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Agriculture and ASEAN Economies: Still Key for Growth

By Paul Teng and Andrew McConville

Synopsis

Despite its declining contribution to the GDP of ASEAN economies, agriculture remains a major source of employment for rural populations and provides much value add for agrifood industries. The ASEAN region needs to tap more public-private synergies so that agriculture's contribution to economic growth is fully utilized.

Commentary

AGRICULTURE IS vital to most ASEAN economies and provides livelihoods to a large segment of the population. In some ASEAN countries, agriculture employs over 60 per cent of the workforce and is an essential driver for growth and poverty alleviation. In others, the value creation from agriculture has a multiplier effect. Analyses by the University of Asia and the Pacific, Philippines, show that while agriculture there contributes only 12 per cent to GDP, agribusiness amplifies that to 35 per cent, thereby effecting a multiplier value of about 2.9. The private sector is key to enabling this effect, which permeates throughout the value chain and benefits the entire economy. Figures for other ASEAN economies confirm the value of agriculture.

A recent Policy White Paper titled "Efficient Agriculture, Stronger Economies in ASEAN" produced by a consortium headed by the Business Council for Sustainable Development, and released on 26 April 2016 in Jakarta at the Responsible Business Forum highlights the importance of ensuring that agriculture is efficient so that it can fully contribute to the goals espoused in the ASEAN Vision 2025 and to the Sustainable Development Goals of the United Nations.

Agriculture's importance in ASEAN economies

Agriculture has played and continues to play an important role in the ASEAN region. It is an important driver for social, inclusive growth; an important source of export earnings; a guarantor of food availability to its citizens; and a source of employment directly and through agriculture-related, value adding activities. Some ASEAN member countries have also chosen to focus their development policies on more “export-oriented” agriculture (e.g. palm oil and rubber in Indonesia and Malaysia, high value beverages like cacao and coffee in Viet Nam) while others have recognised the importance of both export and food security needs (e.g. Thailand and Vietnam).

Moreover, ASEAN agriculture remains a powerhouse for the production and supply of important food items. It is home to two of the world's largest rice exporters (Thailand and Vietnam) and has amongst it the top three exporting countries for pineapples, bananas, mango, sugar crops, coffee, cashew nuts and cassava. It is the top producer and exporter of palm oil, coconut and rubber and a major producer and exporter of seafood.

The ASEAN region collectively has about 69 Million hectares under arable agriculture and 44 million hectares under semi-permanent crops like palm oil and rubber but overall, the ASEAN per capita arable land area is 0.12 hectare, among the smallest in the world. However, small farmers often lack knowledge about modern farming practices or struggle to finance farm operations. Productivity growth is key and the need for more efficient agriculture has never been greater if farming is to be sustained.

Aligning Public-Private Sector Visions to Sustain Agrifood Systems

ASEAN has its roots in agrarian societies and agriculture occupies a special role in ASEAN's socio-economic development. Historically, agriculture's role in the region has been anchored by the public sector but post the “Green Revolution” era, when modern technologies fuelled both production and productivity, the private sector has emerged as a key player and driver of change. Public sector entities have focussed much of their efforts and resources on public interest goals such as food security and poverty reduction. The private sector specializes and focuses its R&D in areas with proven markets. The public sector is key to protect the interests of the rural community through policies and regulations but evidence points to the private sector's role to generate and deliver agrifood products to consumers. It is therefore important that private sector goals of profitable technology transfer be aligned to the social good basis of public sector goals.

Agrifood systems linking production, processing and retailing have become more complex and involve a web of different stakeholders that need to cooperate towards the common goal of sustaining agriculture. In the trade year 2013-14, ASEAN imported 16 million tonnes of wheat, 10.5 million tonnes of corn and 6 million tonnes of soybean, mainly from the Americas. External pressures such as climate change additionally fuel the need for more resilience in food supply chains which originate from agricultural activities within and increasingly beyond ASEAN.

Catalysing Synergies for Growth

The central role of agriculture in many ASEAN economies is evident. Small holder farmers are the backbone of the sector, but because of their relatively large numbers, multi-stakeholder partnerships are needed to overcome current inefficiencies such as low levels of farmer aggregation, informal land tenure and difficulties to access technology, markets and financial services. Innovations including new crop varieties, mobile information-communication technologies, farm machinery and new knowledge to better manage soil, water, pests and diseases, require transfer mechanisms from R&D to on-farm use. Supportive umbrella policies by local and national governments provide the link between broad development goals and practice!

As we look to the future, to meet the goals enshrined in the ASEAN Vision 2025, it will be necessary for governments and businesses to align and actively contribute to their achievement through:

- Explicit pronouncements at highest ASEAN government levels to support public-private collaboration;
- Encouraging policies which increase private sector investment in R&D for food production, processing, distribution and safe supply chains;
- Support for policies and implementation guidelines which enable inclusive agribusiness, and
- Support for joint governance mechanisms within the ASEAN Vision 2025 to promote initiatives involving relevant public and private sector entities.

A complementary relationship between the public and private sectors has to be encouraged. New forums need to be developed to enable the discourse that is an essential part of catalyzing private-public partnerships for inclusive agriculture which adds value and strength to ASEAN economies. Frameworks such as those of the World Business Council for Sustainable Development's (WBCSD) Vision 2050 contain suggestions on how businesses can grow sustainably and contribute to stronger ASEAN economies.

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