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Role of The
Private Sector

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NEW DIMENSIONS OF FOOD SECURITY & THE ROLE OF THE PRIVATE SECTOR

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OUTLINE:

1. INTRODUCTION
2. FOOD SECURITY: NEW DIMENSIONS – Future Food Systems, Traceability, Regional/Cross-Border Solutions
3. THE ROLE OF THE PRIVATE SECTOR
4. MOVING FORWARD
5. CONCLUSION



INTRODUCTION:

Purpose: Rethinking **ASEAN Food Security** (with a rice and private sector slant) – in the wake of **new dimensions** related to Food Security and the **Role of the Private Sector** so as to (re)position for the future – especially in ‘Promoting Conducive Food Market and Trade’ (Strategic Thrust 2 of AIFS-SPA)

Underlying theme: Prudent to recognise the **new dimensions** in **Food Security**, their **interplay and linkages** with increasing importance of **cross border solutions/investments** involving Private Sector and **Public-Private Partnership** so as to be able to ‘**get the basics, balance, and functionalism right**’.

Key take home message: The **private sector** should be further encouraged to **develop, manage and orchestrate** key **agri-food supply chains & ASEAN-centric trading networks**, including forging **intra-ASEAN strategic alliances**

FOOD SECURITY

Accepted Definition:

“...When **all people**, at **all times**, have **physical, social, and economic access** to **sufficient, safe, and nutritious food** that meets their **dietary needs and food preferences** for an **active and healthy life**”

Source: FAO, 1996

Traditional Dimensions/Aspects Of Food Security:

- **Availability** => **overall ability** of the agricultural system to **meet food demand**
- **Access** => by **individuals** to adequate resources (entitlements) to **acquire appropriate foods** for a nutritious diet
- **Utilization** => **safety, quality and nutritional** aspects of food products
- **Stability** => **individuals** at high risk of **temporarily or permanently losing their access** to the resources needed to consume adequate food

ASIDE: STRATEGIC APPROACH TO FOOD SECURITY

Some countries, including Malaysia, which have cushioned the impact of previous Food Crises – have invariably adopted a pragmatic **Strategic Approach** which is **largely Public Sector driven**, linking:

- **Food Security** (focused on rice – basic staple, ‘political’ crop); and
- **Economic Growth** (growth with redistribution)

at both the ‘macro’ and ‘micro’ levels.

- **Macro-level** : leverage policy control over:
 - Sectoral composition of income growth
 - Food prices - stabilisation
- **Micro-level** : rural development
 - Rural education/HRD – accessible to poor and females
 - Rural clinics – healthcare, family planning
 - Home economics, nutrition education

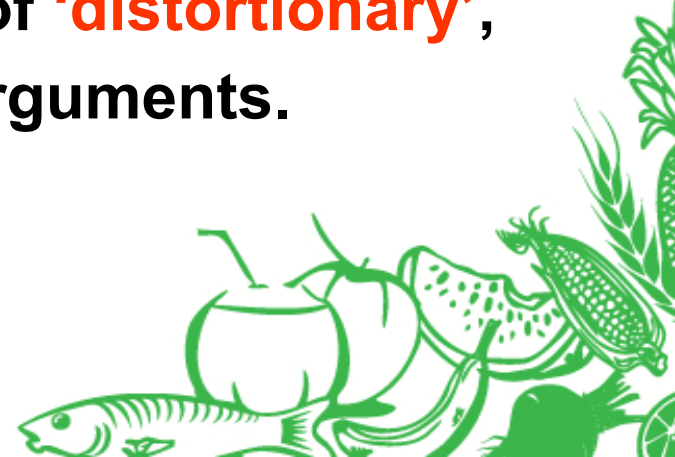


STRATEGIC APPROACH TO FOOD SECURITY

Strategic Approach comprises 3 components:

- **Rapid growth** in macro economy;
- **Poverty eradication** through rural economic growth ('pro-poor' growth); and
- **Stability** of food system.

Net-result : GOT THE JOB DONE! – though sometimes frowned upon by some economists because of '**distortionary**', '**efficiency**', and **cost effectiveness** arguments.



2007/08 FOOD CRISIS AND FOOD SECURITY: LESSONS

New Dimensions as compared to earlier Food Crises – **Food-Feed-Fuel-Finance conundrum**

SHORTAGE? Crisis in many countries not about Shortage, but **of Prices**. Many instances '**shortage**' – due to **greed, hoarding, misinformation (i.e. 'man-made')** leading to **imbalance of supply and demand** – Gandhian: 'enough for everyone's **need** BUT not everyone's **greed**'!

PRICES? – international prices have **retreated from peak** to stabilise at **new equilibrium** but higher than before – **End of era of 'cheap food'**. And future supply systems more uncertain – requiring innovative approaches at national and regional levels

Importance of management of **Supply Chains & Trading Networks** in mitigating impact **in Turbulent Times** – Importance of **Private-Public Partnerships** - Much depends on how well **supply chains and international networks** are **managed (or mismanaged?)**.

FOOD CRISIS AND FOOD SECURITY (contd..)

- **Country acting alone** – generally cannot handle, **often making situation worse** (cross-border externalities)
- **BLESSING** – **Opportunity to transform individual countries'** Food/Rice Industry – strategic investments along supply chain (BUT many cases derailed by subsequent Financial Crisis)
- BUT – Need for **Vigilance** and Monitoring and ability to **Respond as a Nation/Region - cross-border arrangements** getting more important – role of **Private sector/investment/driver** – quicker response – **Adam Smith's 'Invisible Hand'**
- While **major initiatives** are targeted at **fixing Supply side**, efforts should also focus on **conditioning or managing the Demand side as well**
- Need to get the **Basics & Balance Right**



NEW DIMENSIONS: FUTURE FOOD SYSTEMS

Ambler-Edwards et al. (2009) – Chatham House Report - over the next few decades, global food system will come under renewed pressure from combined effects of seven fundamental factors: **Population Growth, Nutrition Transition, Energy, Land, Water, Labour, Climate Change.**

They further posited that:

- **‘Business as usual’ models** would at worst **fail**, at best **poor preparation** for future scenario;
- Food supply arrangements **must operate profitably around significantly higher price norm** (reflecting true cost of resources & incorporating wider social and ecological considerations);
- **Supply systems** going to be **> uncertain** and **prices > volatile**
- Able to **reconcile often conflicting goals** of **resilience, sustainability** and **competitiveness** while meeting and **managing consumer expectations**; and
- **New capacities, policy framework & institutions** are cornerstones

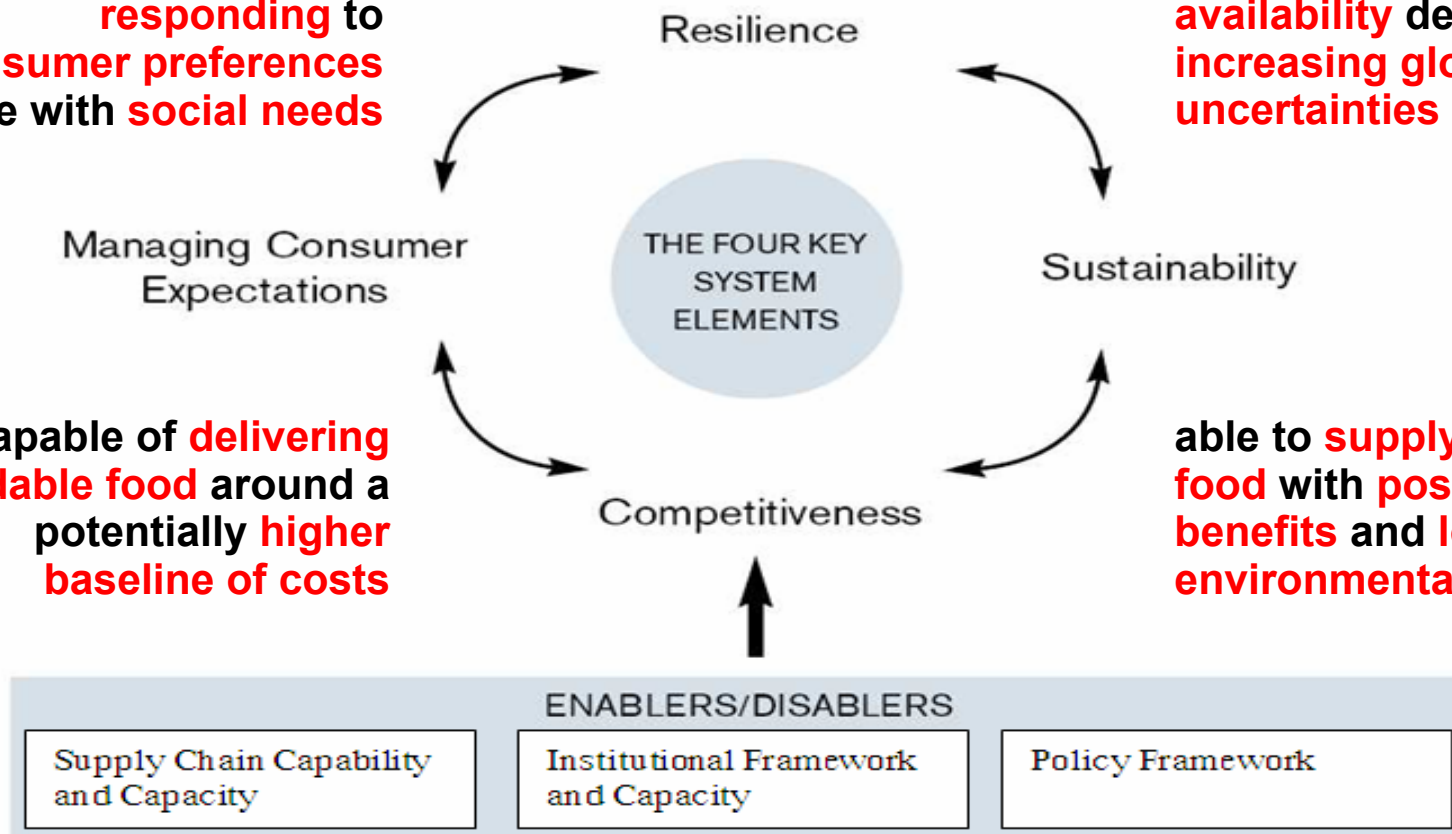
FUTURE SUPPLY SYSTEMS

capable of **shaping and responding to consumer preferences** in line with **social needs**

able to assure **longer term availability** despite **increasing global uncertainties**

capable of **delivering affordable food** around a potentially **higher baseline of costs**

able to **supply safe, healthy food** with **positive social benefits** and **low environmental impacts**

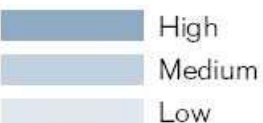


Ambler-Edwards *et al.* (2009)



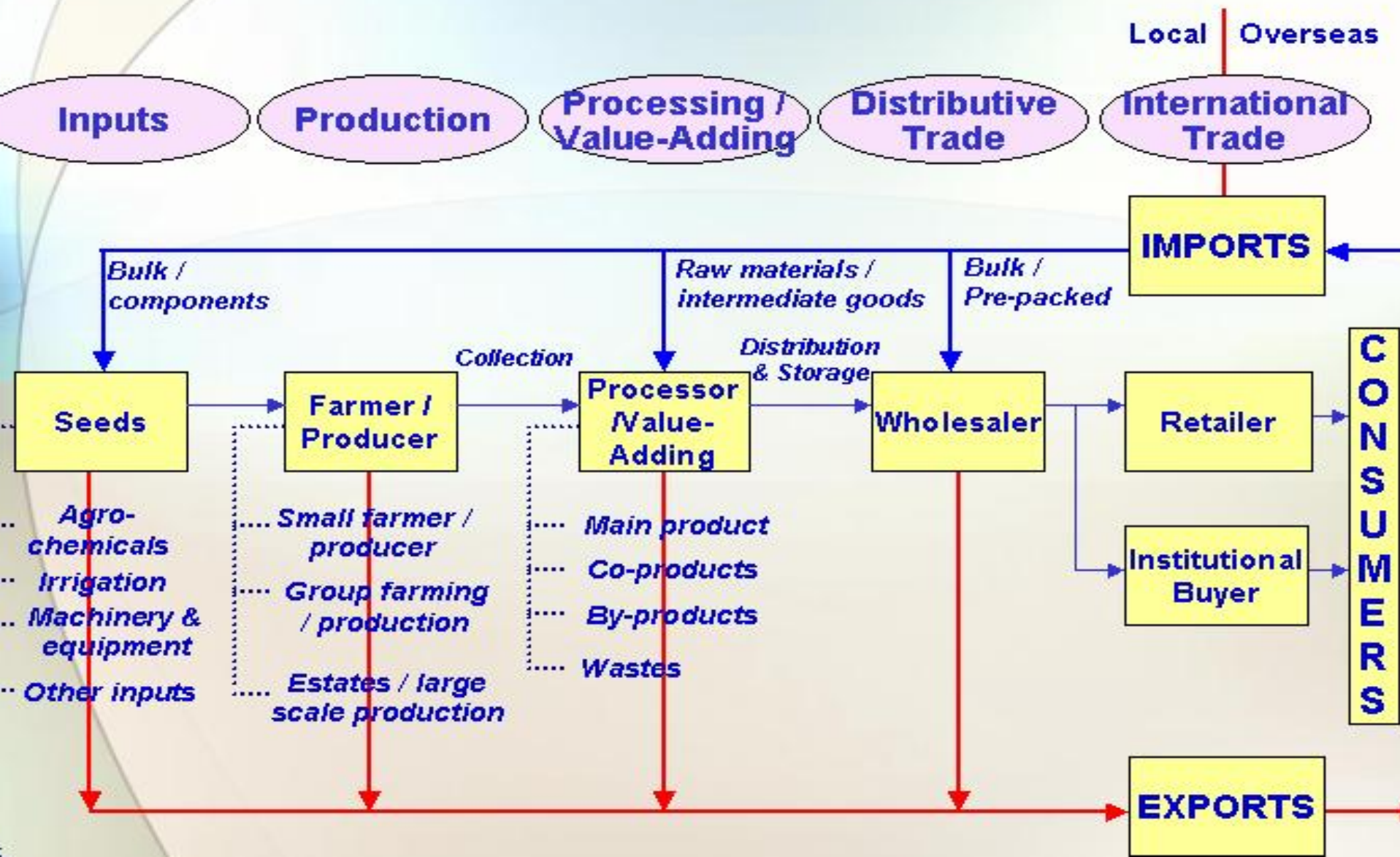
FOOD SUPPLY SYSTEM : UK

	Inputs/Agriculture	Primary Processing	Secondary Processing and Distribution	Retail	Consumption
Relationship Power	Small/medium-sized organizations	Private organizations	Own label Brand owners	Four dominant organizations	Marketing-led product development
Energy	Fertilizer production	Refrigeration	Transport and cooking	Refrigeration	Transport and cooking
Resource Usage	Land Labour	Water	Transport infrastructure	Urban Land	Power
Direct Emitted Carbon	Nitrogen and livestock methane		Transport		Landfill
Product Wasted or Lost	5%	5%	2%	10%	33%

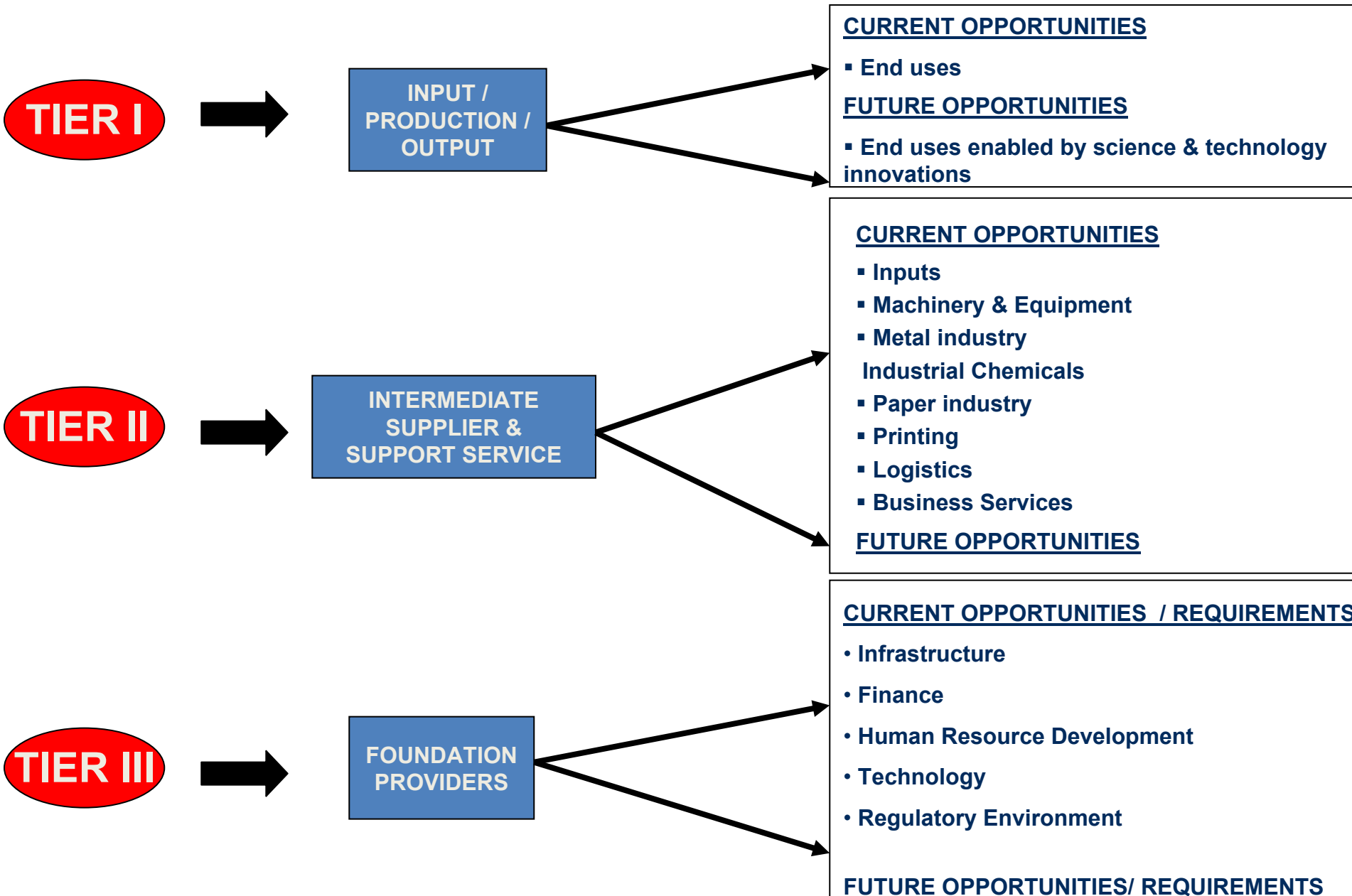


This is an indicative interpretation of the UK supply network. Waste figures based on work undertaken by the Food Process innovation Unit at Cardiff University on behalf of the Food Chain Centre. WRAP estimates have been used for consumer waste figures.

Agri-Food Supply Chain – From ‘Seed to Shelf’ : Potential Economic Activities



CLUSTER DEVELOPMENT



NEW DIMENSION IN FOOD SECURITY - TRACEABILITY

A **‘new dimension’** of Food Security, especially in US, EU and other developed nations – **traceability** - however, somewhat blurred by concerns over Food- Financial Crises in 2008 – refers to **supply protection** rather to **supply insufficiency** – ‘that what one eats is **safe and traceable**’ – from **‘farm to fork’**

Traceability (ISO Definition) – The **ability to trace** the history, application or location of an entity by means of recorded information

- ***In the food chain*** – The ability to trace and follow a food, feed, food producing animal or substance through all stages of production and distribution
- ***In production systems*** – The ability to trace the history of the product through the supply chain to or from the place and time of production, including the identification of inputs used and production operations undertaken

TRACEABILITY (CONT'D)

- Generally categorised into **fresh produce** (fruits, vegetables), **grains and oilseeds**, and **livestock and fish** as well as their **processed forms**
- Heightened **after 9/11** and series of **food scares** – BSE, Avian Flu (H5N1), Nipah virus, Foot & Mouth Disease, bio-terrorism, contaminated seafood, pet food – more recent Toxic infant formula/milk and biscuits, etc tainted with melamine – **impact on entire supply chain**
- **Compliance** and beyond - **business** angle (first mover advantage, branding, product differentiation) – Adam Smith's 'invisible hand'



NEW DIMENSION: REGIONAL SOLUTIONS/EFFORTS

Recent global food crisis – recognition that food security one of most important **cross-border issues** where countries acting alone are unable to handle – top priority issue in **ASEAN and East Asia (ASEAN+3)** levels

- *In 14th ASEAN Summit, March 2009, Thailand* – adopted **ASEAN Integrated Food Security Framework (AIFSF)** and **Strategic Plan of Action on Food Security in the ASEAN Region (SPA-FS)**
- *In 11th ASEAN+3 Summit, Nov 2007* – identified food security issues as the key area where regional cooperation need to be advanced. *NEAT Working Group in East Asian Food Security, July 2009* – need to build on **East Asia Emergency Rice Reserve (EAERR)** piloted in 2004 [**Japan** earmarked **250,000MT** of rice, recently **China** pledged **300,000MT** – cf **ASEAN Emergency Rice Reserve of 87,000MT**] and **ASEAN Food Security Information System (AFSIS)** initiated in 2003 and weave into AIFSF and SPA-FS
- Just completed *World Bank/ASEAN/ADB/FAO Study on **Enhancing Food Security in ASEAN: Policy Reforms, Private Investment in Food Supply Chains and Cross-Border Trade Facilitation***

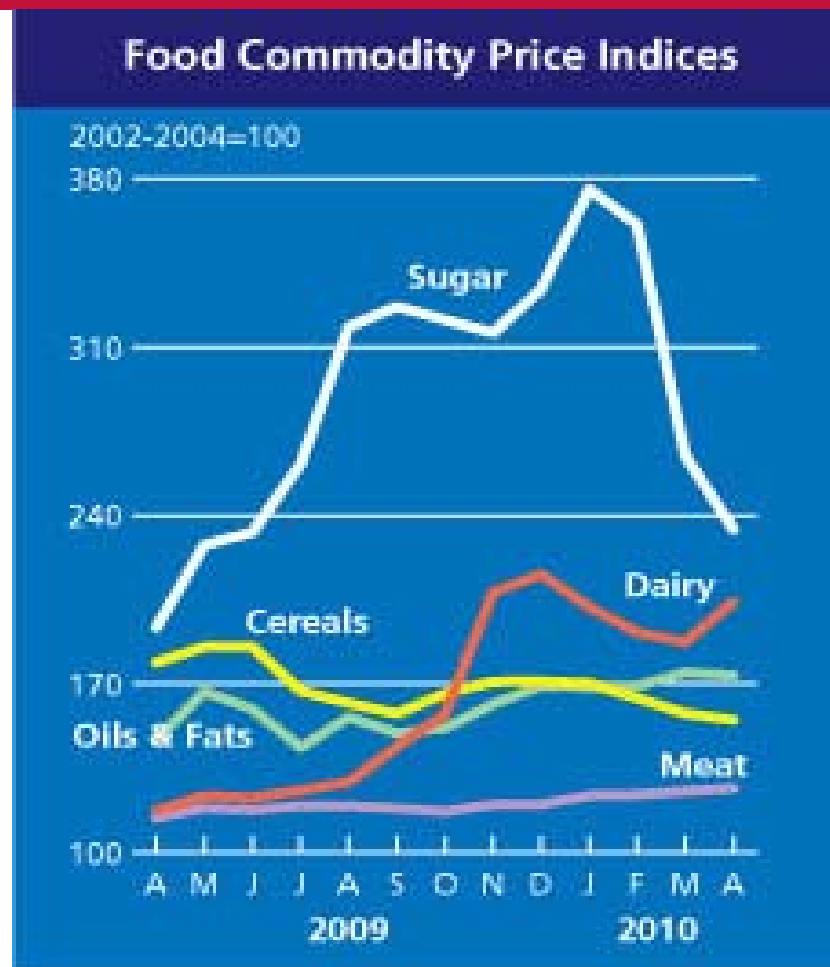
ASEAN OVERVIEW - 2008

(ASEAN as a production base as well as a market)

	ASEAN	China	India
Population (million)	583.7	1,338.6	1,166.1
Land Area (million km ²)	4.4	9.6	3.3
GDP (US\$ billion)	1,506.2	7.973 trillion	3.297 trillion
GDP Per Capita (US\$)	2,582	6,000	2,900
Exports (US\$ billion)	879.1	1.435 trillion	176.4
Imports (US\$ billion)	831.2	1.074 trillion	305.5
GDP Growth (%)	4.4	9.0	7.4

Source : ASEAN Secretariat & World Fact Book

FAO's FOOD PRICE INDICES By Categories



Source: FAO (2010)

World Bank's Classification – Cereals, Oils & Fats, and Other Food (meat, sugar, beverages, etc)

THE ROLE OF THE PRIVATE SECTOR –Strategic Thrust 2 – Towards Promoting Food Market & Trade

- **Bello (2005)** - Ensuring Food Security via **ASEAN Integration** (focused on rice, maize and wheat)
- **Noraini (2007)** - **Food Safety** in Southeast Asia – Challenges & Response
- Mostly focus on what Governments can and should do.

However:

- *‘International Cooperation is far too important to be left to Governments alone’* ~ Willy Brandt
- Our Contention: One of the **key role** of private sector (on it’s own or through Public-Private Partnership) is to **develop, manage and orchestrate agri-food supply chains & regional trading networks** towards promoting Food Market and Trade and ultimately **ASEAN Food Security**

THE ROLE OF THE PRIVATE SECTOR (Cont'd)

- **TNCs** active in the region – Nestle, Cargill, Tesco, Carrefour – regional chains, export platforms, CSR, also CSV (**“Creating Shared Value”**)
- **Cross Border Investments** – ASEAN Business Council (ASEAN Business Advisory Council); Business Angel Network of Southeast Asia (BANSEA); Malaysian South-South Association (MASSA)
- **Comprehensive Cross Border Investments** - along entire supply chain(s)
 - **Oil Palm** – FELDA, Sime Darby, KLK, SinarMas
 - **Livestock** – Charoen Pokphand Group (in Malaysia, Indonesia, Viet Nam, Cambodia, Myanmar – animal feed, layers, broilers, pigs, shrimp); Leong Hup Holdings (in Indonesia, Viet Nam – animal feed, layers and broilers).
 - Initial step is to supply host country's market – subsequently integrate sourcing of inputs and marketing on regional basis
 - **Rice** – more sensitive – need to **stabilize supplies & prices** of BOTH **domestic and international (export/import) market** – to balance the interests of farmers, consumers and regional food security – examine examples of exporting and importing countries.

RICE : Public-Private Partnership a la Myanmar

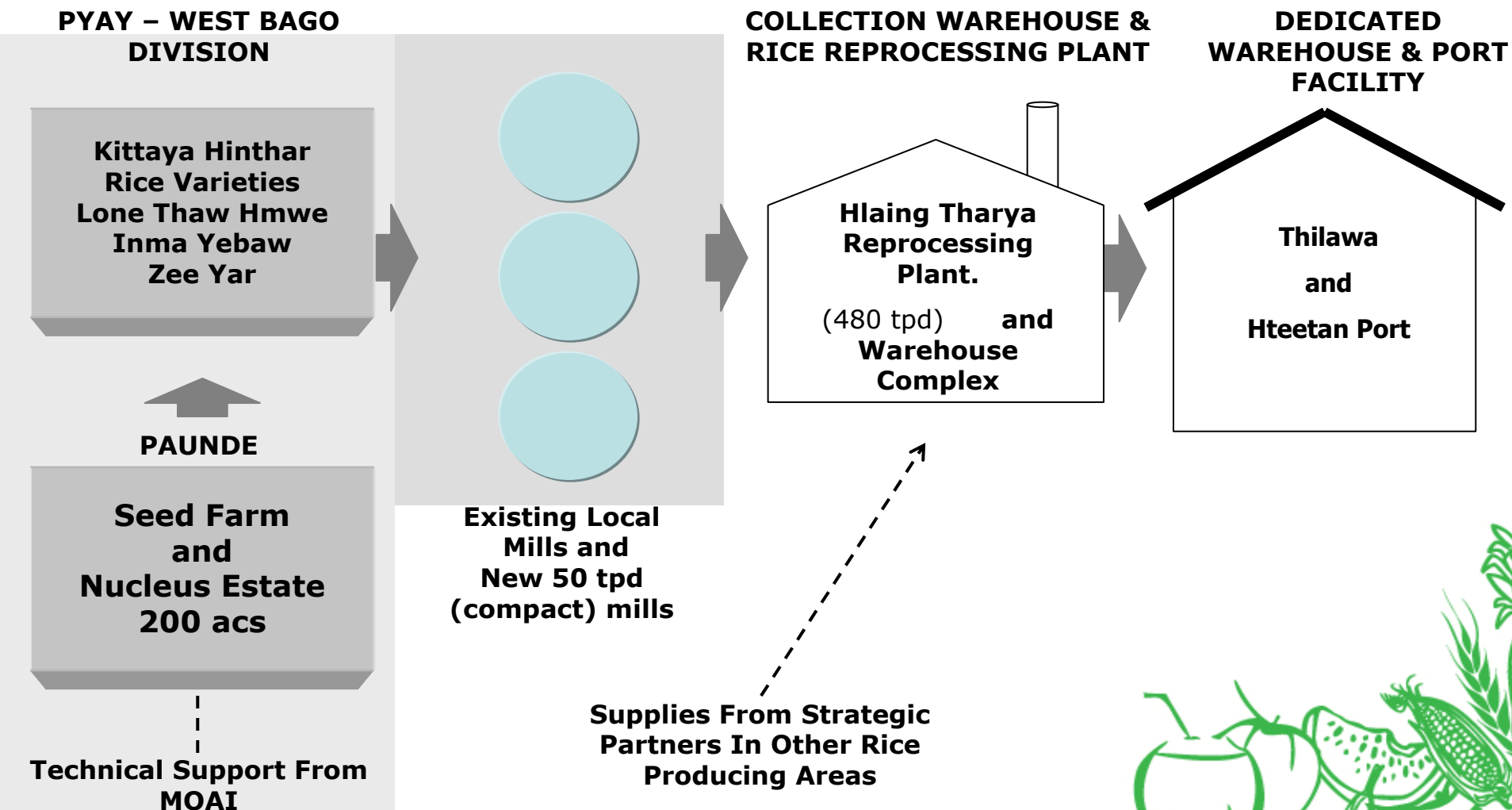
Min Of Agric & Irrigation together with Min Of Commerce initiated this program in 2009-10 rice season

- 1) **MOAI** provides pure lines for multiplication of **good/certified seeds and technology**
- 2) **MOC** provides **trade and marketing services**

The state encouraged the formation of **27 rice “leading companies”** for improvement of rice supply chains – increasing productivity, production, quality, traceability, innovation, and **transmission of prices and benefits back to 30,000 farmers and players along supply chain.**

The most innovative is **Ayeyar Hinthar Group** and its subsidiary **Kithayar Hinthar** formed with **48 local partners in Pyay** which **galvanizes the upstream activities in Pyay, West Bago..** Provides seasonal loans, credit- in- kind in terms of seeds and chemical inputs, contract farming around its nucleus estate

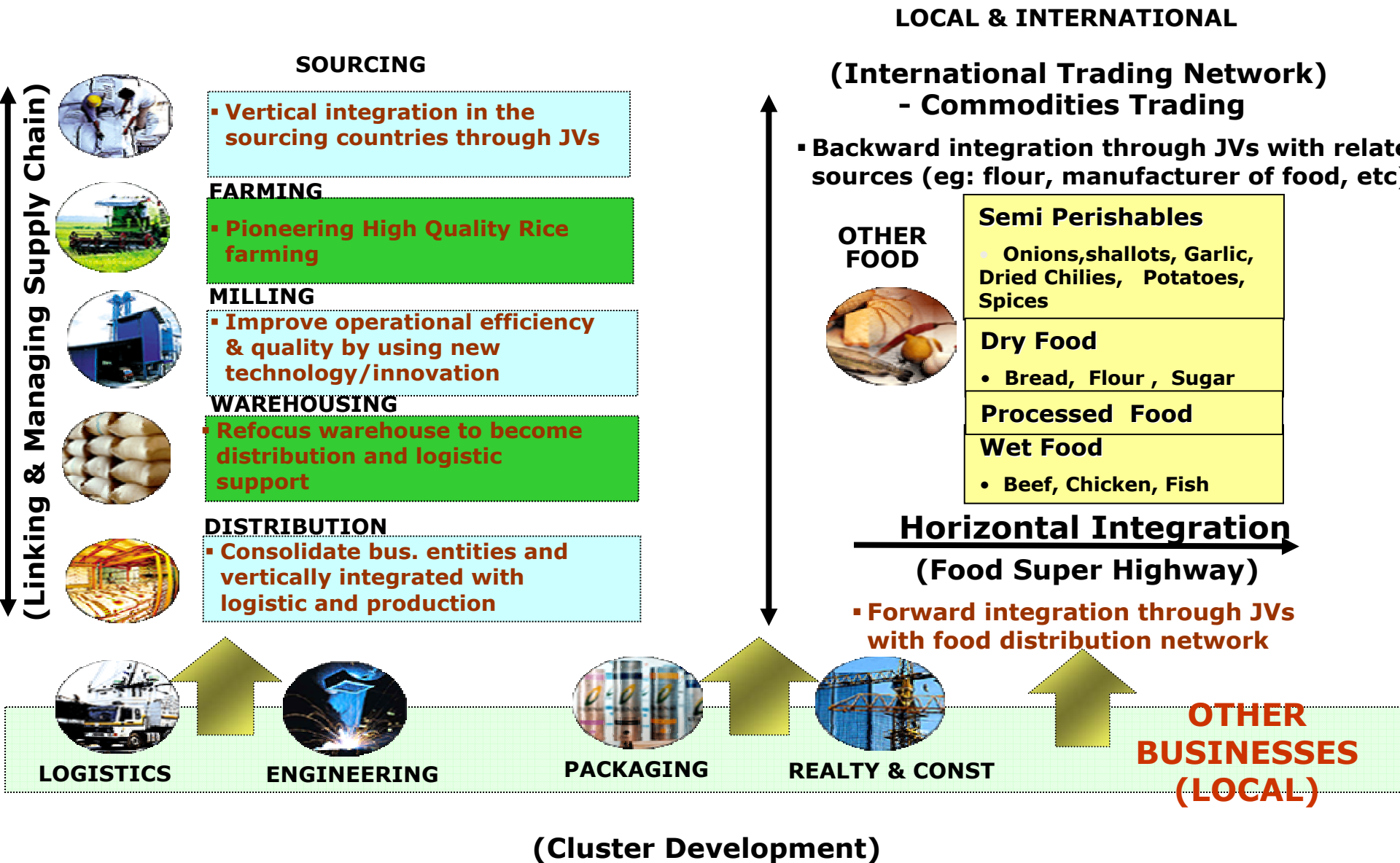
Ayeyar Hinthar Comprehensive Rice Supply Chain



Components of Comprehensive Rice Supply Chain

1. Paddy **seeds – production** of good/certified seeds – at **Paunde** – supported by **Hmawbe (MOA&I) seed center**
2. **Seed Processing plant (next phase)**
3. Paddy farmers **training center and field laboratory** (Applied R&D) – planning stage
4. **Commercial Rice Production**
 1. Nucleus estate at Paunde and system of out-growers/contract farmers (currently >3,500 acres)
5. **Milling - Upgrading of existing mills** around **Pyay** and construction of **reprocessing plant (Hlaing Tharyar)** and port facilities (for export) at Yangon
6. **Branding/quality control** - Special brands by rice variety for Pilot Project area rice, emphasizing food safety and traceability.
7. Balancing **Domestic Distributive Trade** (to retail outlets and supermarkets) and **Exports** – including forging strategic alliances in domestic and overseas market

FROM RICE SUPPLY CHAIN TO FOOD SUPER HIGHWAY (Rice Importing Country)



MOVING FORWARD

The above account demonstrates what is possible and indeed being implemented at various degrees in different ASEAN countries – to underscore the **basic need to engage the private sector** – who on their own accord has already positioned themselves to utilize **ASEAN as both a production base and market**. This can be **leveraged to enhance ASEAN Food Security**.

Simultaneously, other Immediate, mid-term, longer-term efforts should include:

- **Supply-side** – **supply response** to price, exploit **biotechnology & innovation, infrastructure, rationalize/repackage subsidies, encourage public-private partnerships** – along entire **supply chain**
- **Demand-side** – reduce demand (reduce **wastage**, especially at consumption level), consumption, **diversify diet** - supplement with other staples/carbohydrates (e.g. sweet potato) – also **eat < meat** & switch from **terrestrial livestock to seafood/aquaculture** (more efficient feed conversion ratio)
- Strengthen & orchestrate **rice supply chains and international networks**

CONCLUSION

- It is prudent to **recognise** the **new dimensions in food security** and the potential **role of the private sector** as well as the **need to 'get the basics, balance, and functionalism right'** - between public and private sector (as well as civil society and international agencies) efforts in **enhancing ASEAN Food Security** and sustainable development
- Relatedly, the **increasing private sector efforts** in integrating increasingly ASEAN-wide modern farming and modern economic activities along **agri-food supply chains** and **international trading networks** could and should be **harnessed and leveraged** to complement and supplement on-going Government efforts and included in a **more holistic multi-sectoral approach** to **ASEAN Food Security**



CONCLUSION (Cont'd):

- Therefore, **guardedly optimistic** ASEAN's **ability to harness and exploit opportunities** in relation to the **new dimensions** and **dynamic changes** in **Food Security**. The dynamic interplay between the various drivers of development of supply chains and international webs/networks, strategy for future food systems and evolving technology and innovations can and should be harnessed **to generate wealth, income and stability** and hence **ensure food security at the local, national, and regional levels**.

“Markets open to Trade, and Minds open to Ideas will be the final battleground” - Victor Hugo



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