikars* who comes from different districts.

**Low quality of products:** Poor and extreme poor producers have less access of technical, business and financial services as well as quality input for production of crops and rear of animals. As they are disorganized hence they do not have access to the higher markets and big traders to sell their products directly. As the quantity and quality is not that much attractive for big traders and they have no plan to aggregate plans and bargain with traders. They sell their produces individually in the local level market or from farm gate through collectors. Some crops like medicinal plants and vegetable require techniques to keep them fresh, dry and free from dust. For example during the monsoon and winter season about 15-20% of Basak leaves and other herbs are damaged and the quality significantly deteriorates as the floor becomes wet/ muddy leading to low income for the producers.

**Lack of access to information:** Poor and extreme poor producers have very limited access regarding the market price of products in higher markets. They have no idea/plan for group buying and selling of inputs/ products, no access to physical infrastructure for aggregating product. Producers sell fish, vegetables and livestock product individually in the local level market or from farm gate and get lower price. Producers are not aware of market price and demand; there are lack of coordination between the producers, as a result the market demand, availability of goods and proper price fluctuates a lot which causes loss for the farmers/producers.

I am **Rekha Rani Das**, duck egg producer and ward member of Vatipara union Parishad under Derai upazila of Sunamganj district. With the facilitation support of Local Service Provider, I was involved with duck rearing MSE and my present income is average BDT 6,000 per month by selling eggs through collection center while before involving with the MSE it was only BDT 1,000 per month. I have improved my house from straw made to Tin made and have one sewing machine. I am happy to graduate my family from extreme poverty.

**Unavailability of services from government line departments:** Public sectors organization like: DAE, DLS, DoF, BFRI etc. are the government line departments responsible for providing services to the farmers/producers at the grass root level. But having lack of human resources they cannot pay their role properly. This causes poor quality and unplanned production by the producers which lead them to the vulnerability.

**Lack of capital:** Poor and extreme poor producers being involved in individual production and having insufficient capital to produce bulk amount are deprived usually. Financial product and service providers are not interested in funding marginal or individual farmers, rather a group of producers may interest them as it will be easier for the financial service providers to provide and collect instalments.

### 4.2 Rational of forming Producers Groups/MSEs

As mentioned earlier that the producers are depriving due to lack of access to the market related information and unplanned production, access to input, technical and financial services, product transportation and lack of bargaining capacity or problem of syndication. These problems can be solved by forming producers group and practicing different planning tools along with linking the producers with quality inputs, services and output market actors. To prove this, we will explain the relevant experience of *Samridhhi* project as bellow:

### 4.3 Organization (Producers Groups)

Vibrant and strong producers groups are the key instrument to represent the different demands and priorities of poor and extreme poor. These include mobilizing capital, attracting investment from private companies and



entrepreneurs, and creating access to various services. Organization play a role in enhancing competitive production and improving productivity, buying quality inputs, linking to output markets and lobbying at higher level for better terms and regulations. Traders, service providers and line departments see these key features of organized producers as less risky and more as opportunities for expanding businesses.

As we have seen previously that the producers are depriving by the traders and due to lack of knowledge, planning and finance. But the situation was overcome by the concept of work of *Samriddhi* project. The producers was organized in groups so that they can utilize their resources, make better plan, negotiate with traders, purchase inputs jointly to reduce the cost, etc. and make more profit.

The SPAs, through their LSPs, motivate the poor and extreme poor to form and organize into a MSE. They coach them in identifying VCs that have potentials for them. The system works in a way that, MSEs will inform the SPAs about their future requirements for support services. The SPA management will negotiate with the producers' groups to reach agreement on a price for the services to be delivered. A contract is drafted that covers a time period of several months. The SPAs also sign agreements with private sector companies for the provision of extension services to poor and extreme poor, and for commissions on input supplies. The SPAs support and facilitate capacity building of the LSPs in order to build their competencies and provide relevant services to the producers. This increases the willingness of producers to pay for the services of the LSPs. In other words, the MSEs pay as the services are of good quality and meet their expectations in terms of contents, delivery method and language.

The producers group also known as MSE by *Samriddhi* project is mainly organized by the Local Service Providers (LSP) consists of minimum 15 to maximum 30 producers (with some exceptions) who are producing same types of product (e.g. vegetable, bull, duck). Though the main role of LSP-Business was to form the producers groups, educate them about business plan, help them purchasing joint inputs and sell products, establish linkage with the input/output market actors including financial institutions, but now a day LSP-Businesses are changing their domain and involving more in technical domains. So the formation of MSE and service delivery becomes a general case for any kinds of LSP. Meaning, a LSP-Livestock can also form a MSE and provide holistic services.

The first step of forming producers group is to gather the individual producers of same group (e.g. vegetable, bull, duck, fish), convince them to form in a group which will benefit them in getting good price by decreasing production cost as well as bargaining with the traders and chances of getting access to finance. Than LSPs facilitates the members of the groups to prepare a group/MSE profile and production plan with estimated cost and sell.

The process that makes the producers groups healthy and sustainable is documentations that also bring trust and a strong vision for the future. The documents; producers groups mostly maintain is, group profile, businesses plan, contracts with different service providers, resolutions book, savings register (in some cases), etc. Each group sits for meeting twice or sometimes 4 times (during the season) in a month. Annually the groups also review their businesses plan and set a new production plan.

#### 4.4 Knowledge (Market Demand and Price)

It was found that the producers who do not have market related demand information are always deprived. Information related to market demand, future market trained, production facilities, finance, weather condition etc. helps the producers to plan their production for the coming seasons to make comparatively better profit. But mostly the marginal (poor and extreme poor) farmers miss this information as they are unaware, unorganized, uneducated and most importantly small in size.

In *Samriddhi*, LSP facilitate the producers groups to analysis and prepare group profile and production plan/business plan considering the suitable VC through a meeting once in a year. During the development of this plan, producers talk about their experience of past, knowledge of market, available resources and target of the production for coming season. Time to time the producers also review their plan. The producers by the facilitation of the LSP also identify the potential and relevant actors (both input and output) and plan the way to establishing linkage.

Once the production plan/business plan is prepared; LSP along with other producers groups, organize workshop between producers and both input/output market actors (seed/ fertilizer/ livestock seller, *paikers* and financial institutions) to share the business plan of the producers and interest actors to provide service, finance and contact to sell product. This is a good platform for all the actors to get to know each other and their services.

#### 4.5 Production and Marketing plan

Producers groups are organized in a particular product. Access to financial services, quality inputs and higher market without proper and adequate business management skills is insufficient for the producers. Financial investment in production of the producers needs to be guided by relevant business plans (Annex-2). The vision of collective action in forming and strengthening producers groups and their networks lies in good business plans and their effective implementation. As of June 2013, a total of 43% of all MSEs facilitated by *Samridhhi* were able to cover at least half of their financial requirements as per their business plans. This was an improvement compared to the 3,012 MSEs in January- June 2012. (Reza, Nath et al., 2014). Yet, not all MSEs see business plans as essential to their business – some just think that they are “nice to have”. This is one area that requires better facilitation.

Technical know-how also increases production and productivity of the producers. Technically sound and well-organized producers are better positioned to adopt improved/ new technologies and buy quality inputs. With the availability of sufficient financing, producers are willing to acquire and apply their skills and continue adopting them for more production and productivity.

**Goalgal bull fattening producers group** of Goalgao village under Salukabad UP of Bishwamberpur started its journey with 22 members in 2012. The group members receive support from the LSPs on how to prepare and implement business plans. They realized that the business plan would help them to make financial and production decisions. The members of the Management Committee that manages and leads the producers group worked closely with the LSPs who organized match-making workshops with traders, MFIs and banks. After the presentation of their business plan at the workshop the traders became very interested in funding the group, as a result most of the members was able to secure on an average BDT 20,000 from the traders and bought young animals.

Producers does not simply look for technical services only, they struggle in coordinating their activities and securing capital to support their businesses. LSPs who received training on business plan development and management helps producers identify; approach and negotiate with financial product and service providers using good business plans. Most producers have increased their income because they plan their production, marketing and organizational development.

#### 4.6 Access to Services

##### 4.6.1 Financial services

Most of the producers (P&EP) of Sunamganj have limited, lack or no access to suitable and adoptable financial services. As a result they depend on self-finance or expensive informal sources of microfinance (e.g. *mohajon*). This hampers their ability to actively participate in business and get benefited. They often sell their products to the traders at farm gate, from whom they borrow money for production. The low price than they get by selling products to the borrower does not lead them to invest in long term businesses. The producers who are not well organized do not have access to adequate and suitable financial services to buy inputs in bulk or sell products collectively. This increases their production costs and decreases sales price.

An assessment of different farm and non-farm VCs by *Samridhhi* confirmed that access to adapted financial products and services is one of the major systemic constraints for poor and extreme poor women and men. (Reza, Nath et al., 2014)

##### 4.6.1.1 MFI/Bank

*Samridhhi's* experiences demonstrate that collective action of producers increases the chance of getting access to suitable/adaptable financial services and their ability to negotiate with the service providers.<sup>3</sup> Financial service providers see the individual borrowers (P&EP) as risk to invest and costly to working with. This makes breaking the access and usage barriers difficult.

*Samridhhi* has engaged number of large, medium and small private sector enterprises so that they provide adapted financial products and services to the members of the producer groups to ensure the producers (P&EP) are able to get suitable products and services as well as the skills and knowledge they need to start or grow their enterprises. The project has identified and supported critical changes that facilitate access by reducing the cost and increasing the efficiency of financial intermediation with producers group, traders and individual producers.

*Samridhhi* engages market actors, producers and producers groups considering their incentives and capacities. The system that *Samridhhi* facilitates creates a win-win situation for both the parties.

- The incentive for MFI and Bank is increased outreach for portfolio growth through expanding clients with low transaction cost and risk.
- Incentive of the producers groups and their networks is increased potential for investing in competitive and profitable business; enhance productivity and production through buying quality inputs and adopting new/ improved technologies and practices.
- Incentive of LSP and SPA is, opportunities for providing holistic package of services (technical, business and financial); good source of income from multiple source of market actors; serves as capacity building in negotiation and engagement of different market actors.

LSP provides financial literacy, business planning/ management and market extension related services (establishing and strengthening producers groups) to the producers groups. The LSPs provide training and services to producers and producers groups to develop relevant business plans. The LSPs, together with the SPAs, facilitate sharing these business plans through workshops with potential MFIs, banks and traders.

#### 4.6.1.2 Traders

In addition to banks and MFIs, local traders and input suppliers have proved to be crucial source of financial products. Traders are mainly involved in buying products from producers. Input providers are in the input market and usually receive money from producers after the sale of the products (in case of Sunamganj). In some cases, traders and input providers have written agreements with producers groups. These contracts are facilitated by the LSPs. Traders and inputs providers know the communities that they work with, and they rely on the services of the LSPs. This helps them minimize information asymmetry problem and manage the loan portfolio.

Traders buy the products back from the producers. In case there are surpluses beyond the requirements of traders, the producers sell the products to other buyers. A duck egg trader provides ducklings to producers and buys back eggs; a bull trader provides young animals and buys back fattened bulls. Healthy ducks that lay good eggs and well fattened bulls that fetch good price require improved feed and vaccines. Input providers contribute to enhance the productivity of producers. This way, traders and input providers support the producers for expanding their businesses. The LSPs create competitiveness in the market that is dominated by loan providers.

**Bishwamberpur Bull Traders Association**, Biswambarpur, Sunamganj, provided 25 bulls worth of BDT 600,000 to 25 poor members of four producers groups. The producers and association share the profit equally after the sale of the fattened bulls. The association made written agreements with the groups. In case the animal dies, association will not ask the producers for refund. However, if the animal is stolen, the producers have to pay half of the price at the time of the agreement. The association also provides feed to the producers on credit and the producers pay back the money after selling the bulls. The association has also written agreement with Biswambarpur SPA for vaccination and treatment services to the producers. In this way both the association and producers gets benefit.”

#### 4.6.2 Technical Services

HELVETAS Swiss Intercooperation realized that the service needs of farmers in agriculture, livestock, fisheries and specially in marketing were not being addressed. Regardless the efforts of many organizations (GO/NGOs), services remained quite inaccessible to a large percentage of the rural population, particularly the poor.

##### 4.6.2.1 Local Service Providers (LSP)/Service Providers Association (SPA)

Considering the fact, HSI decided to promote local service providers and their networks among the advanced farmers who are living in the same community. HSI linked service providers with Government line agencies who trained LSPs and regularly coached them. Linkages were facilitated with private sector companies which also provided training on particular thematic issues related to inputs (vaccination, seeds, fertilizer, and crop protection) and production (e.g. animal nutrition, cultivation of medicinal herbs, etc). It was assumed that farmers will pay for services if the services are in good quality and meet farmers' expectations, and if it is available at the community level so that the poor farmers can attend training sessions as well as easily access to the services being the LSP is living in the community, and if the services are affordable.

Negotiations for service provision between LSPs and community members stimulated LSPs to consider charging for their services. LSPs started to sell their services in and outside their community charging a fee in cash or in kind. The services they generally offer to the community, includes mainly advices and technical training sessions such as dairy cattle management, fruit tree management, post-harvest technology, vegetable production and pest



management, bamboo grove and field crops (maize, rice, wheat) management or cultivation, provide vaccination and treatment to the livestock, poultry and fisheries, forming producers groups and help them with preparing business plan and profile following linkage establishment with the input and output service market. Formation of producers groups and linking them with the service providers latterly became embedded service by the LSPs as they realized forming the producers groups will not only help them to provide services easily to the farmers but also to attract the other service providers to provide services (input/output service providers) and benefit the producers by joint purchasing/selling of input/output.

By the end of 2012, a significant rise in the number of service providers charging fees had happened: from BDT 900 in 2004 to BDT 3,600 (60% of all LSPs) in 2012. (Martin, Naher et al., 2013)

When LSPs realized that there was an increasing demand for relevant technical and business services in their communities, they started to set up SPAs with the intention to better coordinate their service activities in communities. An association would also allow more effective promotion and expansion of their service offer to communities, and link with other resource organizations such as Government line agencies and Non-Governmental Organizations (NGOs). LSPs, organized in an SPA, can get easier access to information on innovation and technologies from line agencies and the private sector, which LSPs need to advance their skills.

Producers groups benefit from the services of capable and professional LSPs in making better financial decisions, accessing financial products and services, building assets, overcoming vulnerability and planning towards economic security. This is vital particularly for women- led MSEs who often face “sense of powerlessness” in dealing with financial issues. The LSPs support the business services (e.g. preparation and updating of business plans, facilitating market linkages) in addition to enhancing the strategic vision of producers' groups to grow, and become competitive and sustainable.

**I provided support to the producers groups to prepare business plan, preparing income and expenditure statement, arranged awareness campaign, linkage with MFI, market survey, linkage and negotiation with the traders for better price of the producers etc.** As a result every producers of the group is earning on an average BDT 1,500-3,000 per month. I facilitated duck producers group and their network of Fenarbak union and local egg traders for establishing duck egg collection center. My future plan is to provide more facilitation support for establishing permanent structure of collection center through which I shall earn more. I shall facilitate the feed supplying traders to make available of feed to producers during natural feed crisis period (monsoon). So that producers will be able to rear ducks all over the year. As a result, egg production will be enhanced and my income will be increased. - **Sibendu Talukder**, Local Service Provider (LSP), Jamalganj SPA.

#### 4.6.2.2 Government Line Department

Government line departments like: DAE, DLS, DoF, BFRI are the government organizations responsible for providing technical services to the producers of respective VC at the grass root level through their union based extension offices. But the fact is, due to the unavailability of human resources the agencies cannot provide adequate, quality and on time services to the producers. As a result the production remained poor in quality production.

Samriddhi facilitated the line departments through a formal MoU and developed a resource pull to organize tailored technical trainings considering the selected VCs for the LSPs and to provide time to time updated refreshers trainings and advices. After the training LSPs are actively performing in the field. In this way government line departments are also extending their outreach.

#### 4.7 Access to Input Market

##### 4.7.1 Private Companies/ Traders

Private sector enterprises benefits for collaborating with the SPA. Each LSP meets regularly with about 300 producers; one SPA has 40 to 60 members. That way they can reach out to a large number of producers through just one SPA, thereby drastically reduces their transaction costs. The SPA also sees good market opportunities and approach producers and private sector companies to invest in different VC. Some private companies have also started developing new LSPs. As the producers are organized and aware of latest market information, that creates a competition among the private companies as well to provide quality inputs. Sometime local traders also provide inputs during the time of production and collect their incentive either as a form of product or cash after the harvest. For instance, a duck or bull trader may provide quality duck eggs/ ducklings or young animals to the producers for rearing and collects their incentives after the ducklings started laying eggs or the bull are fattened

and sold.

#### 4.8 Access to Output Market

##### 4.8.1 Collection Center

A collection center is a transaction point of similar product (e.g. vegetable, egg, fishes) where mostly listed buyers and sellers (producers from the group) get together to transact. Collection centers could be open for some specific days of the week depends on the production of the producers and the demand of traders. A collection center is mostly started by a joint committee of producers and traders. The committee fixes the price of product based on the present market price.

It was also found that non-listed producers (non group members) can also sell their products at the collection center and gets the same price as group members. But then they are motivated to join in the producers groups.

There are 28 collection centers established in *Samriddhi* working area under Sunamganj. Among them 60% was established by private sectors along with producers and traders, and 40% was established by private sectors with their own interest. There are 5 categories of collection center established; such as, fish, duck, vegetables, plan craft and medicinal plant based on the sub-sectors.

Name of sub-sector	Number of Collection Center	Number of MSE	Number of producers
Vegetable	5	26	689
Fish	4	12	383
Duck Egg	11	78	1784
Medicinal Plant	1	6	160
Plan Craft	7	28	771

#### Case study on Duck Egg Collection Center

10 of the 11 union based Duck Egg collection centers have been established by traders and producers networks. We are taking the specific case of **Soyhara duck egg collection center** for our study. The center was constructed at the bank of a river for the easy transportation and with a view to collect eggs from producers groups and deliver to traders. The collection center is managed and operated by a seven members management committee consisted of two producers groups representatives and five local traders. The management committee provides few free services; collecting market information, keeping records, making negotiation with traders, repairing collection center etc.

**Producer's benefits:** Each member received additional benefit BDT 1.00 more for one egg due to the services of collection center. In 2011, 225 producers under 8 MSEs received benefit which increased to 402 under 16 producers groups in 2013. In addition, in 2011, about 500 non-member producers received benefit from the collection center which increased to 2,000 producers in 2013. Two full time employments were created for two extreme poor as egg collectors who earn daily BDT 300.

Particulars	2010	2013
Price (BDT/egg)	6.00	7.00
Volume of egg (No of eggs/year)	300,000	1,300,000
No of traders	5	5
No of MSE producers	113	402
Non MSE members		2000
MSE	7	16
Producers additional profit Tk/egg		1.00

**Shalley Rani** is a duck egg producer of Soyhara duck egg producers group, says "Before establishing the collection center, I could sell 35 duck eggs per week worth of BDT 175 which was a very poor price considering the market rate. But after the establishment of collection center, I am selling 84-98 duck eggs per weekly worth of BDT 756 to BDT 882. Due to the establishment of collection center, within 3 years, I was able to increase the number of ducks from 7 to 20. Bringing eggs to the collection center increased my BDT 1.00 per egg.

**Trader's benefits:** Traders are receiving additional benefits from collection center due to less transportation cost and availability of high volume of eggs. After one year of establishing collection center, each traders increased additional income BDT 123,000 and after 2 years BDT 263,000.

The initial establishment cost of the infrastructure of the collection center was BDT 14,000 where traders contributed 79% and UP contributed 21% of the total cost. In addition, in 2012, traders also contributed BDT 22,000 for earth work and repairing the shed of the collection center. Now, the traders are providing additional BDT 0.10 per piece of egg to the management committee as commission for; maintenance of the collection center, payment for egg collectors, transportation of eggs from producers groups to collection center, service charge of LSP-Business etc.

**Maharaj Talukder** is a Trader and President of collection center management committee says, "Before establishment of the collection center, I had to go to individual houses and spend a lot of time, labor and transportation cost but finally I could collect only 4,000-5,000 eggs a week. Now through the collection center, I can purchase on an average 20,000-25,000 eggs a week without visiting door to door. I have provided advance BDT 160,000 to 100 duck egg producers (group members) as credit for rearing ducks that will be refunded by exchange of eggs."

**LSPs benefits:** LSP received a field based practical training on business plan (ME, MSE and business plan) and technical training from DLS. In 2011, Jamalganj SPA formed 8 producers groups for increasing production and marketing of eggs in Fenarbak union involving 225 producers. Overall LSP's service market expands and increased income.

Particulars	2010	2013
Vaccination support to both group & non-group members	125	2402
No of ducks	625	16,000
From vaccination, LSPs profit/ income per year	625	32,000

**Sibendu Talukder** is a Local Service Provider (LSP) under Jamalganj SPA says; "My monthly income from collection center is average BDT 1,000-1,200 per month through providing services to the collection center management committee like support for developing of business plan, accounting management, linkage support with higher market. Other than that I receive a good income from the duck vaccination support to the producers."

#### Success factors of collection center

**Business plan:** Having a relevant business plan and sharing of business plan between producers and traders is one of the key success factors of collection centers. When producers groups and traders sit together and share their existing situations especially product volume, quality and prices, both parties become flexible and come up with new options. Traders offer more price and demand to purchase a specific quantity of products from a suitable location. Accordingly producers group develop joint action plan with other groups in order to fulfill the demand of traders. Even the producers groups also review and expand production plan and opportunities.

**Holistic Services:** A large number of Local Service Providers are technically more skilled and competent than business and financial areas. This includes developing their institutional capacities to ensure increased bargaining power of producers at higher levels. The core business management and financial skills include:

- Conducting cost-benefit analysis for potential investments
- Establishing horizontal and vertical linkages with market actors
- Developing negotiation skills for ensuring access to input and product markets
- Understanding alternative methods of purchasing, such as group buying and contracting
- Establishing an effective market information gathering system and analysis skills
- Developing cash management alternatives
- Developing awareness and negotiation skills on competitive interest rates, loan repayment terms, and collateral requirements

**Engaging Private sectors:** The major two operating expenses of collection centers are land and shade house. Land is donated by traders or producers. The cost of shade is born mainly private sector organizations; producers, LSPs or traders and companies. About 12 collection centers have been established with the private sector organizations through co financing. Private sector organizations invested about 60% of the cost. Considering incentives, relevant private sector organizations invested 100% cost for establishing additional 9 number of collection centers by themselves.

**Cost and contribution for establishing collection canters**

Value Chain	Total cost (Taka)	Project share	UP	Producers Groups	Local traders	Private Sector
Medicinal plants	130,000-150,000	20%		5% (Labour & Materials)	10 % (Labour & Materials)	65% (ACME)
Fish	80,000-100,000	32%	5% (Land)	11%	52%	
Duck	60,000-70,000	20%	1% (Earth work)	47%	32%	

**Evolving Public Sector:** Public sectors like: DAE, DLS, DoF etc. are the government line departments responsible for providing services to the farmers/producers at the grass root level. But having lack of human resources they cannot pay their role properly. Through developing the LSPs they can deliver their minimum services to the expected community.

**Location of Collection Center:** Site selection plays an important role for proper functioning/ sustainability of a collection center. Collection centers have been established considering some criteria; organized group/ MSE, good road communication, link with high ways, etc. Traders especially *bepari, pikar, farias* have good linkage with these collection centers. There are many MSEs surrounded by the collection centers. A few collection centers are situated in the small market place but have good road communication and some are in rural community areas where market is 2-3 km far away from the collection center.

4.8.2 Traders in local and national market

Places where no collection center could established, producers groups with the help of LSPs either organized workshop with the local traders and traders from the higher market and shared their business plan or directly contacted with the traders from of the local and higher market to negotiate price and to inform the traders about their production plan.

Once the contact and negotiation established the traders schedule a visit and brings track/vehicle with them to collect their expected amount of products. The traders mostly pay the producers at the time of collection of products. The price of the product is generally settled during the negotiation, but producers keep seeking market updates from different markets through mobile phone.

After making a few deals with a specific trader, when both the producers and traders started to trust each other, than the traders just send their transportation and money to the producers and producers loads the vehicle from their side.

#### 4.9 Opportunity for women producers

Women are mostly involved in reproductive activities at homestead level in rural Bangladesh; besides, they are also involved in several other activities which could bring cash in their home if they were produced playfully and marketed through proper channel. Products like: vegetable, poultry (especially duck for Sunamganj), crafts (e.g. bamboo crafts, cane, and sewing) and medicinal plant are few of the productive activities that women are always involved in at homestead level.

In rural Bangladesh women are mostly not allowed to go to market and or not to sell their prepared products. This huge gap and wasting of such scope to contribute in the national economic development was unseen until the development sectors started working for the women rights and empowerments.

However, *Samridh* focused of this issue and facilitated to bring the women producers at front line. In Sunamganj, women producers were found mostly women friendly IGAs like duck rearing, joint vegetable cultivation, crafts production, bull fattening and medicinal plants production. As the situation couldn't be overcome overnight so at the beginning the women producers groups involved a few male members in their group mostly to take them to the market to get easy access. Women were also found representing in the Business Management Committees (BMC) of heterogeneous producers groups.

Few years after the wedding of our only daughter my husband became older and sick. Since then I am the only earning member of our family. Being an old and female citizen of the village I could barely find some suitable job to earn some money to feed my husband. Then I involved myself in the duck rearing as it is the most suitable IGA for women and for an old person. But the problem was duck mortality, less production (e.g. egg) and poor price of egg which always pushed me back to the extreme poverty.

In 2010, I along with 32 other duck egg producers formed Dattagram duck egg producers group. The group was organized and facilitated by a Business-LSP name Monoronjon Das. Through the formation of group, I learned about the benefits of duck vaccination, complementary duck feeding and marketing of joint duck eggs. At the beginning I had 15 ducks which I now increased into 90 ducks. My income increased to BDT 250 from BDT 30/40 per day.

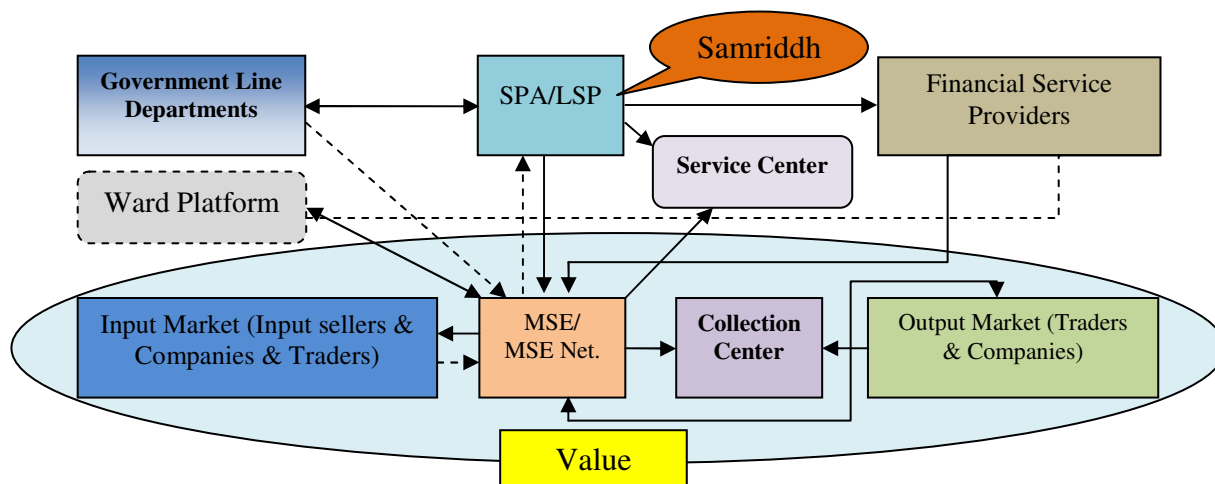
**Shita Rani Das (60)**

Member, Dattagram Duck Egg Producers Group

It was found that microfinance institutes and traders are more interested in providing credit to women than man as women are easy to find in home for the collection of installment. So this is already an advantage for the women producers to start joint production.

To bring gender sensitivity and create gender friendly environment in producers groups, *Samridh* introduced several approaches and exercised gender tools (Participatory Gender Analysis – PGA) at groups and their networks level.

#### 4.10 Actors Relationship Map





#### 4.11 Challenges

##### 4.11.1 Organizational Level

Without continues support from LSP the structure of the group and all the good practices (documents and savings) destroys but the members still gets the benefit that was created due to the value chain work of *Samriddhi*.

Without a good organizer/educated volunteer in the group who could facilitate the group to conduct meeting, writing resolution, collect savings and open bank account; the members doesn't do any of this.

Production forecast through preparing business plan and communicate accordingly with the relevant actors by the producers themselves (producers groups) without help of LSPs is still a big challenge.

##### 4.11.2 Financial Level

Even though the producers groups are involved in business related to different VC and already received the benefit of unity, still they are lacking of their own fund. Most of the producers groups do not have a group savings and a bank account which could help them in future to reinvestment in their business and not depend only of MFI, Bank and Traders.

In case of Sunamganj, traders are more actively playing in the VC and providing inputs to the producers as a credit which will be refunded by the producers after harvesting their product. But this is an informal way of borrowing money, and that always creates a chance for the traders to insist producers to sell products only to the traders who invested in. In this way there could be a chance of producers deprived by the traders.

In case of Sunamganj, formal financial products and services are still an area to be improved.

Organizing sells demand, delivery and most importantly profit sharing of the joint/group selling by the producers themselves without help of LSP is still a challenge.

#### 5. Conclusion

The study was set out to explore the existing problems of the producers and how it was minimized through formation of producers groups by the facilitation of a project called *Samriddhi*. The study has also sought to know how an organization can play the vital role to coordinate a win-win situation between the stakeholders and producers. It was found that a good and educated facilitator plays the role of an anchor in the groups of the producers. Input & output market actors, financial & technical service providers, and government line departments are interested in organized groups to extend their business and service than individual producers. Women producers who were unseen by the economy can be very much productive by involving in a group. The general theoretical literature on this subject and specifically in the context of Sunamganj is inconclusive on several vital questions within the diversification discourse.

#### 6. Recommendations

**Role shifting:** It seems that LSPs role in the success of producers is unpronounced but is the main role played. LSP need to shift at list the HID related part of the group and self-confident the group members to work independently. LSP can bring new ideas and new market opportunities and establish new linkages for which producers groups could also pay to the LSP.

**Group Savings:** Self finance or having own fund is a vital source of strength of the producers as well as a strong pillar of the success and sustainability of a group. The producers group should be facilitated and trained to practice group savings, document it properly and open a joint bank account.

**Bring more formal institution to invest (financial service):** Though traders and playing more active role by providing inputs to the producers in credit for which extreme poor and poor producers are able to do their business. But to minimize the risk of "Traders become syndicate", more thrust should be given to interest the MFI, Bank and NGOs to be involved in providing microfinance to the producers.

**Business plan & profile of the producers group:** Though almost all the groups have developed their group profile and business plan and receiving benefits form it by sharing with different service providers, stakeholders and market actors still not all producers groups take it as serious as it is. Most of the producers think "it is a nice thing to have" but they do not know what they have inside this paper..

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