

## Seminar on In-country Manufacturing, Privatization, Issues, Constraints and Way forward

### Agriculture Machinery Centre (AMC) SEM/CONF-02/2011

Agriculture Machinery Centre (AMC) conducted one day Seminar on In-country Manufacturing, Privatization: Issues and Constraints on 24<sup>th</sup> May, 2011 in the AMC conference Hall.

The main objectives of conference were

- (1) to make aware the private business entities the business prospects in the farm machineries production and supplies in the country
- (2) To understand the actual problems, issues and constraints of the private firms in getting into the farm machineries production and supply business. Thus, developing the strategies to make the privatization process successful.
- (3) To find out and understand the way forward in promoting private firms serving the farming community in the country.
- (4) To develop and establish linkages with the private firms and Public Private Partnership (PPP) process.

The conference was chaired by Chief Agriculture Officer of Department of Agriculture. Fifteen private firms, JICA representatives, Government officials, DAOs, AMC staff and Regional Agriculture Machinery Centre staffs participated in the day-long seminar.

#### Some of the important discussion and output:

During presentation Program Director revealed following issues in the Farm Mechanization process:

- ❖ Small size, and fragmentation, topography,
- ❖ Farmers purchasing power, income

- ❖ Rural Urban Migration
- ❖ Weak Linkages, information, knowledge
- ❖ Lack of service facilities
- ❖ Subsidy on FM
- ❖ R&D and testing
- ❖ Standard, quality and services provider
- ❖ Education, Privatization of farm equipments

In the presentation, it was shown that there are huge potentials for private firms to come up and take the business in the agriculture machineries in Bhutan. Keeping aside all other post harvest machineries like oil expellers and rice huller, the forecast showed that on an average 15,000 numbers of power tillers is required to cover the whole arable land.

However, in order to promote and privatized agriculture machineries business in Bhutan, following polices level may be amended or revisited:

- EDP policy
- Financial support/ price support
- Commission agent
- Dealership

#### Future Scenario:

The presentation also revealed the rational apportion of subsidies and reallocation of grants may be thought upon by the concerned agencies like Gross National Happiness Commission (GNHC). Thus, private people can take up the business and support the farmers. However, technical cooperation must always exist between various countries to exchange technologies.

The in-country manufacturing of complementary parts like trailers, hitches etc. and privatization of some of the commercial activities of AMC would

make farming sustainable in the long run. Further, Support system, like AMC should act as a facilitator and regulator providing technical backstopping to the private sector and farmers. He also said that, Public private partnership concept would be viable to and sustainable to start off. Thus external linkages and technical cooperation would be essential to support the public private partnership process.

### **Presentation by Private Enterprises:**

Three presentations were made by the private firm. Natshog Fabrication, Phuntsholing, in his presentation express his gratitude for the continual close collaboration and technical support provided by AMC in manufacturing small farm machines, tools and implements however, some issues hindering his business were expressed as follows:

- Sustainability and business continuity is questioned because of the tendering process in the government system.
- Due to the high cost of production, the product manufactured by him was expensive, thus his competitiveness in the market is low.

Further, Sonam Wangchuk Dongphang enterprise and Deki Corporation, who has been selling power tillers and tractors, express the need for infrastructure support for their service outlet in center where AMC has already been setup. Technical cooperation with AMC was felt necessary for progressive growth in their business.

The issues raised by the private firm were further discussed during the group discussion session. Two groups, one for in-country manufacturing and other for privatization were form and the group issues are as follows.

The first group on “In county Manufacturing of small farm machines, spare parts, tools and implements” express their willingness to carry out the in country manufacturing with the following conditions.

- Prototype developed by the govt. agencies to be awarded to the recognized in-country manufacturers
- Impose higher taxes on import of farm machines and accessories
- Legal support from Govt in counterfeit of in-country developed products.
- Certification required prior to mass production.
- Market information is made available to them.
- Continual technical backstopping from govt relevant agencies
- Availability of Labour

The second group on “Privatization” did not touched on the possible privatization. However, following issues and constraints were expressed.

- Authorization or certification from AMC to dealers
- Ad-hoc increase of prices from manufacturer
- Tender procedures:
- Time extension in case of imported goods
- Brand names
- Duplicate copy of tender documents
- Direct purchase by government from the manufacturer
- Retender with certain validity
- Late payment
- Split supply order
- Tax subsidies on shades
- Involvement of suppliers on after sales services.
- Government subsidies

### **Way forwards:**

- AMC should certify(verify) the dealership certificate of the companies
- Government should help private suppliers
- Procurement should be as per the rules and regulations
- AMC should advocate the other dealers
- AMC should update the stocks
- Government support training
- AMC should involve private suppliers while

Finally, AMC, PD thanked chairperson and private suppliers and manufacturers for the whole day participation. It was a fruitful seminar, because we are able to come to a common understanding of the issues and constraints in the process of Privatization of Farm mechanization services in the country. However, to make it successful, constant Public Private Partnership (PPP) may be established at the earliest. PD also thanked JICA for the financial support for the seminar.

Although the seminar was short, it was indeed very much of help to AMC, as AMC was in the process of developing the farm mechanization strategy paper. He finally agreed with the group that such seminar was long due and hoped to conduct such very soon. He finally ended by conveying that this issues and constraints will be put forward to the

department and the solutions seek at the earliest possible.

