

3rd General Stakeholder Meeting

Access to Export Market

26th June 2008 (Thursday)

Venue: Conference room, Katalyst

Participants

SL	Organization	Participant
1	Bombay sweets (Pvt. Sector – Agribusiness)	Mr. D.D. Ghosal
2	Aurora (Pvt. Sector – Leather industries)	Mr. Shahidul Huq
3	MDF	Mr. Rajiv Pradhan (Chair & Manager C&C, Katalyst)
4	MDF	Mr. Tahsin Akbar
5	GTZ	Mr. Afsaruddin Ahmed
6	Katalyst	Ms. Tasaffy M. Hossain
7	Katalyst	Mr. Fahad Muneem Rahmatullah
8	Katalyst	Mr. Abdul Awal
9	IFC – SEDF	Mr. Md. Lutful Kabir
10	PRICE	Mr. Md. Raihan Sadaat
11	JICA	Mr. Md. Anisuzzaman Chowdhury
12	BASC	Mr. Manzure Aziz
13	Intercooperation	Mr. Gias Uddin Talukder
14	Practical Action	Ms. Nurun Nahar
15	Practical Action	Ms. Delwara Khanom
16	RTM- International	Mr. Md. Irfanul Hoque

The day started with the introduction of the two presenters. The first presenter of the day was Mr. D. D. Ghosal, Head Of Marketing, Bombay Sweets Ltd. who have worked with a development agency (Katalyst) on issues with accessing the export market.

A. Bombay Sweets Ltd: The presentation started with a brief on the background of the company along with the products that it markets.

Current Market Scenario: Bombay Sweets is currently marketing their products only in Bangladesh. The products of Bombay Sweets, which are exported, are exported by the individuals. The export initiatives are not taken by Bombay Sweets. This is creating following problems for Bombay Sweets.

- The exported products are bought buy the Bangladeshi expatriates. Since Bangladeshi's are buying, Bombay Sweets would not like to term this as actual export to foreign buyers.

- The products which are exported are not packaged for export. Export products need special packaging for longer shelf-life, more freshness/ crispiness of the products etc.
- Products are not dispatched by the proper exporting authority. Bombay Sweets can not control the distribution of the products in overseas market.
- Sales service for any FMCG products is essential. But Bombay Sweets cannot offer sales services for their products in export destination.
- Separate types of raw materials are required to make the exporting products, which are not available in Bangladesh.

Challenges- Backward linkage: To make export quality products, Bombay Sweets needs to have raw materials in adequate quantity and quality. For this reason, Bombay Sweets requires,

- Since the company is currently going into contract farming with the farmers, the inputs (fertilizers etc.) are bought by Bombay Sweets and given to the farmers. But being a commercial company, Bombay Sweets cannot get subsidized prices for the inputs which would otherwise be available for the farmers directly at a lower cost.
- Though the government is encouraging financial endowments for the farmers, these are not accessible to the farmers for i) the govt. lending institutions do not have adequate logistics arrangements; ii) private banks are not coming forward with these products as their own products yields better return for them; iii) What private lending institution's definition of SME and subsequent amount offered to them (minimum 3 lacs) is not realistic for the farmers.
- For export quality products, Bombay Sweets require seeds to be imported. But i) regulations prohibit them to acquire these ii) they cannot produce the seeds themselves locally eg. China would not sell seeds for further production of seeds. China would rather give finished products or seeds for immediate cultivation only.

Bombay Sweets pointed out some areas to do with export-related issues where development agencies could work on:

- For any market, particularly for FMCG products, extensive market survey is required. The market research has to be a continuous project, rather than on a 'one-off' basis. FMCG companies like Bombay Sweets requires help in this area for entering in to export market.
- Local market demand of Bombay Sweets' product is quite high. If Bombay Sweets right now focus extensively into export market, the local market may not receive enough supply to sustain the present demand. Going extensively on export without increasing the present production capacity, may result in loss of current local market. This is one of the reasons why companies like Bombay Sweets are not focusing on export market.

- There are certain products of Bangladesh which have great potential as an input for an export product if they can be produced in good quality and quantity. For example, palm oil can easily be produced in the environment in Bangladesh.
- The cultivable lands are reducing every year. Development agencies could raise this issue to the government.
- For better productivity, every agri-business conducts research and studies. Often same studies are being done by several companies. The findings of these studies are not shared among the companies for gaining competitiveness. A mechanism should be in place which would ensure the research results are shared among the companies but would not curtail anyone's competitiveness.
- The cost of capital from banks is too high for the farmer as well as for the companies.

Opportunities:

- There are some products which are either not available throughout the year (eg. ground nut) or do not have required categories (eg. potato) for export products. But these products can be produced in Bangladesh throughout the year or produced along with regular varieties (for example, processing quality potato against table potato). Development agencies can help to seize this opportunity (sourcing processing quality potato seeds or producing groundnut in 'Hatia' or 'Bhola', where year round production is possible).
- Private sector companies operate on 'moving average', while the farmers are paid based on 'Year end average'. If moving averages are considered as the basis of payment, this would actually benefit both the companies and the farmers.
- There is an opportunity for exporting in India (neighboring states), if proper policy is initiated and implemented then Bangladeshi products will have a market over there. The logistical cost for sending products to India from Bangladesh is much lower than moving products from one place of India to neighboring states of India.
- Even the little price escalation of products can be consumed by the companies. By helping the farmers in supplying the input materials would ensure the companies of proper supply of raw materials in the required quality even if they increase the cost of production by little margin.

B. Aurora Ltd.: Mr. Shahidul Huq, Managing partner of Aurora Ltd., who has not worked directly with any development agency, started the presentation with his own background and his company's formation as well as the products that his company produces and exports. From his presentation, he pointed out some of the major problems faced in the leather sector:

- *Design and development:* There are shortcomings in leather industries for developing designs for leather goods. The graduates of the Leather Colleges are technically sound. But as they are not exposed to the end-users' demands, it is difficult for them to design "in-demand-products".
- *Financial:* For exporting leather goods as a fashion item and to secure a market, regular participation in exhibitions, fairs, forums and seminars is essential for the leather goods manufacturers. But for a SME, this is a huge financial burden.
- Tax incentive is offered to the exporting companies by the government, is often not accessible to the SMEs mainly due to bureaucratic reasons.
- *Backward linkage:* Tanneries and finished leather goods producers are not linked well. For export promotion, leather product manufacturers require several types/ colors of leather. Though the tanneries are able to produce these in small quantities, they are not willing to support the leather manufacturers by supplying these materials.
In addition, as the raw materials (semi-finished leather) are exported, tanneries find it better and easier to export the raw materials rather than supplying them to the local leather goods manufacturers.
- *Marketing:* Leather product manufacturers are currently looking into all the aspects of the business. For this reason, even if they have capacity to meet the demand for produces, the lack of skilled people in marketing, fails the industry to attract foreign buyers.
- *Dependency on overseas buyers & seasonality:* As there are hardly any markets for leather goods in local areas, the companies have to rely on the overseas buying houses for their products. Moreover, the products are currently exported, depending on seasonal demands only i.e. Christmas or in new years. This on and off seasonal cycle is hampering the leather producers to maintaining a steady cash flow and also affecting their market access.

Mr. Huq, sought help from development agencies in following areas,

- *Production:* There are some advanced machineries in the Leather College, using which leather manufacturers can make samples. Development agencies could pursue them to allow manufacturers to develop samples. In addition, these advance machineries lack skilled professionals for operating them. Development agencies could take up initiative to train them.
In addition, development agencies could work on creating a linkage between manufacturers and the tanneries.
- *Marketing:* There are some trade houses in Europe who could buy from the Bangladeshi leather goods manufacturers. But to initiate the relationship or to pursue them, development agencies' help would be appreciated.
- *Finance:* Development agencies could help the leather goods manufacturers to arrange soft loans.

Mr. Afsaruddin Ahmed, Senior Business Advisor, GTZ also presented the work of GTZ in assisting the leather industries.

- GTZ extended support to the Leather Sector Business Promotion Council (LSBPC) to improve the capacity for technical training in design and pattern making in leather goods industry.
- Organized workshops to exhibit the developed product to buyers.
- Marketing the product to both local and international domain to promote the export of non-traditional items.

GTZ undertook the following activities to develop capacity of leather manufacturers.

- Sourcing designing specialist to produce product of demanded trends in the export market.
- Creating awareness of current trends in handbags.
- Product development through producing various models.
- Training of design staff members.
- Training on material selection.
- Development of promotional materials such as brochures etc.
- Marketing in export destinations.

GTZ's intervention activities

- Two employments of overseas designers for improving design, assessing viability, raw material survey, equipment and infrastructure and selecting factories.
- Orientation and training program for manufacturers of leather and combined materials for 9 manufacturers.
- Helping companies by training them in pattern and prototype production.
- 18 handbags were made through this process and a brochure was made for promoting these items.
- Production and distribution of these brochures were made to potential buyers.
- A day-long fair inaugurated by the Secretary of Ministry of Commerce was arranged at Dhaka to promote the leather products.

Discussion:

- The participants have agreed that better product quality would ensure better access to export market.
- Development agencies need to work closely with the private sector for overall development.
- Private sector representatives would not get help directly from MDF. But private sector may use this opportunity to know the development agencies and development agencies also need private sector's assistance in pursuing their own goals. MDF is a platform which could allow the two parties to understand each other better.