Development trends and opportunities in Southeast Asia: What they mean for SEARCA’s research

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Storyline of the Presentation

- Economic and agricultural performance in SEA
- Impact on food security and poverty reduction
- Opportunities/Challenges for the small farmers
- Needs
- Key Research priorities / SEARCA’s research direction
### Poverty Reduction Performance, SEAsia

<table>
<thead>
<tr>
<th>Countries</th>
<th>GDP per Capita 2010 (US$)</th>
<th>Poverty Incidence (latest reported between 2007 and 2011)</th>
<th>Annual rate of poverty incidence reduction (%)</th>
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</thead>
<tbody>
<tr>
<td>SEAsia</td>
<td>3,105</td>
<td>21.6</td>
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<td>Cambodia</td>
<td>733</td>
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Growth in agricultural production (2004-2006=100)

Percentage of Undernourished Population (%)

74.3 million undernourished
Cereal Production and Utilization, 1961 to 2009
Land and water degradation

Competing use of resources

Impact of climate change
Average Share of Agricultural Labor to Total Labor, 2005-2010
Is agricultural growth key to further food security and poverty reduction in Southeast Asia?

The answer: YES but with conditions
Poverty is still primarily a rural phenomenon.

Income growth originating from agriculture benefits more the poorest segment of the population.

The response to agri growth is higher in areas where there are huge potentials for further increases in agri productivity.

Source: Ligon and Sadoulet, 2007
Great dependence of poverty reduction on agricultural growth

Change in the composition (% share) of sectoral/poor-non-poor population, FIES 1991-2003 (Philippines)

<table>
<thead>
<tr>
<th>Poverty status</th>
<th>Rural</th>
<th>Urban</th>
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<tbody>
<tr>
<td></td>
<td>non-ag. income &lt; ag. income</td>
<td>non-ag. income &gt; ag. income</td>
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<tr>
<td>non-poor</td>
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<td>+19.61</td>
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<tr>
<td>poor</td>
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<td>+1.04</td>
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- reduction in the rural poor is bigger (than that for non-poor) with growth in agriculture in areas where agriculture income is bigger than non-agriculture
- massive increase in the non-poor (both rural and urban) in areas where non-agricultural activities are main sources of income

Rapidly expanding food markets in Asia

Rapid income growth
- Doubling of income every 8-20 years in most of East Asian countries in recent decades
- Food market is now 5-7 times bigger than OECD countries, and still rising fast

Rapid Urbanization
- Urban population in East Asia increased from 26% in 1980 to 48% today
- Growth of employment opportunities in high-paying urban areas
- In SEAsia, 75% of food economy is in urban centers

BIG OPPORTUNITIES for income growth among small farmers
**Rapidly changing food markets**

- **Rapidly diversifying food consumption (income growth, urbanization effects)**
  - Share of staple food (rice) in total food consumed is declining
  - Rapid diversification into non-staple (rice) high value products like processed food, fruits, vegetables, meat, etc.
  - Safe, nutritious and high quality food

**BIG OPPORTUNITY for small farmers to diversify to high value, more profitable crops.**
Opportunities cont'd....

- **Rapid expansion, both domestic & global, of modern supply chains**
  - Massive private investments transforming wholesale, processing, & retail
  - “Supermarket revolution” has been going on in SEAsia, China, India and beyond

**BIG OPPORTUNITY for farmers to access big/modern markets—for now, by medium and large farmers**
Technology breakthrough related to basic genetic structures and mechanisms

- Genetic revolution will push out the frontier of agricultural productivity dramatically
  - Could take place in the developing countries, including SEA
  - Opportunity to increase productivity of many neglected and secondary crops

Opportunities cont’d…. OPPORTUNITIES to increase yields and production
What needs to be done?

- Investment climate has to be substantially improved and sustained to generate long term sources of productivity growth and induce greater access to food.
  - R & D to develop new and appropriate technologies
  - Infrastructure (transport, irrigation, power, etc.)
  - ICT: tools to enhance info and knowledge dissemination
  - Human resource capacity improvement

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<td>0.5</td>
<td>0.2</td>
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<td>-1.1</td>
</tr>
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TFP growth rates of agriculture, Southeast Asia

Source: Fuiglie, 2005
What needs to be done?

- Reorienting food-security policy toward facilitating—not inhibiting—trade, competition, & crop diversification
  - Effective regulations or control mechanisms on input and output markets
  - Removal of barriers to market access and put in place appropriate trade regulations to strengthen/enhance competitive stance in regional and international trade-sanitary and phytosanitary measures
  - Access to testing facilities to meet foreign demand
  - Development of appropriate business schemes (e.g. contract farming) to create volume and ensure continued supply
  - Holistic view of value chain to enhance competitiveness – help small farmers participate in the evolution of market
What needs to be done?

- **Strengthen institutions/Promoting institutional innovations**
  - Innovative ways to achieve security of tenure particularly on land
  - Innovative platform to involve farmers in technology development
  - Empower farmers:
    - strengthening farmers’ organizations/coops,
    - enhancing capacities and skills
    - credit/financial services: availability and access
  - Public-private partnership: research and extension, development of non-farm employment opportunities—to work together and not compete
  - Social security system
Policy Development Pathway

- Inclusive/broad-based
- Empowerment
- Equity
- Sustainable
- Gender sensitive
- Right mix of partnership
Key Research Areas to Guide Policy Development and Investments
Key Policy Research Areas

Increasing agricultural productivity and enhancing incomes amidst emerging threats

 Technology development and innovations
  o What are the innovations that put less pressure on natural resources, which are safe and accessible, especially to the poor and small farmers?
  o What are the bottlenecks that hinder technology uptake and strengthen capacity to enhance the adoption of combined, resource-use efficient land, water and energy management strategies?

 Specialization versus diversification
  o What are the factors that influence the trade-offs between specialization and diversification to increase farm incomes?
  o What schemes can be adopted to promote new products (e.g., organic) and expand opportunities to diversify agricultural and non-agricultural incomes while also sustaining the natural resource base and enhancing biodiversity?
Key Policy Research Areas

Increasing agricultural productivity......

- **Building resilience to emerging stresses**
  - Which countries/agro-ecosystems will be most exposed to these stresses and how will they affect food security?
  - How do the costs of different types of intervention vary with different agro-ecological and institutional conditions? How do they promote inclusive growth?
  - How to protect and restore ecosystem functions and services in agricultural landscapes, including those that mitigate greenhouse gas emissions from agricultural sources?
  - How to reduce the vulnerability of communities to climate change and other global changes by improving the capacity of small-scale producers to adapt?
  - What technologies could reduce adverse impact of sustainable renewable energy development on resource base and on food security status?
  - In the light of the food crisis, what mechanisms/modalities on the regional level could be adapted to avert the same situation to happen?
Enhancing competitiveness in the regional/global market

- **Globalization/Regional Trade Agreements**
  - How do structural changes in the regional/global trading (e.g., ASEAN, ASEAN +3, etc.) affect agricultural markets?
  - What are the impacts of WTO membership on agriculture and economic development?
  - What trade and investment policies in countries encourage inclusive agricultural growth?

- **Enhancing competitiveness**
  - What are the opportunities of smallholders to benefit from rising demand for high value commodities and gain access to the available retail structures, including modern retail chains as well as the international markets?
  - How can marketing and processing costs be reduced to raise producer prices, while ensuring consumer affordability and access?
Governance and institutional support

Extension systems
- What are new extension systems/approaches that can promote value chain development?
- What production and marketing arrangements would enhance private-public partnerships and trust that are mutually beneficial to smallholders and private enterprises?
- What are the roles of public, private and civil society organizations in extension system to support value chain development?

Empowering Farmers
- What is the impact of strengthening property right on productivity enhancement/sustainable use of resources/ increasing livelihood opportunities?
- What are the innovative tenure measures to secure private, collective, and common property?
- How should farmers’ organizations be enhanced to facilitate pro-poor agricultural growth and promote equitable income distribution?
- What innovative schemes could provide insurance and other safety nets?
Governance....

- **Private – Public Partnership**
  - What are effective schemes to promote PPP that would mutually benefit small farmers and the private sector?
  - What government regulatory framework will encourage PPP?
  - What are appropriate strategies to establish or promote agriculture SMEs, including PPP in R&D?
Pathway of development and the policies to pursue such pathway would differ contingent on various initial conditions including the stage of development, political situation, quality of infrastructure, quality and availability of capable human resources, etc.

Similarly, the focus and type of research to inform policy and investment would differ across the SEA region depending on the same initial conditions.
Thank You

MARAMING SALAMAT