Emerging trends in Asian agri-food systems and implications for programming
OVERVIEW

TRENDS

Demand side transformation

• Primacy of urban demand
• Diet transformation

Supply side transformation

• The “Quiet Revolution” in agricultural value chains
• Primacy of domestic food value chains

RISKS

IMPLICATIONS FOR POLICY & INTERVENTION DESIGN
URBAN DEMAND

• Growing urban population + growing urban incomes + income elasticity = massive urban food demand growth

• Most food is flowing from rural to urban areas: Cities’ share of Asian food economy is 65%.

• Half of Asia’s urban residents live in 2a and 3a cities - fastest urban population growth

• Feeding urban populations an urgent challenge

• People Asian cities feel more food insecure than in rural: 21% in rural vs 24% in urban (FAO, 2016).
URBANIZATION IN ASEAN

Percentage of population residing in urban areas (Source: ASEANup)
DIET TRANSFORMATION

• Diet diversification from staples, to higher value foods – “Bennett’s Law”. (Non-cereals now $\frac{2}{3}$ - $\frac{3}{4}$ of Asian food expenditure).

• Lifestyle changes $\rightarrow$ changes in product composition of demand.

• Higher consumption shares of: 1) perishable fresh foods; 2) processed foods; 3) food away from home.

• Most purchased food is processed (50-65% of value in urban & rural diets, even among poor)

• All food increasingly sourced through markets

• Emerging “double burden” of malnutrition (“stuffed and starved”).
Share of Myanmar national food expenditure by food group (IHLCA, 2010)
THE “QUIET REVOLUTION”

- Domestic supply chains have grown 5-10 times in 2-3 decades
- Farm commercialization, diversification (out of staples) and specialization (in higher value crops).
- Facilitated by huge aggregate investments of millions of domestic SMEs + larger firms in wholesaling, processing & logistics in ‘midstream’ of VC
- Off-farm employment in rural input supply, processing and distribution services
- Donors and government focus still mainly on staples, export, subsistence and large scale FDI
DOMESTIC VALUE CHAINS

• Most food is from domestic VCs – Imports only 5% of the value of the Asia food economy.

• Domestic VCs are transforming and modernizing:
  • ‘Geographical lengthening’: Better rural-urban integration, larger catchment areas (regional trade also increasingly important, often “invisible”)
  • ‘Intermediational shortening’: Fewer middlemen, improving credit terms, modern retail.

• Technological transformation: New technologies (e.g. cold storage); more processing, packaging, branding.

• Post-harvest VC segments account for 60% of food price formation
FOOD SYSTEM RISKS

• Growing urban markets captured by large firms, sidelining local SMEs - Result: less employment, less rural income growth, less poverty reduction, more inequality

• Sluggish upstream/midstream response to demand increases price of perishable and processed goods

• Energy and water cost increases, climate crises

• Food safety risks

• Increasing obesity and non-communicable diseases coexist with persistent undernutrition
IMPLICATIONS FOR POLICY & INTERVENTIONS

URBAN DEMAND

- Strengthen rural-to-urban and rural-rural marketing links via improvements in infrastructure

- Prioritize infrastructure investments for fast growing 2a and 3a cities, to “get it right first time” (e.g. investment in marketing infrastructure under public-private ownership)

- Seek post-farm cost reductions (e.g. through distributed access to renewable energy)
IMPLICATIONS FOR POLICY & INTERVENTIONS

DIET TRANSFORMATION

• Agricultural research and extension to increase productivity of fresh produce, fish, non-staples.

• Promote and implement strong public food safety and quality standards, explicitly designed for SME and smallholder inclusion.

• Promote healthy food choices through healthy eating campaigns and nutritional labeling standards for processed foods
THE “QUIET REVOLUTION” & DOMESTIC & REGIONAL DEMAND

• Prioritize domestic value chains in the mix of VC investments.

• Focus on smallholder and SME competitiveness for larger downstream employment multipliers than possible in large-scale enterprise dominated VCs

• Ensure access to appropriately designed formal financial services for farms & SMEs.

• Promote regional trade – better border clearance procedures; facilitate compliance with regional & international third party standards
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