

SATNET electronic discussion no. 1

What are priority agricultural products in your countries already traded internationally or intended for international trade?

2 – 30 June 2012

Background

The Trade and Investment Division (TID) of UNESCAP, one of SATNET's partners, is planning to conduct diagnostic studies on trade facilitation in five countries, namely Bangladesh, Cambodia, Lao PDR, Myanmar and Nepal. Part of the process, and one of the immediate actions agreed during the SATNET Inception Workshop in March 2012, is to identify priority agricultural products to facilitate trade in South and Southeast Asia. The objective of this online discussion was to help TID identify such products, which include food, agro-products and crops. The idea is to study the most problematic, strategic and most exported products so that trade facilitation measures could bring maximum impact. Nine SATNET members, representing Bangladesh, Cambodia, India, Lao PDR, Myanmar, Nepal and Pakistan, participated in the discussion and shared information about the priority agricultural/food products in their countries. Such products included those that are already being traded internationally as well as those that face bottlenecks in one or more of the following areas: trade procedures, trade logistics, product standards and compliance, and trade finance.

Country statistics

In Bangladesh, agriculture remains the most important sector of the national economy. Agriculture contributes about 20 per cent (2010-11) to GDP. It absorbs 45 per cent of the labour force. Agricultural products are mainly consumed domestically and a small portion is exported. In Cambodia, agriculture is a key sector in the economy. It accounts for about 35 per cent of GDP and engages 80 per cent of the economically active population. In India, agriculture exports constitute about 15-20 per cent of the total exports by India. Agriculture imports constitute about 7-8 per cent of the total imports. Agriculture imports have grown at a steady rate of around 24 per cent until 2003-04. Import of pulses and edible oils have shown considerable increase in recent years. In Myanmar, agriculture contributes 36.4 per cent of country GDP.

Priority agricultural products

In Bangladesh, the main agricultural export products include **jute, fish, tea**, vegetables and prepared foods. Bangladesh also produces some horticultural commodities such as banana, pineapple, mango, guava and plum that hold potential for export.

In Cambodia, firstly, it is important to differentiate between agricultural products that are produced and traded mainly by small-scale farmers and those that are produced and traded mainly by private large-scale plantations. Cashew nuts and cassava are mainly produced by small-scale farmers while rubber is mainly produced by large-scale plantations. According to FAO, the three main agricultural products produced nationally include **rice, cassava and maize**, both in terms of value and quantity. The three main agricultural products exported are **soybeans, natural rubber dry, and rice milled** (in terms of value) and maize, soybeans and rice milled (in terms of quantity). Apart from these, other agriculture products which are already traded or intended for international trade include: black pepper, coffee, tobacco, groundnut, sogo and lotus seed, red bean, black and white sesame, tapioca, palm sugar, wild honey, fruits and vegetables. In Ratanakiri province in Northeast Cambodia, where one of SATNET's participants works, the main agricultural products produced and traded include: rubber, cassava, whole cashew nuts and soybeans. Information on production volume, traders and markets is available on [the website of Cambodian Trade Promotion Department](#). However, there is some concern that this information is out of date since in reality, there are more rubber producers than the

one listed on the website. The main market for cassava, cashew nuts and soybeans is Viet Nam. Rubber is exported to China, Singapore and Malaysia. Production of rubber in Ratanakiri is envisaged to increase significantly in the coming years as more rubber plantations are being initiated in the province.

In India, exported commodities that bring the highest value include **milled rice, cotton, soybeans**, buffalo meat, tobacco, tea, cashew nuts, maize, groundnuts and chillies. In terms of the highest value per unit, the top commodities are **dried mushroom, cocoons, vanilla**, hazelnuts, pistachios and almonds.

In Lao PDR, the three main agriculture products produced nationally are **rice, fresh vegetables and maize** in value (the last two being inverted if we rank them by quantities). In terms of export, the top three products are **coffee (green), maize and sesame seeds (value ranking)** and **maize, coffee (green) and groundnuts (with shell)** if we rank them by quantities. Other products include livestock and different kinds of vegetables. In Attapeu province in Southeast Laos near the Cambodia and Viet Nam border, where one of SATNET's participants operates, huge rubber and sugar cane plantations have recently been settled and these commodities are envisaged to become major export commodities in the coming years. The sugar plantations, representing several thousands of hectares all together, apparently belong to the same group called 'Hoanh ang gia lai group' (Vietnamese state-owned group). This group also owns a sugar processing industry in the same area, which indicates that refined sugar is to be exported soon, maybe to Cambodia among other countries as refined sugar is the main imported commodity both in quantity and value. This is for the agro-industrial side. In terms of small-scale agriculture, farmers are not well organized to trade their products and are still mainly involved in subsistence agriculture. Some farmers trade some livestock (cattle, goats, horses) to Viet Nam, but this activity remains small-scale. Non-timber forest products (NTFPs) such as bark and bloom grass, have been traded significantly for export by small-scale farmers, but unfortunately this largely encompasses valuable timber. There is concern this that might soon stop as there is almost no more valuable timber in Attapeu forests.

In Myanmar, the main export products include **rice** for the African market; **pulses** such green and black gram and pigeon pea for the Indian market; **oil crops** such as groundnut and sesame for the China market; livestock including live goats for the Middle East and Malaysia; and fisheries products for the European market.

In Nepal, the priority agricultural products traded internationally include **large cardamom, tea, coffee**, citrus fruits, zinger, fresh vegetables and medicinal plants. The full export potential of these commodities is yet to be harnessed. Tea, fresh vegetables and medicinal plants have the highest potential to be traded internationally. Due to niche climate, the product quality is good. Furthermore, efforts are being made to produce pesticide residue-free agro-products by using mixed culture of beneficial microbes called "Jeevatu". Pesticide residue-free fresh vegetables currently fetch good prices in the Dubai market.

Bottlenecks related to international trade

In Bangladesh, there is a very limited number of agro-processing industries in the country, however, the number is increasing every year. Other bottlenecks include the sanitary or phytosanitary (SPS) measure applied by importing countries and the high cost of air freight that limit the growth in exports of vegetables and perishable products.

In Cambodia, the main bottleneck is that quality standards and certification are not enforced. There is also a lack of processing and packaging facilities. As a result, products are sold quite raw. No significant constraints are experienced in logistics. The export market of Ratanakiri is very close since the province neighbors Viet Nam (main buyer of cassava, cashew nuts and soybeans) and the road is in good condition. However, from producers' point of view, there is a 'quasi monopoly' of trading companies in the cashew nut trade and potentially in the cassava trade (to be confirmed).

In India, the major challenges to exports arise from conflicting domestic policies related to production, storage, distribution, food security and pricing concerns. Higher domestic prices in comparison to

international prices for products such as sugar, wheat and rice make exports commercially less viable. Some of the internal bottlenecks have been wastage (nearly 30 per cent of fresh produce is lost in wastage); lack of direct linkages between producers and markets; low value addition at the primary/producer level; neglect of rural markets (located in the interior areas and numbering between 21,000 to 47,000 in India), which are the first point of contact between the producer and buyer; poor infrastructure (storage and transportation) especially in rural areas; and lack of strong linkages between wholesalers and producers.

In Lao PDR, it is quite difficult to identify bottlenecks since they can be different in each province. From the small-scale farmers' point of view they include standards, logistics, and financial and/or procedural factors. In Attapeu province, the first bottleneck has a social nature. Its population comprises ethnic minorities, many of whom were, until recently, semi-nomadic slash-and-burn farmers who largely depended on NTFP for subsistence and who have been convinced by authorities to settle during the last one or two decades. Local populations are simply not involved much in the trade economy as yet. However, if these minority farmers were able to organize themselves, one of the first bottlenecks they would likely face (at least in a certain number of villages for now) is land access. Indeed, land that used to be plentiful thanks to the low population density is now inaccessible for an increasing number of small-scale farmers as a consequence of the economic land concession process that is occurring. The main investor in the area – Hoanh ang Gia Lai – does not seem to be facing any bottlenecks. The company itself is financing road construction to transport their products and electrification infrastructure up to their plantations and industries.

In Nepal, the main bottlenecks include the need for wider dissemination of eco-friendly, sustainable, cost-effective agricultural technologies, lack of a pesticide residue-free certification facility, trade procedures, trade logistics, product standards and compliance, and trade finance.

In Pakistan, there are concerns related to institutions. There is a need to streamline the "rules of business" by establishing institutions that could address the need for standardization of various agricultural products. Each country's or region's requirements are different. Thus, agricultural trade institutes must be educated and trained in new scenarios. There is also a need to educate farmers and policy makers about the reasons for promoting the growth of certain crops or discouraging others. For example, why do we need to grow sugarcane or rice that consumes so much of water in the context of water scarcity in Pakistan? Such products should be imported and the area that is saved from these crops could be used for value-added crops such as fruits or vegetables.