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# FACT SHEET

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## USAID Firms Project Agriculture Markets Reform Program

Geographic Focus	Punjab, Sindh, Khyber Pakhtunkhwa (KP) & Balochistan
Implementing Partner	Chemonics International Inc.
Start Date	March, 2010

### Introduction:

The agriculture marketing regime in the provinces (with the recent exception of Sindh) reflects the traditional paradigm of a single market channel dominated by inefficient public sector markets. It is a commission-based system that is inherently supply driven and orients players towards volume of produce and not towards competing for customers through better quality and service (i.e. demand driven). Reforms are necessary to provide for dynamic, growth-oriented and efficient agriculture markets that incentivize growers and ensure a fairer deal for consumers. This can only be achieved by creating regulatory space for the private sector, encouraging private investment, allowing for alternate trading platforms and niche markets to arise. Along with promoting competition, a reformed regulatory regime would cater for standardized market operations, reduce cost of doing business and provide even-handed and efficient overseeing arrangements through an independent marketing board comprised of representative stakeholders.



Woman vegetable vendor at the market

### Sector Constraints:

The horticulture sector has not been able to realize its full potential as the system of notified areas and market committees stifles competition, puts power in the hands of middle-men to the detriment of growers and consumers alike.

- The entrenched commission agents in the markets enjoy high margins against negligible services and as market committees are not representatives of stakeholders, infrastructure is in a poor condition, standards are unenforced, produce is ungraded and of mixed quality, wastage is widespread and absence of proper market design leads to long waiting lines.
- Revenue collection is centralized in a Government controlled fund, which is empowered to use it for staffing and allocation between markets that creates distortions as relatively efficient operations end up subsidizing backward markets and over staffing is created. Part of the revenue comes from fees unfairly imposed on outside processors (e.g. rice and sugar mills) even though they do not use these markets, nor get any services in return.
- The prevailing trading mode is through auctions, that cuts the link between growers and retailers thereby vitiating valuable feedback loops as growers would otherwise improve farm management after receiving inputs from retailers.
- Agricultural marketing should focus on quality, cold chains, market segments, business opportunities, value, hygiene, freedom from contamination, contracts, information, linkages, packaging, distribution, transport, labeling, etc.

- A competitive marketing system would allow space for the private sector and encourage value chains catering to specific market segments; for example in an efficient regime, fresh produce (like apricots or apples) would be prepared and shipped differently for open public markets than high end grocery stores.



**A typical horticultural market scene**

#### **Interventions:**

The USAID Firms Project has worked with the provincial governments of Punjab, Sindh, KP and Balochistan to create a new policy paradigm and regulatory structure for the horticulture markets. As a result of these reforms, the systematic restraints on marketing of agriculture produce through Government notified areas and market committees are to be eliminated and market distortions removed.

- There will be no 'notified areas' or market committees, and if any, will be abolished.
- Existing wholesale markets run by government market committees, will be turned into corporatized entities managed by professional boards.
- Freedom of marketing will be recognized, enabling private sector markets to be set up in the form of wholesale markets, farmer markets, collection points and consumer/retail markets.
- Instead of the single market channel, multiple linkages will be created among growers, retailers and consumers across the value chain.
- An agriculture marketing board will be set up consisting of representatives from the private sector, academia, growers, retailers and the government to promote standards in the industry and provide public goods (information, training, linkages).

#### **Results and Expected Impact:**

- Agricultural Marketing Legal Frameworks have been submitted to the governments of Sindh, Punjab, Balochistan and Khyber Pakhtunkhwa and have been accepted in principle by all the concerned provinces.
- These and other interventions are expected to achieve the following results by December 2014, and achieve buy-in from the provincial Governments and stakeholders across the value-chain for approval of the following policy principles, and where possible, reflection of these principles in primary and subsidiary legislation:
  - Abolition of 'notified areas' and market committees.
  - Conversion of existing wholesale markets, run by government market committees into companies that are autonomous and financially sustainable.
  - Permission to be given to the private sector to set up horticulture markets.