

HIMACHAL PRADESH HORTICULTURE DEVELOPMENT PROJECT

PROJECT DEVELOPMENT OBJECTIVE

“The Project Development Objective (PDO) is “to support small farmers and agro-entrepreneurs in Himachal Pradesh to increase the productivity, quality and market access of selected Horticulture commodities”.

- 1. The Key Project Indicators (KPI):** a) Productivity (in tone/ha) (i) of rejuvenated apple orchards; and (ii) of new plantations of selected horticulture crops. b) Grades of Apple A,B,C in Himachal Pradesh c) Share of selected horticulture commodities sold through new marketing* channels for (i) Apple and (ii) Tomato. d) Direct Project beneficiaries (number), of which female beneficiaries. Project Beneficiaries: The project beneficiaries will include farmers and entrepreneurs especially in micro-small medium enterprise (MSME) segment, farmer producer organizations (FPO), and other value chain participants. The project will contribute to inclusive growth by prioritizing support 42 to small and marginal farmers in the State, with specific focus on fruit tree crops. The majority of agriculture producers (70 %) in Himachal Pradesh are marginal. The project will benefit about 150,000 producers. Of these beneficiaries at least 33 per cent are expected to be women. Indirect beneficiaries will include those who benefit from technologies demonstrated by the project, farmers whose produce goes through rehabilitated markets, and farmers accessing Negotiable Warehouse Receipt financing, etc. The project will support interventions designed to help the horticulture sector improve productivity and build resilience against weather-related shocks, while improving market access to provide incentives for growers to produce as per the market need. Project activities will focus on resolving the binding constraints on productivity, quality, value-addition and market linkages. In so doing it will contribute to the key aspects of the GoI's, GoHP's and the Bank's CPS strategic objectives related to faster and broader agriculture sector growth and inclusive. The project will achieve the proposed PDO by: i) Improving producer's access to knowledge and horticulture production technologies (including climate resilient technologies), and access to financial services so that they are able to better respond to climate variability and emerging market opportunities; ii) Promoting investments in agribusiness, fostering backward and forward linkages in the value chains for horticulture products, piloting negotiable warehouse receipts for horticulture commodities, and facilitating access to financial services for agribusiness enterprises, including collectives such as producer companies; and iii) Supporting the development of an improved platform for market-related information and intelligence, developing new e-market channels outside of regulated markets, and improved services provided by modernizing the promising traditional wholesale markets. Rules, Procedures and Guidelines will be employed to prevent possible elite capture. The project will support gender inclusive strategies especially in the project intervention areas of (i) sustainable increase in productivity of fruit tree crops through technical training on grafting techniques, management of orchards, soil, nutrients, pests and diseases, extension approaches that are designed to target women; and (ii) entrepreneurial development through training, skill development and market linkages with specific focus on fruit processing (on job work to large processors), indigenous beekeeping for managed pollination services, etc. Project will also actively support participation of women in the decision making structure of farmer producer organizations and water user associations. The guiding principles under the project are: i. Focus on those commodities in which Himachal Pradesh has a comparative advantage and has a potential for producing and supplying high value agricultural commodities to meet

the growing domestic and potentially international demand. ii. Increased private sector participation in the development of agriculture supply chains and markets. iii. Improved public sector capacity in delivering technology transfer and related support services.

- 2. Description of Project development Objectives:** i. To expand area under improved clonal rootstock and cultivars of selected horticulture crops. ii. About 13700 hectare new area is proposed to be covered under new plantation of apple & stone fruits with improved cultivars on clonal rootstock. iii. Re-plantation of about 3000 hectare area under the existing un-economic fruit plantation, during the next 07 years. iv. Improving productivity of apple fruit crop in the existing 8800 hectare area plantation by adopting the Scientific Management of Existing Orchard (SMEO) practices during the project period. v. Diversification and development of sizeable areas (4500 ha.) in the concentrated pockets under Walnut, Mango, Litchi, Pomegranate, Citrus etc. in suitable niche areas. vi. Development of fruit plantation in concentrated pockets specifically for serving the fruit processing industries vii. Improving the producers' access to knowledge and climate resilient production technologies so that producers are able to respond to climate changes and climate variability and emerging market opportunities. viii. Promoting investments in agribusiness, fostering backward and forward linkages in the value chains for horticultural products, facilitating access to finance for agribusiness entrepreneurs, and piloting negotiable warehouse receipts for horticultural commodities. ix. Supporting the development of an improved platform for market related information and intelligence, and upgrading and modernising the promising traditional wholesale markets.
- 3. iii) Project Components:** In line with the PDO it is having following four components:

Component A: Horticulture Production and Diversification

Component B: Value Addition and Agri-enterprise Development

Component C: Market Development and Sector stewardship

Component D: Project Management, Monitoring and Learning

Component A: Horticulture Production and Diversification- The objective of this component is to enhance horticultural competitiveness at the farm level by supporting access to knowledge, technology and finance in order to increase long term productivity and farm incomes in an environment marked by changing market patterns and increased climate variability. This will be achieved by: (i) enhancing producer's access to disease free elite planting materials; (ii) supporting sustainable intensification and diversification of horticultural production through technology and knowledge transfer, including harvest, capture, collection, delivery and distribution of water; (iii) strengthening applied research and development; and (iv) enhancing the access to and use of financial services by producers.

Component B: Value Addition and Agri-enterprise Development – The objective of this component to improve value realization at the farm level, promote investments in 44 agribusiness, fostering backward and forward linkages in the value chains for horticulture products, support supply chain infrastructure that prevents wastage and value erosion; and enable secondary and tertiary processing that create higher value for the produce. This will be achieved by: (i) building community/farm level marketing capacities and supporting them through matching grants to acquire productive assets; (ii) establishing a modern supply chain comprising pack-houses, controlled atmosphere (CA) stores, and processing facilities

to be operated under operational management arrangement with private partners; (iii) piloting warehouse receipt systems linked to commodity exchanges; identifying, mobilizing and supporting agro entrepreneurs; and (iv) co-financing investments and facilitating access business advisory and to financial services for agribusiness enterprises, including collectives such as producer companies.

Component C: Market Development– The objective of this component is to provide an improved platform for market-related information and intelligence, expand market access through alternative marketing channels, enhance transparency in the price discovery process, and improve market infrastructure. This will be achieved by: (i) supporting market information and intelligence services; (ii) introducing of e-marketing platforms; and (iii) upgrading wholesale markets.

Component D: Project Management, Monitoring and Learning– This component will ensure the effective implementation of the project activities and monitor and evaluate project implementation progress, outputs and outcomes, building on implementation experience. This component will support: (i) establishment and operations of Project Coordination Unit (PCU), which will oversee and coordinate activities of the implementing agencies of the project; (ii) establishment and operations of Project Implementation Units in the respective implementing agencies; and (iii) setting up of a monitoring and evaluation (M&E) system for the project, including a project management information system and contracting an external M&E agency to monitor project activities and impact. The component will also finance dedicated staffing for the project activities that are attributable to the outcomes of the project, consultancies, training and related material, office equipment, and operational costs.

Component C: Market Development

The focus of this component is to improve farmers access to information and intelligence, improve transparency in price discovery, improve market infrastructure and services in traditional wholesale markets, and making market management more efficient and responsive to farmer's needs. Accordingly, this component has following sub components:

C.1 Up-gradation and Modernization of Select Agricultural Wholesale Markets The main objective of this sub-component is to upgrade and modernize selected agricultural wholesale markets, by enhancing efficiency and reducing transaction costs, enabling automation of the business processes in the market and also open-up standalone physical markets to distant buyers. To achieve this goal, this sub-component will support upgrading and modernizing the market infrastructure in agriculture wholesale markets, including about 16 primary and secondary wholesale markets managed by Agriculture Produce Market Committees (APMC). APMC would contribute 20 percent toward the cost of market upgrading. Market upgrading will be supported by the development of 'basic' infrastructure that promotes improved handling of commodities, improved hygiene and improved price dissemination. The infrastructure that will be needed in the wholesale markets will be determined individually for each market and will emerge from the market needs assessment through participative consultation with the market users. The process of market need assessment, and market design will be facilitated by a qualified service provider. An illustrative list of basic infrastructure that will be financed under the project includes, among others, auction hall, internal

roads, toilets, parking, price display board, loading platform, ramps, fence, etc. Market modernization will be supported by suitable automation, including electronic auction, bringing about greater ease, accuracy and speed of transactions for the benefit of all the market participants. Electronic auction will usher in greater transparency in price discovery, also encouraging wider trade participation thereby increasing competitive pressures. The system will also open up the possibilities of selling produce through e-auction, without having to bring the produce to the physical market yards, by enabling remote buyers to participate in the electronic auction, by creating a virtual market network. Activities to be financed include (a) feasibility studies; (b) investment support for goods and equipments; and (c) capacity building and training. The expected results are: (a) improvement of transparency in the price discovery; (b) automating the business transactions of the markets; and (c) opening up of a standalone physical market to distant buyers. This sub-component will also support: (i) capacity building and training of market functionaries and implementing agency staff. Although the training needs will come from training needs assessment, an indicative list of trainings will include planning and implementation for market improvement; preparation and implementation of operations and maintenance plans for the market; post-harvest management; marketing and market extension; maintenance of records and accounts; and market charge estimation and collection; (ii) technical assistance for the preparation of detailed architectural designs and work estimates along with detailed project proposal for each market through a specialized agency to be engaged under the project as consultants; (iii) review and quality assurance of civil works by independent market field engineers (MFEs) of the project; and (iv) technical assistance for effective enforcement of provisions of the Himachal Pradesh Agricultural Produce Marketing (HPAPMC) Act, Rules and Bylaws, and the newly setup agriculture market regulator in the state. The expected results are: (i) increase in the number of farmers satisfied with improved markets; and (ii) increase in the volume of market transactions.