



**CHALLENGES AND  
OPPORTUNITIES IN  
THE PROCESSING FOOD  
INDUSTRY OF BANGLADESH**

# The Ukraine-Russia Conflict's Effect on Bangladesh's Economic Landscape

The war between Ukraine and Russia has sent shockwaves through the global economy, influencing international commerce, foreign exchange rates, and price levels. Key commodities such as fossil fuels, edible oils, and wheat have seen a surge in prices, leading to imbalances in Bangladesh's payments.

During the 2021-2022 fiscal year, there was a 46% uptick in the import value of consumer products due to global price escalations. The annual inflation rate also rose to 9.2% for the year 2022-2023, an increase from 6.3% in the prior year. Consequently, people working in informal urban sectors and agriculture are experiencing diminishing real incomes due to inadequate wage increases.

Implementation of IMF-directed austerity measures has led to further increases in the prices of utilities and fuels, triggering additional inflationary pressures. Economically disadvantaged communities, in both rural and urban settings, are disproportionately affected, resulting in a rise in severe poverty, healthcare issues, and increased school dropout rates.

Highlights from the Household Economic Pulse 2023 Study by LightCastle Partners:

- Erosion of Economic Status for Bottom of the Pyramid (BOP): Past gains wiped out; now making up 32% of the population.
- Elevated Expenses for BOP: Half of the income is spent on food, with a 29% surge in food prices, a 33% jump in transportation costs, and a 30% hike in utility charges.
- Widening Income Disparity: The Gini index increased to 0.499 in 2022, up from 0.458 in 2010.
- Increasing Poverty: 26% are estimated to be below the poverty line, a significant increase from the 19% reported in a 2022 BBS study.
- Nutritional Changes: Decline in spending on protein sources, rise in carbohydrate consumption, and instances of meal-skipping to cope financially.
- Policy Suggestions: Comprehensive approaches are needed, which should include revising social safety nets, initiating cash transfers, implementing subsidies, fostering livelihood opportunities, and improving healthcare access.





## The Agri-Food Processing Sector in Bangladesh: Potential, Challenges, and Strategies

The agri-food processing sector in Bangladesh holds considerable promise, underpinned by the nation's abundant agricultural assets. Nonetheless, the industry also grapples with various obstacles.

### Principal Challenges:

- Economic constraints manifest as low consumer spending power and pronounced income disparities.
- Inadequate infrastructure and storage solutions, impeding optimal operations.
- Limited progress in technological innovation, restricting efficiency and competitiveness.

### Foremost Opportunities:

- Rising consumer appetite for processed food items.
- Accelerated urban migration bolstering market demand.
- Strategic shift towards production aimed at global markets.

### Future Trajectory Considerations:

- Effective governance through targeted policy frameworks.
- Capital injections into infrastructure, logistical networks, and supply chains.
- The integration of cutting-edge processing methodologies to boost output and product quality.

### Strategic Imperatives for Industry Expansion:

- Niche market targeting can be advantageous, as specialized and value-added offerings could stimulate demand and raise unit profitability.
- A focus on affordable, nutrient-rich items could meet the needs of the broader populace. This may necessitate a product range featuring essential, cost-effective, and nutritionally beneficial staples.
- Forming alliances with local agricultural producers can secure a consistent raw material pipeline and economize costs.
- Enhancements to distribution pathways, minimization of post-harvest wastage, and investment in streamlined processing techniques can make products more economically accessible to an extended consumer base.
- Regular engagements with pertinent governmental bodies are vital to secure essential backing through incentives, grants, and pro-investment and innovation policies. This is integral for the sector's sustainable evolution and for mitigating income inequality.

# Strategies to Optimize Growth Potential in Bangladesh's Agro-Processing Industry

## Key Sub-Sectors and Product Recommendations:

**Value-Added Processed Foods:** Introducing ready-to-eat meals, convenience foods, and pre-packaged snacks can tap into changing consumer preferences and generate higher profit margins.

**Export-Focused Commodities:** Concentrating on globally demanded items such as shrimp, seafood, processed local chicken, frozen fruits, spices, and indigenous sweets has the potential to increase foreign exchange revenue.

**Poultry Processing:** An expansive range of poultry products, including portioned chicken, pre-cooked chicken dishes, specialized eggs, and egg powder can enrich the product mix and meet diverse consumer needs.

**Advanced Dairy Processing:** By developing a diversified range of dairy items like yogurt, cheese, and condensed milk, the industry can fulfill local dairy demand while promoting health-conscious choices.

**Halal Food Products:** Producing halal-certified products, particularly in the meat category, can cater to the large Muslim population both domestically and globally, thus widening market reach.

**Sustainable Agro-Based Textiles:** Leveraging agricultural by-products like jute and bamboo to develop eco-friendly textiles can broaden industry diversification.

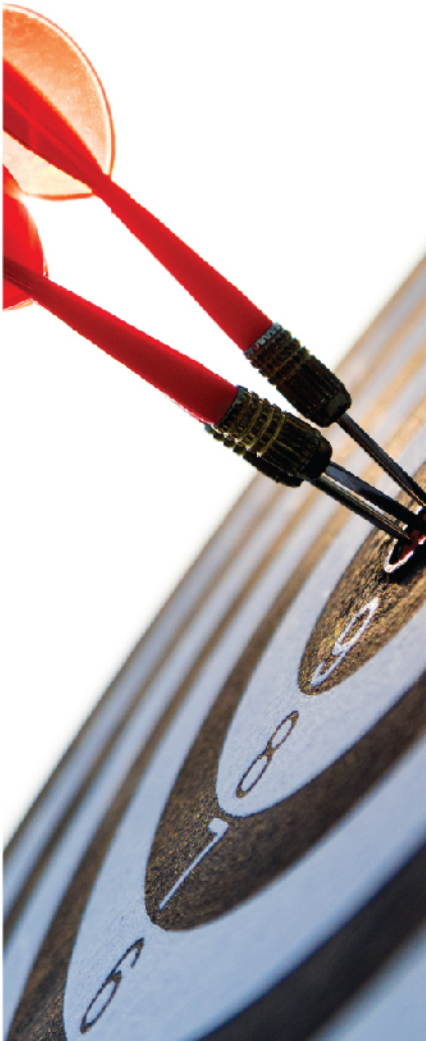
**Functional Foods & Nutraceuticals:** Investment in R&D for foods with added health benefits targets a burgeoning market demographic.

**Packaging and Preservation Tech:** Innovation in this sphere can extend product shelf life and minimize waste, bolstering operational efficiency and profitability.

**Specialized Spices and Condiments:** Capitalizing on local spice varieties can yield high-quality flavor enhancers, albeit necessitating advances in farming practices, technology, and storage facilities for economic viability.

**Sustainable and Total Factor Productivity (TFP) Practices:** Adopting eco-friendly and TFP methods can increase product appeal among environmentally conscious consumers.





## The Missing Link

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- While TFP and sustainable practices can elevate quality, they alone can't ensure agricultural prosperity or food security.
- Required are robust storage facilities, streamlined supply chains, and effective financing for farmers.
- Value addition, market accessibility, consumer demand, and product affordability are pivotal aspects that require attention.
- By concentrating efforts on these domains, the agro-processing sector in Bangladesh can optimally leverage its inherent potential for significant growth and societal impact.

## Critical Elements for Success

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- **Market Analysis:** Prioritizing sectors based on comprehensive evaluations of market dynamics, consumer predilections, and resource availability.
- **Integrated Infrastructure:** Streamlining supply chains and finance to elevate overall efficiency.
- **Technological Augmentation:** Implementing advanced integrated software, QA protocols, AI, and machine learning for improved traceability and efficiency.
- **Global Partnerships:** Collaboration with international stakeholders for backward linkages, such as seed development and sustainable agriculture practices.
- **Multi-Sector Alliances:** Building alliances with local farmers, research organizations, and government bodies can further invigorate the sector's growth trajectory.

# Transforming the Poultry Industry from Wet Markets to Processed Markets in Bangladesh

## Strategy Overview:

1. **Market Research and Consumer Education:** Conduct market research to understand consumer behavior, preferences, and willingness to shift from wet markets to processed chicken. Educate consumers about the benefits of processed chicken, such as hygiene, convenience, and potential health advantages.
2. **Policy Advocacy and Government Partnerships:** Work closely with government agencies to develop policies that support the processed poultry industry, including tax incentives, subsidies, and food safety regulations.
3. **Quality and Standards Certification:** Obtain certifications to assure consumers about the quality and safety of processed poultry products.
4. **Infrastructure Development:** Invest in modern poultry processing facilities capable of delivering high-quality products. Develop cold-chain logistics for the preservation and transportation of processed chicken.
5. **Product Diversification:** Introduce a variety of processed chicken products like portioned cuts, marinated chicken, and ready-to-eat items to appeal to diverse consumer preferences.
6. **Pilot Programs and Partnerships:** Run pilot programs in select urban areas where consumer acceptance is likely to be higher. Partner with supermarkets and grocery stores for the initial rollout.
7. **Pricing Strategy:** Implement competitive pricing to encourage the transition from wet market to processed products.
8. **Supply Chain Optimization:** Work on a 'farm to fork' model that ensures traceability and quality, including collaborations with local farmers for a steady, quality supply.
9. **Marketing and Branding:** Utilize targeted advertising and promotional offers to attract customers. Develop branding that emphasizes quality, convenience, and hygiene.
10. **Monitoring and Feedback Loop:** Establish key performance indicators (KPIs) and continuously monitor them. Use consumer feedback to improve products and services.





## Role of Big Poultry Companies

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1. **Capital Investment:** Big companies have the financial resources to invest in state-of-the-art processing facilities and cold storage logistics.
2. **Industry Influence and Partnerships:** Their established relationships with retailers and policymakers can expedite industry-wide shifts.
3. **Research and Development:** They can invest in R&D to develop new, appealing processed poultry products.
4. **Scale and Logistics:** Large poultry companies can manage the logistics of a national shift to processed products more efficiently.
5. **Consumer Trust:** Well-known companies usually have established brand trust, which can make consumers more comfortable with a new category of products.
6. **Training and Skills Development:** They can offer training programs to local farmers, thereby improving product quality right from the source.
7. **Sustainability and Responsibility:** Larger companies often have the means to invest in more sustainable and humane poultry farming practices, which can be a selling point for consumers.

By adopting these strategies and playing these roles, big poultry companies can be pivotal in transforming Bangladesh's chicken market from a wet market-dominated industry to a modern, processed one.