

## SERD POLICY TALK (SPOT)

EVENT SNAPSHOT 

## About SPOT

ADB's Southeast Asia Regional Department features conversations on new ideas and developments beyond office walls. SPOT aims to inspire people to explore issues outside their normal area of work, encourage active interaction among the participants, and ignite debate from varied perspectives and approaches.

## Event Details

### Reinvigorating the Agro-processing Industry

29 April 2021 | 3:30 pm – 4:30 pm  
(Manila time) via MS Teams

Speakers: **Takeshi Ueda** Principal Natural Resources and Agriculture Economist, SEER

**Michiko Katagami**, Principal Natural Resources and Agriculture Specialist, SDTC-AR

**Carine Donges** Investment Specialist, OPSPD

Moderator: **Srinivasan Ancha** Principal Climate Change Specialist, SEER

#### FURTHER INFORMATION:

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Copies of the video can be viewed [HERE](#).

## REINVIGORATING THE AGRO-PROCESSING INDUSTRY

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**BACKGROUND.** Agro-processing has tremendous potential in Southeast Asia, and with Asia-Pacific a huge market, it can create many business opportunities. To harness this potential, studies have traditionally focused on post-harvest, industry, or value-chain analyses. But the coronavirus disease 2019 (COVID-19) lockdown measures have created a shift towards studying the circular economy, waste-to-energy potential, and post-harvest reduction aspects of the industry. Advances in agro-processing can contribute to the UN's Sustainable Development Goal 12, which is to ensure sustainable consumption and production patterns, and foster inclusive growth.

**KEY CHALLENGES.** Agriculture's contribution to GDP has been declining in Southeast Asia. However, the sector remains an important source of employment, generating jobs through a multiplier effect in agriculture-based value chains. Though the region has natural advantages in the availability of arable land and workers, there are multiple challenges hindering the growth of agriculture and agro-processing, which were present even before the pandemic:

**Lack of capacity to process raw materials.** Despite abundant raw materials in the region, some countries such as Cambodia, which grows cassava, cashew, and pepper, are not able to process raw materials into higher-value products.

**Weak agriculture-based industrial sector.** A strong agriculture value chain provides stability to the overall economy. Moreover, an economy that can produce a variety of foods will be more resilient in times of economic shocks.

**Gaps in procurement.** Because the supply chain is fragmented and inefficient, the agro-industry must find ways to support smallholder farmers in acquiring agriculture inputs, modern machinery, and capacity needed to ensure adequate volume and high-quality products.

**Infrastructure gaps.** The agro-industry needs to address gaps in transportation, distribution, storage, and access to potable water and reliable electricity, while remaining competitive against multinationals and large regional players.

**Access to timely short-term financing.** With COVID-19, liquidity has become the main issue for the agro-industry as it strives to fill procurement and infrastructure gaps. COVID-19 has also heightened the need to finance PPE and higher transportation costs, and for more working capital (e.g., to pay for inventories to cope with supply chain disruptions and advances to farmers to secure harvest).



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Smallholder farmers generate more income through increased agriculture product in Thbong Khmum Cambodia (Photo by Chor Sokunthea).

## ADB Support to Agro-processing Industry



Family harvesting cabbage together in the highland farms of Atok, Benguet, Philippines (Photo by Al Benavente).

**Nonsovereign operations.** It was mostly for capital expenditure loans for extension programs pre-COVID-19. ADB is responding now by providing liquidity support or short- to medium-term financing to agro-processing companies. ADB has directly supported 5 agri-business companies for \$150 million in 2020.

**Sovereign operations.** ADB supported SME financing, soft and hard food safety infrastructure investment, and rural connectivity to create better business environment. ADB has connected primary producers to agro-enterprises. It has helped governments improve productivity and organize farmers to group together to maintain the same standard and gain access to market and finance to scale up production in Southeast Asia. A new business model for ADB is to bring together the buyers, logistics providers, and finance in the light of market closures due to COVID-19. This model has helped 540 people in India through a cooperative.

**Lengthy value chains.** Companies opt to import rather than procure locally, which is costlier and involves a lengthy process before the harvest gets to the market.

**Aging labor.** Labor issues include not only an aging labor on the production side but also on the delivery side. Workers are also getting sick due to COVID-19.

**KEY MESSAGES.** We highlight how governments, the private sector, and the Asian Development Bank can help reinvigorate the agro-processing industry.

**Role of the government.** Governments have a critical role in ensuring the private sector operates smoothly during COVID-19 pandemic. One way is to ensure the flow of products by removing bottlenecks in securing permits or licenses and access to roads in different cities in the case of mobility restrictions due to COVID-19. Maintaining a free trade regime is another way to ensure the supply of essential goods and products across Southeast Asia. Governments also need to modernize the agriculture sector and help farmers gain access to digital technology. Removal of procurement and infrastructure gaps will help agro-processing companies to focus more on safety and quality issues.

**Role of ADB and other development partners.** It is critical in the longer term for sovereign and nonsovereign operations to join forces to have a bigger and longer lasting impact on all the stakeholders involved in the agro-processing industry. An important role is not only to help the industry recover from COVID-19 pandemic but to increase its competitiveness as well. Growth in the agro-processing industry should be inclusive to benefit many groups across the country. Consultations with the private sector aside from the government can reveal ways to improve the business climate. Here are some ways to help the agro-processing industry in post-COVID-19 recovery:

- Provide technical and vocational training for agriculture aside from financing;
- Help farmers to catch up with innovative methods or approaches;
- Provide timely finance to small agribusinesses or SMEs to help them expand and invest in better methods and better technology;
- Help farmers or growers group together whether as a cooperative, a farmer producer company or organization to enhance their ability to invest or get better prices;
- Support capacity building of cooperatives to make them commercially-minded; to get involved in relevant value chains;
- Work with government on policy interventions to promote public-private-producer partnerships so cooperatives could be an important partner; and,
- Look into digital technology plus face-to-face intervention to reach certain social groups and bring them into the value chain.