FEED THE FUTURE
The U.S. Government's Global Hunger & Food Security Initiative

GLOBAL LEARNING AND EVIDENCE EXCHANGE

MARKET SYSTEMS

MARCH 21–24, 2017 // BANGKOK, THAILAND

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

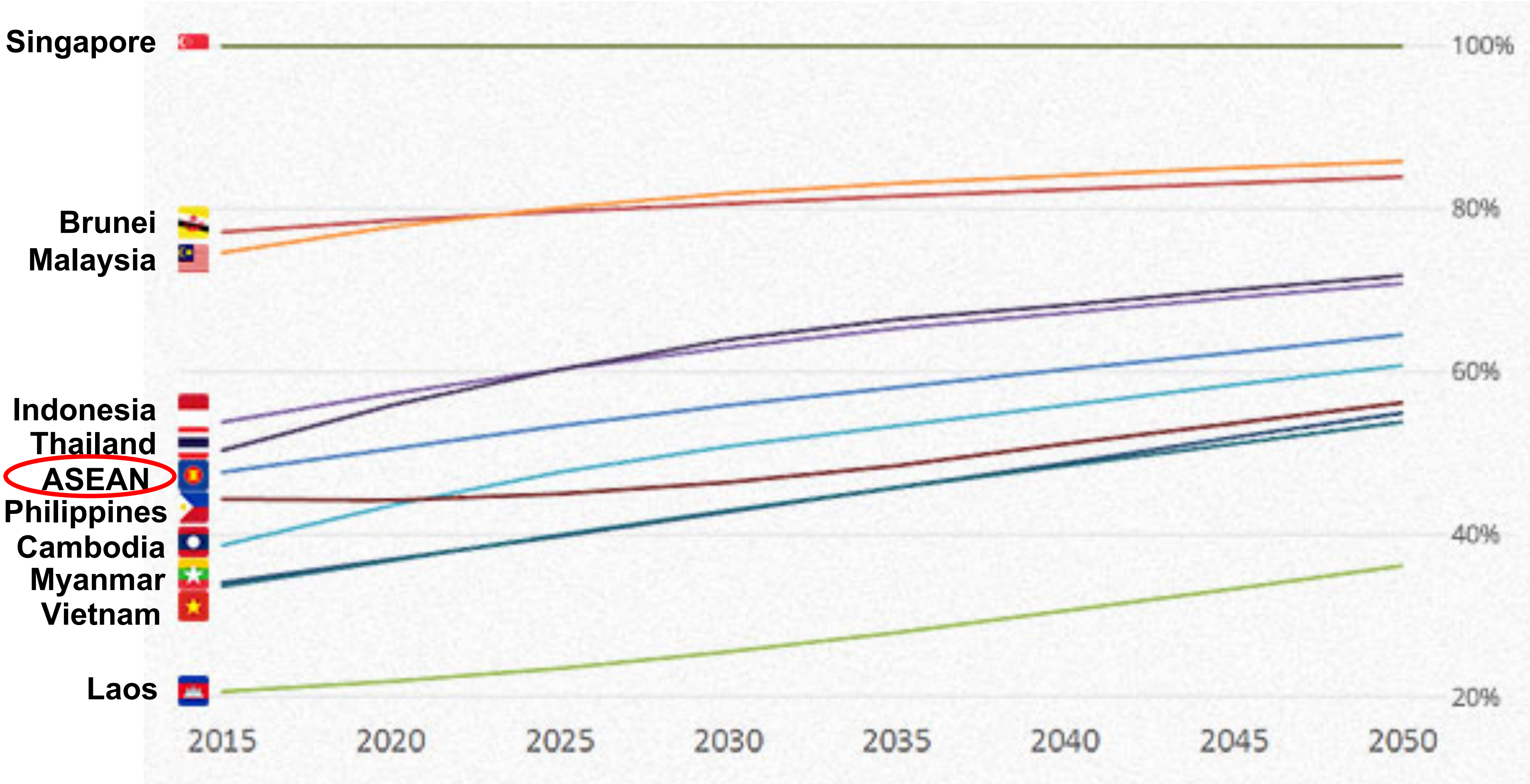
IMPLICATIONS FOR POLICY & INTERVENTION DESIGN

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 2[a] and 3[a] 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).

FEED THE FUTURE
The U.S. Government's Global Hunger & Food Security Initiative

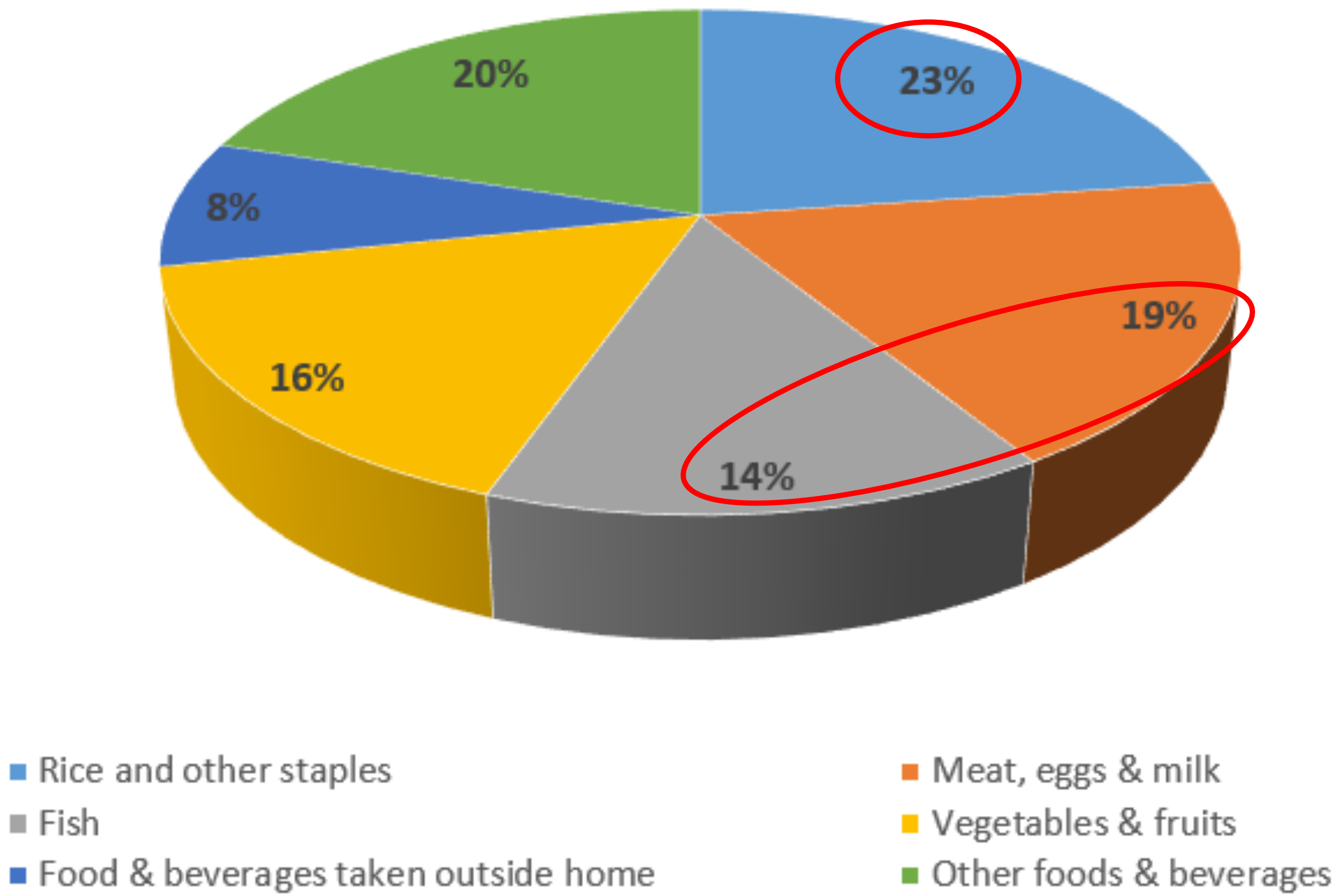
URBANIZATION IN ASEAN



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 ⅔ -¾ of Asian food expenditure).
- Lifestyle changes ⟶ 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)


7-ELEVEn

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

FEED THE FUTURE

The U.S. Government's Global Hunger & Food Security Initiative

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

FEED THE FUTURE

The U.S. Government's Global Hunger & Food Security Initiative

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

IMPLICATIONS FOR POLICY & INTERVENTIONS

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

Ben Belton
(with thanks to Dave Tschirley and Tom Reardon)

beltonbe@msu.edu

MICHIGAN STATE UNIVERSITY

FEED THE FUTURE

The U.S. Government's Global Hunger & Food Security Initiative

www.feedthefuture.gov